The Effect of Environmental Policy by Considering the Mediating Role of Customer Satisfaction and Loyalty

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ABSTRACT

This thesis aimed to explore the effects of environmental policies (EP) on three dependent variables including customer satisfaction (CS), customer loyalty (CL) and market performance (MP). It also investigated the effects of employing EP on hotel market performance by considering the mediating role of customer satisfaction and customer loyalty in this relationship. Through a quantitative research method, a survey questionnaire administered to international tourists and managers of five star hotels in Northern Cyprus. For the purpose of this study, eight hypotheses were tested and the result of the analysis revealed that six hypotheses supported and two rejected. In the meantime, to test the hypothesis, structural equation modeling was also used. Results demonstrated that managers should increase the applicability of EP and green practices in their hotel to enhance the customer satisfaction and loyalty. According to the findings of the study, EP increases customer satisfaction, customer loyalty and market performance directly and indirectly through mediating role of CS. The relationship between CL and MP didn't not support as well as mediating role of CL between EP and MP. These inconsistencies of the result can explain regarding the characteristics of hotel industry in North Cyprus. Hotel industry in North Cyprus needs to improve their performance.

Keywords: Environmental Policy, Customer satisfaction, customer Loyalty, Market Performance, Northern Cyprus.

ÖZET

Bu çalışma, çevre politikalarının (ÇP) üç bağımlı değişken üzerindeki etkisini araştırmayı amaçlamaktadır. Bu değişkenler; müşteri memnuniyeti (MM), müşteri sadakati (MS), ve piyasa başarısı (PB). Çalışmada ayrıca ÇP istihdamının otel piyasa başarısı üzerindeki etkisi, MM ve MS'nin bu ilişkideki rolü de göz önüne alınarak incelenmiştir. Nicel çalışma yöntemi kullanılarak, Kuzey Kıbrıs'taki beş yıldızlı otel yöneticileri ve uluslararası müşterilerine bir ölçek uygulanmıştır. Çalışmanın amacına uygun olarak sekiz hipotez test edilmiştir. Yapılan analizler sonucunda altı hipotez desteklenmiş, ikisi reddedilmiştir.

Hipotezleri test etme aşamasında, yapısal eşitlik modellemesi ayrıca kullanılmıştır. Sonuçlar göstermiştir ki, MM ve MS'nin artması için yöneticiler otellerdeki ÇP ve yeşil pazar uygulamalarını artırmalıdır. Çalışma sonuçlarına gore ÇP; MM, MS ve PB'yi direkt ve MM'nin etkisiyle dolaylı yoldan etkilemektedir. MS ve PB arasında anlamlı bir ilişki bulunamamıştır. Bunun yanında ÇP ve PB arasındaki ilişkide MS'nin dolaylı rolü desteklenmemiştir. Sonuçlardaki tutarsızlıklar Kuzey Kıbrıs otel piyasasının niteliklerini açıklayabilir. Kuzey Kıbrıs'taki otel piyasası kendini geliştirmelidir.

Anahtar Kelimeler: Çevresel Politika, Müşteri Memnuniyeti, Müşteri Sadakati, Pazar Başarısı, Kuzey Kıbrıs

ACKNOWLEDGMENT

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

Chapter 1

INTRODUCTION

Overview

Environmental policies play important roles in today's world regarding the importance of global warming and increase in pollution and population density around the globe. Every industry has to take into consideration the importance of environmental related issues. Tourism industry as one of the most prominent players beholds the heavy responsibility in dealing with this issue. Hospitality industry is also between the responsible players in concerning environmental related subjects. Hospitality industry increases the pollution process of particular destination. Hotels' wastes add the pollution to the environment.

Considering customers' awareness in global warming, hotels have to employ the appropriate environmental policies to decrease the negative impacts on environments and simultaneously increase the customers' satisfaction and loyalty. As suggested by profit chain model (Satisfaction→Loyalty→Performance) (Anderson & Mittal, 2000), increasing customers' satisfaction directly affect positively on customer loyalty; loyal customers are willing to pay premium price and stay with the hotel so hotel's market performance in the industry will grow up.

Therefore this study tries to investigate the effects of environmental policies on profit chain model to evaluate the performance of hotels in the market. This study uses

thepool of five star hotels in North Cyprus as the study setting through environmental management system theory. This study conducts the quantitative study toward deductive approach. Study data will be analyzed through structural equation modeling. Tourism sector with its increased growth is one of the businesses which effect on ecological environment. According to Cruze and Rodriguez in 2007, tourism sector with overusing the natural resources, high energy consumption and also disturbing the ecological environment faces high responsibility to implement tourism activities sustainably.

High numbers of researches mostly focus on environmental activities in manufacturing companies because of their high negative impacts on environment. Therefore it is required to research on the environmental issues in service segmentation as well. Céspedes-Lorente and De Burgos-Jiménez (2004) cited in their studies which there are a link between hotel industry and tourism sector where Wong (2006), this industry makes pollution less than other industry and utilize low amounts of natural irreversible resources thus lower negative impacts exist and also ecological problems faces this industry uniquely because, according to Chan and according to Carmona-Moreno et al., (2004) and Font (2002) because of high intangible effect of hotels activities on environment there are scarce environmental rules in countries so it makes an appropriate field for those managers are willing to act selectively in a sustainable way.

Furthermore, delivery of service in hotel industry has direct influences on customer so they are disposed to feel environmental activities during service delivery which thus, this environmental activities effect on quality of service and customer satisfaction. This relation also can effect on customer loyalty and consequently hotel

market performance. With regard to ecological subjects, to date every organization or industry tries to accept and apply environmental policy to make their function sustainable (Hawken, 2005). Concerning about environmental problems was begun during 1970s to enhance the ecological issues in earth planet (Aragón-Correa, & Sharma, 2008; Chan & Wong, 2006) and it was mentioned in universal meetings in year 1992 in brazil and also in 2009 in Denmark under supervision of UN organization (Hsieh, 2012) that is why different pro-environmental groups tried to induce organization to act environmentally with adequate deployment of natural resources (Chan & Wong, 2006).

In contrary of existing a large number of study in environmental activities and numerous study in related to customer satisfaction and customer loyalty there are little literature on examining the linked between environmental activities and level of satisfaction and loyalty of customers. (Orie Berezan,et al., 2013, Pg. 229). Therefor this study can contribute to current literature of aforementioned relation. Finally, this is the first study which investigates the aforementioned relation in north Cyprus hotel industry.

1.1 Research Philosophy

To assess the environmental activities in hotel sector, environmental management system displays a critical role. The term EMS is created for combination of environmental conscious with green industries improvement (Mori & Welch, 2008). The concept of EMS included the internal division commitment of organization, policies, process, resources and implementation. It also strives to deal with environmental protestations by help conserve the environment and nature (Salmi, 2008). Employing evaluation system to assess the environmental activities is

3

provided to conserve the environment as it aims to minimize the negative outcomes of overusing the resources (Chan, 2011; Dief & Font, 2012).

This thesis test a conceptual model based on profit chain model of Anderson and Mittal (2000). This study examine the effect of EP on CS, CL, MP directly and the effect of EP on MP by considering the mediating role of CS and CL.

1.2 Purpose of This Study

This research aims to investigate the effect of employing environmental policy on hotel market performance by considering the mediating role of customer satisfaction and customer loyalty in relationship between environmental policy and hotel performance in North Cyprus hotel industry. The consequences of this study may help the pro- environmental hotel managers to promote and improve their sustainable activities and it also may motivate non- pro-environmental hotel managers to apply these activities in order to having high performance and protecting the environment.

1.3 Significant of this study

Generally, the environmental policy is new term in hotel industry in few resent years which many researchers try to work in this topic. Hence, this study can contribute in this scope by investigating the relation between environmental policy and hotel performance. The effect of environmental policy on performance of a hotel has been mentioned in little studies (Mensaha et al., 2013). Researchers For instance Enrique Claver-Cort ´es, in (2009) researched on this topic. Another empirical research by Molina-Azorı´n (2009) examined hotel performance in related to environmental policy in hotel sector.   But there is no study which empirically investigated the role of customer satisfaction and customer loyalty as mediators in relation between employing environmental policy and hotel market performances.

1.4 Methodology

A quantitative research method will be utilized in this study. Data collection will be achieved through distributing a survey questionnaire to the customer and managers of five stars hotel in north Cyprus .There are decisive indicators of environmental policy in hotel industry such as customer satisfaction, customer loyalty, and market performance of hotels in tourism industry. Descriptive data analysis will be employed in this study. To this end, applying model of Likert scale will be suggested. This study evaluated its conceptual model through structural equation modeling.

1.5 Organization of the Study

Introduction is the first chapter which is about the philosophy of this research. It divided into literature, research philosophy, aim, significant, method and data analysis and outline of study. The next chapter named literature review which provides wide-spreading information about environmental policy in related to tourism and hospitality and its effects also on customer satisfaction, customer loyalty and finally, market performance of hotel. Next chapter is about case development. In Chapter four the model and all hypotheses will be described. Method of study and data analysis will investigate in chapter five. Chapter six will discuss the result of analyzed data and contains conclusion. This chapter will mention the limitation and give suggestion to future studies.

Chapter 2

LITERATURE REVIEW

Overview

This chapter provides information about the study theoretical framework, study variables such as customer satisfaction, customer loyalty, and consequently market performance of hotel in tourism industry.

Tourism is the travel for recreational, leisure, family or business purposes, usually of a limited duration. Tourism is commonly associated with trans-national travel, but may also refer to travel to another location within the same country. The World Tourism Organization defines tourists as people "traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes (UNWTO, 2013).

Tourism has become a popular global leisure activity. Tourism can be domestic or international, and international tourism has both incoming and outgoing implications on a country's balance of payments. Today, tourism is major source of income for many countries, and affects the economy of both the source and host countries, in some cases it is of vital importance.

Tourism is an important, even vital, source of income for many countries. Its importance was recognized in the Manila Declaration on World Tourism of 1980 as

an activity essential to the life of nations because of its direct effects on the social, cultural, educational, and economic sectors of national societies and on their international relations. (Ward et al, 2007)

Tourism brings in large amounts of income into a local economy in the form of payment for goods and services needed by tourists, accounting for 30% of the world's trade of services, and 6% of overall exports of goods and services. It also creates opportunities for employment in the service sector of the economy associated with tourism. The service industries which benefit from tourism include transportation services, such as airlines, cruise ships, and taxicabs; hospitality services, such as accommodations, including hotels and resorts (Beaver, 2005).

Actually, sustainable tourism is a method by which all sort of tourism can achieve more benefits through environment, society and economy (Lozano-Oyolaa, et al., 2012). In this way, according to World Tourism Organization (1993) all the efforts by tourism sector should concentrate on managing the resources in a way to meet society's and economy's needs, and also give value to biodiversity, the cultural integration and needful environmental process.

2.1 Tourism Marketing

Tourism industry like other industries involves in marketing agenda as tourism marketing to adjust the required demands based on importance (Smeral, 1998). Main tasks of tourism marketing are to market the country as tourism destination and also improve its image in a positive way overall. Different externalities, internal factors and economic elements can effect on the destination's image (Smeral, 1998).

The main aim of all internal and external factors should be through improvement of destination image. As a result of improvement, destination attracts high tech manufacturing and high tech service businesses (Smeral, 1998). After this process, performance of internal organizations steps in the process. In this step customers' satisfaction and loyalty depends on well-operated activities of internal businesses regarding the external forces and policies (Smeral, 1998).

Environmental policies as the most important and outstanding policies based on today's world prerequisite is vital in businesses' operations. The growing impacts of tourism activities on environment became as the most outstanding topic in the world. Environmental issues became important in the tourism and traveling literature regarding the globalization process (Hjalager, 2007).

Globalization defines as the increasing interaction between societies, economies and civilizations (Hjalager, 2007). Globalization is absorbed into every sector and industry through restructuring process. So, environmental policies as the restructuring tools of globalization affect the profit chain model adoptability in different industries (Hjalager, 2007). Hotel industry as one of the industries deal mostly with profit chain model is taken into consideration. Having full understanding from elements of profit chain model (e.g. customer satisfaction, loyalty and performance) is valuable.

2.2 Theoretical Framework: Environmental Management System

In recent twenty years, there was a line of changes in use of resources efficiently. There was an important focus on resource productivity and business resources usage. According to Weizsacker et al. (1997) if the companies and people use the resources

at the current rates, three more planets with worth of resources will require to serve the people.

Nowadays technology plays the important role in solving the environmental problems. Environmental management is not only the environment friendly activities but also about business profitability and success (Pil & Rothenberg, 2003). The firms' interest in earning profit and stay among the top market firms require Environmental management systems (EMS) engagement in the work structure. Most of studies considered EMS as the spring board for adopting green practices rather than simply participating stakeholders and public in environmental issues (Pil and Rothenberg 2003). Most of previous theoretical studies consider EMS at the decision section (Zeng et al. 2005; Prajogo et al. 2012; Delmas & Montes-Sancho 2011) not implementation but this study put step forward and try to analyze the effects of EMS on profit chain model. EMS has the potential in increasing the performance of the hotel and improve the perception of customers and managers heterogeneously (Prajogo, Tang, & Lai, 2014).

Different people in various organizations can have different perspective and performance in response to EMS. EMS can heterogeneously differentiate the performance of each department in organizations toward environmental policies and practices (Rennings et al. 2006). EMS involves the formal framework in engaging corporate environmental oriented policies, programs and practices (Morrow & Rondinelli 2002). EMS can provide guidelines for different members of the organization from top managers to line managers, stakeholders, and customers whom environmental impacts affect their measurement.

9

The more the company implements the EMS practices and rules, the higher will be the environmental management policies and practices in the market against their competitors (Schneider et al. 2002). EMS defines as "intra-organizational diffusion as a process of understanding, using, and mastering the adopted technology" (Prajogo et al., 2014, Pg. 6). Changes of EMS in the organization embedded deeply to every single department and the end improve the market performance of the firms in the market (Prajogo et al., 2014).

2.3 Environmental Policies in Tourism Context

Environmental sustainability as the definite goal of every destination has been threated through environmental pollutions and problems such as loss of biodiversity, noise pollutions, shortage of water, wastes, and global warming. Environmental oriented behaviors and practices theory defines as the all types of behaviors change the structure of energy, materials and dynamics of ecosystem (Stern, 2000). Pro-environmental behaviors refer to those destructive usage or benefits from environment (Stek & Vlek, 2009).

Many organizations in all over the word try to make their activities green by applying environmental policies in their organization. According to Pride and Ferrell (1993) research, environmental activities refer to all practices in the organization which avoid having negative impacts on environment during manufacturing and marketing process. Another definition by Welford (2000) refers to a pre-environmental process demonstrates the responsibility of managers to recognize, predict and satisfy the customers' demands and needs in the society.

Based on Cruze and Rodriguez (2007), tourism sector overuse the natural resources, high energy consumption and also disturbing the ecological environment faces high responsibility to implement tourism activities in a sustainable manner. Tourism sector with its increased growth is one of the businesses which effect on ecological environment. Ecological environment and Tourism industry are in a relation which effect mutually on each other (Molina-Azorı́n et al., 2008). Developing tourism industry benefits the economy in one hand and makes disadvantages in other terms (Holjevac, 2003). Tourism sector is one of the most important industries as it has high positive effects on GDP of a country.

Although it has not always brought the high tangible benefits for tourism destination residents (Fortuny, 2008), but its impacts on developing the destinations is undeniable. Furthermore, tourism industry can have great influence on developing infrastructures such as road development and restructuring cases (Budeanu, 2005; Fletcher, 2008). Due to little knowledge, experience or absence of resources, there are numerous destinations which suffer of inability to manage and reduce the negative effect of activities in this sector (Buhalis, 1999).

This issue may degrades and destroy the natural environment, having negative effect on residents' life cycle and their culture. Tucker (2001) cited in his study which there is a conflict in this industry as tourism industry is able to perish its market' demand. For instance, the high level of attractiveness of a place put particular destination in high level of reputation, thus numerous visitors motivate to visit the sites (Hu & Wall, 2005), it consequently brought destructive results for destination (Hillery M, et al., 2001).

Indeed, this subject demonstrates that there are many over- crowded destinations with lack of adequate capacity to visit (Castellani et al., 2007). So, it is necessary for every organization in tourism industry to apply environmental policy in implementing their activity toward sustainable efforts and protect destination environmentally (Macarena Lozano-Oyolaa, et al., 2012). Actually, sustainable tourism is a method by which all sort of tourism can achieve more benefits through environment, society and economy (Lozano-Oyolaa, et al., 2012). In this way, according to World Tourism Organization (1993) all the efforts by tourism sector should concentrate on managing the resources in a way to meet society's and economy's needs, and also give value to biodiversity, the cultural integration and needful environmental process.

For this reason, it is essential to consider sufficient environmental policies for avoiding possible negative impacts. Because of this, planners try to develop their tourism efforts in line with conserving the environment and culture of society (Zhenjia, 2008). Blancas, et al., (2010) and Landford, (2009) mentioned the necessity of implementing adoptable plans for all sections such as privet or public sectors to contribute in promoting such sustainable activities .

In addition, according to Castellani and Sala (2010) study, the powerful role of government and stakeholders is fundamental to be successful in this process which may widely effect on tourist to be satisfying (Lozano-Oyolaa, 2012).

2.3.1 Environmental Policy Impacts

From more than two decades ago, tourism sector and hotel industry tried to concentrate on applying environmental policy, effectual energy consumption and

employing technological instrument during implementing their efforts in these sectors (Kallisch, 2002).

According to Erdogan and Baris (2007) because of the nature of hotel sector consuming significant amount of water, none-resistant goods, and energy is inevitable. Hotel industry is responsible as it effects on environment and society (Hua-Yen et al., 2013). Priego and Palacios (2008) declared that by increasing level of environmental conscious between all practitioners in this sector, applying environmental policies in this business acts as a predictor of success in developing sustainable hotel industry. Applying environmental policy by managers in hotel industry demonstrates the transforming from traditional concept of mass tourism to mostly new concept of sustainable tourism (Hua-Yen et al., 2013).

Managing with pre-environmental approach in hotel refers to long term process in which managers decide to control all efforts in this sector to be implemented in sustainable way and try to provide environmental plans to decrease the negative environmental effects to low level (Mensah, 2006). Other researchers such as Chan (2009), and Middleton and Hawkins (1998) mentioned that managers by employing the environmental policies in hotel monitor all actions to create environmental effects and develop many programs to reduce negative impacts.

Today, environmental policies and practices in hotel sector have essential role to being successful among other rivals in this industry, so it is required to employ such policies and practices which in turn enhance the performance of hotel by which fulfill the environmental needs of aimed market (Han, Hsu, & Sheu, 2010; L´opez-Gamero, et al., 2011).

According to research of Claver-Cort´es, et al. (2007) and Tar´ı, Claver-Cort´es et al. (2010), Implementing an effectual environmental policies and scheduled planned can have various influences on performance of a hotel. These influences divide to direct and indirect ones. Direct part consists of the plans and programs provided internally by managers while other part demonstrates the improved performance of a hotel in related to the competitors among hotels in particular destination.

2.3.2 Environmental Policy's Advantages

Employing the environmental policies by mangers in hotel can have many advantages such as achieving benefits of environmental -oriented market in compare with rivals by fulfilling customers' expectance, recognizing pro-environmental activities by media, deducting the current cost and the potential costs related to future, recognizing pro-environmental plans via all practitioners such as stakeholders, employers and environmentalist (Newman & Breeden, 1992). Therefore, as Chan and Wong (2006) and Kirk (1998) mentioned in their studies, managers by effectual employing environmental policies in the hotel can probably have positive effect on pro-environmental customers' perceived quality in related to hotel and tourism sectors services and products. According to Yen et al., (2013) employing environmental policies efficiently by managers can act as predictor of hotel success and create high level of competitive advantages against their competitors. Hence, applying such activates mostly provides balanced advantages for both natural environment and hotel mutually.

2.4 Customer Satisfaction

Due to availability of internet and broadcasting news, customers' awareness increase (Weissenberg et al., 2008). Aware customers are worry about the impacts of different industries on well-being of environment. Hotel industry as one of the most players in

environmental changing process has been overlooked by environmental practitioners, customers, and researchers (Tzschentkea, 2008).

In recent decade, hotel industry has been involved in incorporating green-environmental activities such as using local products and raw materials, recycling, using solar energy and etc. (Millar & Baloglu, 2008). Despite of importance of green-environmental practices, most of implemented practices in hotel organization are different from customer expectation from environmental movement and green practices (Millar & Baloglu, 2008). This contrast effects on customer return purchase. Most of researches focus on increasing number of their satisfied customers and retain their loyal customers (Karatepe, 2006). This thesis in contrast to previous studies tries to evaluate the effects of environmental policy as the study theory on increasing customer satisfaction and loyalty. Hotels can enhance environmental strategies to convince their aware customers in repurchasing behavior.

According to UNWTO (2011) report, in 2010 approximately 940 million of people traveled internationally estimate the growth to 1.6 billion up to 2020. It is required to be aware of customers' needs to make them satisfied if hotels want to have a pool of satisfied and loyal customer. Moreover, managers should understand satisfied and dissatisfied customer during delivery of service to develop quality of services as it can effect on perception of customers to keep them as their loyal ones for their hotel (Ro & Wong, 2012; Snellman & Vihtkari, 2003).

According to Oliver (1981) investigation, Customer satisfaction defined as general emotional and effectual customers' respond as result of experiencing the service. A study by Cronin (2000) showed customer satisfactions as a result of service quality.

Furthermore, Customer satisfaction can be increased regarding the environmental practices of hotels in providing hospitality practices.

Many hospitality organizations try to employ environmental practices to benefit from environmental advantages and beside that meet their aware customers' expectation (Swenson, 1997). Numerous studies examined the willingness of customers to participate in environmental activities. This showed the high degree of customers' awareness and conscious in regard to surrounding society (Swenson, 1997). As a result, those firms that employing environmental policies in their efforts, such as advertising their product, product packaging, are successful to have pool of customers with a level of satisfaction and loyalty (Yazdanifard & Erdoo, 2011). Being aware of such activities enhance hotel practices as it effected customers' perception eventually. Mostly about 90 percent of customer is willing to select an environmental-oriented hotel (Mensah, 2004). Concerning about environment among customers has effected on customers' expectation to receiver product and services which aimed at sustainable environment.

According to Power, (2009) investigation, customers' satisfaction in hospitality industry in North America reported mainly on environmental oriented activities of hotels; this study report 66% of customers are aware of environmental oriented hotel as the chosen firms. This shows an increasing growth in compare to previous year as 57%. In addition, about 72 percent of customers participated in environmental activities in hotel. Laroche, et al., (2001) cited by increasing level of customers' attention about environment problems; researcher tried to evaluate whether customers' concern effect on market or not. Such environmental- oriented customers

normally are average age, female and mostly are educated (at least graduate from high school), and also they are from upper-class in society.

Environmental policy in the hotel also influences on customer decision to select a hotel. On the contrary, Kasim (2004) assess the research in Malaysia demonstrates that, customer in environmental-oriented hotels were aware of such activities but they had not selected their hotel based on pro-environmental activities. In fact, a large number of customers desired to select a hotel with non- environmental approach in comparison with pre-environmental hotels, but recent studies indicated that customers are willing to feel specified pro-environmental attributes in hotel during service delivery which is called "basic" attributes. Therefore, hotels should consider such basic attributes as it effects on customer satisfaction. Also "plus" attributes also have high level of influence on satisfying the customers (Robinot & Giannelloni, 2010).

Butler (2008) cited that hoteliers before employing environmental policies in their hotels activities expected to have high level of customers demand and low level of operating cost. Barsky (2008) mentioned that customers are interested in and care about the environmental activities employed in the hotels. In addition, such environmental activities effects on customers' decision to select an environmental hotel or effect on them to pay more.

According to the result of study by Barsky (2008), price is the pivotal factor in selecting a hotel; so unfortunately, it seems that many customers are not willing to pay extra money to support environmental activities. Similarly, kirk, (1995) claimed that employing environmental policies in small hotels required high level of cost

which can effect on price-sensitive customers buying purchase and will lead to switching behavior consequently in order to not pay extra for supporting environmental activities.

In the contrary, Baker (1996) and Tynan, (2009) mentioned the willingness of many customers to receive pro- environmental services and pay extra for the cost related to these type of services. Furthermore, a study by Barnes, (2007) indicated that customer with a degree of awareness about environmental activities mostly are aware of the cost related issues for implementing environmental policies thus they are interested in paying more for supporting these activities. Customers who are willing to stay in the pro-environmental hotel desired to receive appropriate services so that hoteliers must deliver the sustainable services in a way that conserve the quality of services to make them satisfied (Kirk, 1995).

2.5 Customer Loyalty

Based on extant marketing literature, it can be understood that satisfied customers can influence on customer loyalty. Today, regarding the intensive competition hospitality market between organizations achieving competitive advantage became more challenging.

Numerous organizations concern on retention of their satisfied customers as retaining of repeated customers cost less than acquiring new ones with the same expectation and satisfaction level (Kotler & Keller, 2012). According to Skogland and Siguaw, loyalty refers to "A deeply held commitment to re-buy or patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand-

set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior" (2004, Pg. 223).

Customer satisfaction can effect on customer to be loyal. Loyal customers will be less willing to show the switching behavior to other branded hotel. Based on a study conducted by Skogland and Siguaw (2004), it doesn't seem that satisfaction of customers have actual influence on loyalty of customers in contrast to those who predict this relation. The assumption in this study shows that by increasing high degree of satisfaction, the probability of changing satisfied customers to loyal one increase as well. The result of (Skogland & Siguaw, 2004) indicated high level of satisfied customers in compare to regular customers in showing loyalty behavior.

Based on study of Bowen and Shoemaker (2003), the term loyalty described in the large number of marketing studies and then in hotel industry. In hotel industry, Mostly unsatisfied customers are not willing to return to the hotels which their efforts could not satisfy customers' expectations. In contrast, there are customers with a level of satisfaction that may cause the hotels to be concerned about switching the satisfied customers because of hotel's competitors' effort. The hotel competitors' effort can effect on customers to be uncertain to retain or switch (Torres & Kline, 2006).

Gracia et al (2011), and Lee and Back (2010) mentioned that retention of customers to a hotel with specific brand is related to loyalty. Management in hotel industry has essential role to recognize factors which make customers loyal. For instance hotel managers should provide high level of trust in customers' mind. In many studies it was mentioned that satisfied customers can link to loyalty of customers which can result in re-buying intention of customer thereby effects on developing a business

such as influencing on a hotel to be successful and having acceptable performance (Han et al., 2008; Shoemaker & Lewis, 1999).

In related to the hotels that employ environmental policy, a result of research conducted by Robiinot's and Giannelloni's (2010) demonstrated that customers considered reutilizing of towels and linens in environmental hotel as basic attributes because they desired to face this attributes and lack of these attributes influenced on satisfaction of customer negatively. In contrast, customers considered environmental activities, such as reproducible energy as plus attributes can influence on satisfaction of customer, and also achievement of hotel in compare to competitor in conserving loyal customers. Berezan et al. (2013) investigated that how environmental activities influence on guests from varies nationality in related to level of their satisfaction and returning intention in environmental hotel industry. The result indicated that environmental activities have positive effect on satisfaction of guest and guests' intention to revisit the hotel.

In related to environmental policy and customer loyalty Deniz Kucukusta, et al. (2013) mentioned that Appling strong "corporate social responsibility" policies effect on customer to be loyal. Actually, it can have positive mutual effect on both corporate performance and satisfied customers (Lee & Heo, 2009).

Managers with top degree of management should be committed to environmental efforts strongly as it can effect on sharing environmental values and hotel climate. Those efforts demonstrated the perception of managers for supporting sustainable works instead of only having cost -down perception, shows strong commitment of managers to environment which thus positively effects on employees' perception to

20

understand top level of commitment in hotel (Chou, 2013). Consequently, managers can enhance perception of employee through environmental attitude, employees' reaction in involving in environmental-oriented process increase positively and it can cause effective result on satisfaction of employees (Hoffman, 1993).

2.6 Hotel Market Performance

Many firms try to develop and use such strategies to increase their market performance. Using environmental oriented strategies and policies have the potentials in improving the market performance of the organizations in industry. Tourism industry as one of the most player on this ground have been consider combing environmental issues for sustainable profitability (González-Benito et al., 2014).

Tourism sector is one of the most important industries as it has high positive effects on GDP of a country. Developing tourism industry benefits the economy in one hand and makes disadvantages in other terms (Holjevac IA, 2003). Although, according to Fortuny (2008) it has not always brought the high tangible benefits for tourism destination residents. Furthermore, tourism industry can have great influence on developing infrastructures such as road in destination (Budeanu, 2005; Fletcher, 2008).

Generally, the most of manufacturing industries were explored in related to causing the environmental problems and there was less attention to the service sector as "the silence destroyer of environment" (Hutchinson, 1996). Hotel industry as the sub sector of large industry of tourism has high contribution to cause negative impact on environment (Graci, 2010).

Based on Chen et al. (2014), environmental management system increases the corporate social responsibilities in elated to the market and industry; this evokes the customer satisfaction for long term profitability in the market. Most of hoteliers reported the positive growth in the market performance due to the implementation of efficient EMS in their organizations (Graci, 2010; Chen et al., 2014; González-Benito et al., 2014). Environment oriented strategies and policies consist of high volume of demand volatility, innovation, competitive rivalry, technological changes and etc. all of these although increase the costs of organizations but at the end the upcoming benefits will be more than the weighted costs (González-Benito et al., 2014).

In most of countries, government forced the tourism related organizations to engage in EMS and environmental policies (Orlitzky et al. 2011). Alxthough empirical studies investigated a lot on environmental policies, social corporate responsibilities and market performance (Orlitzky et al. 2011; González-Benito et al., 2014; Chen et al., 2014; Budeanu, 2005), but there is a dearth in marketing literature to evaluate the effects of environmental policies on profit chain model through assessing EMS as the theoretical framework.

Those firms understand the market problems regarding their market orientation activities participating EMS and environmental policies in their planning and management structure. These firms based on Zhou et al. (2008) achieve competitive advantages in their market performance in related industry. Placing the highest priority on market oriented demands to value the customers and firm affect directly on market performance of the firm positively (Kirca et al. 2005).

Environmental problems such as global warming increase the social awareness about the negative consequences and outcome of it on life and market so forming urgent solutions can be the best way to reduce the future failures (Crittenden et al. 2011). Engage in the green activities in market oriented firms increases its position in the market as one of the most social aware companies in the market. Customer will also pay attention to those firm involved and participate in solving the problems (Chan et al. 2012).

Environmental problems make negative impact on the world due to industrial efforts such as manufacturing, tourism, and hotel industries. These problems can be explained such as global warming, climate changing, deforestation, population growth, waste, pollution, and resource depletion. Mostly, large number of environmental problems originating from overusing the natural resources, producing materials for customers and providing services to fulfill customers' needs and wants. Many stakeholders in related to such problems strive to prevent or reduce the negative impacts of these environmental problems such as consumers, government, and local resident (Mensaha & Emmanuel, 2013; Tang, 2013).

The role of mangers to prevent and resolve such problems is important because the mangers have to employ environmental policies and try to implement environmental activities efficiently (Bohdanowicz, et al., 2005). These policies show that there is a need to have more focuses on the resources as implementing environmental activities is corresponded with tourism industry especially in the environmental hotels which try to work sustainably (Kasim, 2007).

Erdogan and Baris, (2007) cited which for developing a sustainable hotel and also sustainable management requires adequate energies and sustainable policies. Environmental hotels try to recognize the factors that have negative influence on the environmental resources and try to decrease such influences to save more resources (Zhang et al., 2012).

To assess the environmental activities in hotel sector environmental management system displays a critical role. The term EMS is created for combination of environmental conscious with green industries improvement (Mori & Welch, 2008). The concept of EMS included the internal division commitment of organization, policies, process, resources and implementation. It also strives to deal with environmental protestations by help conserve the environment and nature (Salmi, 2008). Employing evaluation system to assess the environmental activities is provided to conserve the environment as it aims to minimize the negative outcomes of overusing the resources (Chan, 2011; Dief & Font, 2012).

In related to environmental hotels performances there is a few study (Mensaha, .et al., 2013). In the study conducted by Erdogan and Tosun (2009) it was found that there are many indicators which divide to seven cluster for evaluating the environmental performance in related to hotel industry such as energy efficiency, landscape design, water efficiency, waste reduction, education and training, managers' awareness about environmental conservation and communicating to provide environmental consciousness.

Other studies evaluated the environmental hotel performances with the indicators such as environmental management activities that included water conserving, energy

conservation, level of environmental education, and waste management (Erdogan & Tosun, 2009; Rivera & de-Leon, 2005). Therefore, the lack of recognized standard indicators to evaluate the performance of environmental hotel is completely appeared.

Performance of sustainable hotel conducted by Mensaha & Emmanuel, (2013) indicated that class and size of hotels act as predictors of measuring performance of hotel. It also concluded that organizational attributes of hotel has the significant role to effect on environmental performances in compare with the socio-demographical attributes of managers, because the hotels should provide structures and systems for facilitating the environmental management to develop environmental performances. Furthermore, it was recognized that upscale and large hotel have acceptable environmental performance since such hotels have adequate technical and financial resources which are required for implementing environmental policies and improving the environmental performance. Those hotels recognized the significant of environmental dimensions can benefits in two ways. One, through effective implementation of environmental activities perceived image of hotel improves. Two is with changing the customers' habit (Bohdanowiczet et al., 2005).

A large number of corporations consider environmental policies in their activities in addition of reducing negative impact of environmental problem try to take more competitive advantages among their rivals and have high level of improved performance(Benito, 2006; Hart, 1997). Different competitive advantages and the difference between costs cause the reason to investigate the effects of environmental policy on the organization performances (Shrivastava, 1977). The avoiding of making pollution effects on cost deduction as it decreases the expenses of controlling

the pollution. It means that it make organization to be able to have more saving. In addition it can effect on energy consumption, inputs, and also make a reason to use recycling system for reusing the material (Shrivastava, 1995).

Therefore, the pivotal aim of manufacturing by having an eco-efficiency perception result in production of more economical goods in one hand and providing reduction of environmental impact , overuse of resources, and high consuming of energy (Starik & Marcus, 2000).

2.7 Environmental Impacts on Profit Chain Model

Prevention of causing pollution creates a situation in which both the environment and the manufacturer are able to benefit. This approach is corresponded with Hypothesis of Porters (Porter, 1995). This approach cited that the manufacturing firms switch from controlling the pollution to preventing the pollution. Employing the environmental policies to prevention of pollution has notable costs such as cost of training the employees and innovation but the firm can benefit in long term because of affordable cost saving by decrease or omit the other costs (Penny, 2007). Furthermore, product differentiation can allow the firms to effect on attracting more potential green customer by environmental demands as the environmental attributes of products creates new competitive perception in customers' mind (Elkington, 1994) and also can effects on reputation of the firm (Hamilton, 1995). Environmental policy also affected on tourism industry performances and its sub-sequence, hotel industry.

There are two types of environmental impact which influence on the hotel performances. The first one is indirect impact and the second one is direct impact. In

indirect impact manner, the performance of hotel improves because of the high level of competitiveness of rivals of destination which the hotel located. It means that hotel by being commitment to implement the its environmental efforts in a destination can help to conserve the natural resources of the destination, (Briassoulis, 2002; Mihalic, 2000; Claver-Cort´es et al., 2010) and the second one is refers to internal environmental efforts which implemented by mangers that may effect on gaining competitive advantages and performance of hotel (Greeno, 1992; Miles & Covin, 2000). This study concentrates on direct impact of environmental efforts on the performance of hotel. Consequently, competitive advantages linked to cost reduction and differentiation of products (Molina-Azorı´n et al., 2008).

Chan (2005) cited that that hotels can benefit from employing and implementing environmental policies in their efforts as it help hotels to save more by reducing the cost which are related to overusing the resources, consumption of energy (like employing insulation efficiently and utilizing heat recovery equipment in the hotel or efficient use of lights) and consuming water (such as installing accessories of water-saving in the bathrooms, kitchen or using recycling system of grey water for irrigation of green space in the hotel) (Molina-Azorı´n, et al., 2008).

Implementing environmental activities also effect on the hotels' product differentiation. Differentiating and producing sustainable products effect on customers' satisfaction and loyalty. With regard to customers wants and needs in the today competitive market, product differentiation effects on the performance of hotel industry by fulfilling customers' demands. Preventing or decreasing in the level of pollution may influence on the environmental customers who consider such activities (Chan & Wong, 2006) which thus may effect on customers satisfaction and in higher

27

level effect on customers loyalty. Therefore, it is the function of hotelier to consider the new demand and preference of environmental customers by employing the environmental policies in their efforts to improve the perceived quality of service by customers (WTO, 1998) which thus such perceived quality may influences on customer to be satisfy since the satisfaction of customers can affect on the hotel market performance.

An empirical study conducted by Molina-Azorı́n, et al., (2008) investigated the relation of Spanish hotel performance with environmental management. In this research hotels divided into three clusters based on their proactivity. The result of study demonstrated which there strong positive link between aforementioned relations. It also concluded which the role of capable managers to implement such environmental policies is pivotal as it influence on the hotel performance or even in other firms in any industry. Similarly, Karatepe (2013) in a recent study investigated the relation between hotel performances and high work overload performance by considering the mediating role of work engagement which is the result of rewards, training, and empowerment in related to employees.

In related to environmental policy in hotel industry, a recent study in result demonstrated that management by environmental approach has an effective role in hotel industry. Other study by Spinelli and Canvas (2000) mentioned that job satisfied employee creates an important role in hotel as it can effect on employees to interact effectively with customers, have better performance, and behave well which thus it can effect on customer to be satisfied that satisfied customers in turn act as an essential factor in hotel to be successful and have high performance.

Many researchers such as Chi and Gursoy, (2009), and Guchait et al., (2012) confirmed the pivotal role of hotel managers in delivering of the service with high quality, effecting satisfied customers intention to retain and being loyal. Hence, managers have the crucial role in retention of efficient employees with high degree of performance makes a strong factor for hoteliers to have appropriate performance as they show high quality in their performances (Tang & Tang, 2012).

Based on extant information, this study tries to evaluate the pivotal effects of environmental policies as the exact need of the world society and market on different variables such as customer satisfaction, customer loyalty. Consequently evaluates the direct or indirect effects of these antecedents on market performance in hotel industry.

Chapter 3

THE CASE OF TRNC

3.1 North Cyprus: country profile

Cyprus is one of the largest islands in the Mediterranean Sea. This island occupied an area about 9851 km. Turkey, Syria, Greece are the countries around the island of Cyprus (Rustem, 1987). In 1974 the high tension between Greece and Turkey resulted in dividing this Island into North Cyprus and South Cyprus. There also a UN buffer zone exists between North and South Cyprus. There are five districts in North Cyprus which named Lefkosa, Iskele, Girne, Gazimagusa and Guzelyurt which Lefkosa is the capital city. North Cyprus has Mediterranean climate with cool and rainy winter, short spring and dry and hot summer.

3.1.1 Geography

North Cyprus covers a total land area of 1,357 square miles, nearly one third of the island. It is 150 miles wide and 40 miles deep at its extreme points. Nearest neighbors are Turkey 40 miles to the north, Syria 60 miles east, Lebanon 108 miles south-east, and Egypt 230 miles south.

The most prominent feature of North Cyprus is the narrow ridge of mountain that runs parallel with the coastline. It is approximately 80 miles long and occupies an area of 100 square miles. Made up of limestone, dolomite and marble, the mountain range is called the Kyrenia Mountains or Besparmak (Five Finger) Mountains and

has its highest point 3,357ft at Mount Selvili Tepe near Lapta (http://www.northcyprus.co.uk/).

The great plain that lies between the Kyrenia Range and the Troodos mountains in the south is called The Mesaoria. It is used for the production of cereal crops grown for animal and human consumption and is known as the breadbasket of Cyprus. The island's unique shape that resembles a saucepan has been caused by the shift in the tectonic plates and geological side pressure. These geological phenomena and land erosion have created gulfs and capes. The two capes are Zafer at the tip of the Karpaz peninsula and Korucam to the west. There are two gulfs, Guzelyurt in the west and Gazimagusa in the east (http://www.northcyprus.co.uk/).

3.1.2 Population

The population of North Cyprus is 294,906 according to the 2011 census. 97% of the population in North Cyprus is Muslim. The Turkish Republic of Northern Cyprus is a democratic, secular government. As of 1974 there are two separate governments on the North Cyprus Island. Cyprus is a member of the United Nations, the Council of Europe, the British Commonwealth and also a member of the Non-Aligned Movement (northcyprus.cc).

3.1.3 Political

After the Second World War Britain, Turkey and Greece signed the Zurich Agreement in 1959 that provided for the establishment of a new state in Cyprus and thus the Republic of Cyprus was established in 1960.In 1974 the high tension between Greece and Turkey resulted in dividing this Island into North Cyprus and South Cyprus. There also a UN buffer zone exists between North and South Cyprus (Altiny et al., 2007). The political division in Cyprus has been a long standing political dispute of the world political scene. Despite various attempts by the

international community, the division in the island stills remains as it is; the Turkish side on the north and the Greek side on the south. The Turkish community on the Northern side has been struggling for political recognition as a sovereign state by the international community, and has been under severe political and economic embargoes since 1983.1 So far, Turkey has been the only country that recognizes the sovereignty of the Turkish North Cyprus, and has established close political and economic ties with it (Günçavdi & Küçükç, 2009).

3.1.4 Economic

The economy of Northern Cyprus is dominated by the services sector which includes the public sector, trade, tourism and education. Graph below shows the allocation of Gross Domestic Product (GDP) to each sector in 2009. As shown in the graph below, the Services Sector is the most developed where Agriculture and Industry Sectors supply for the services sector (Figure 3.1).
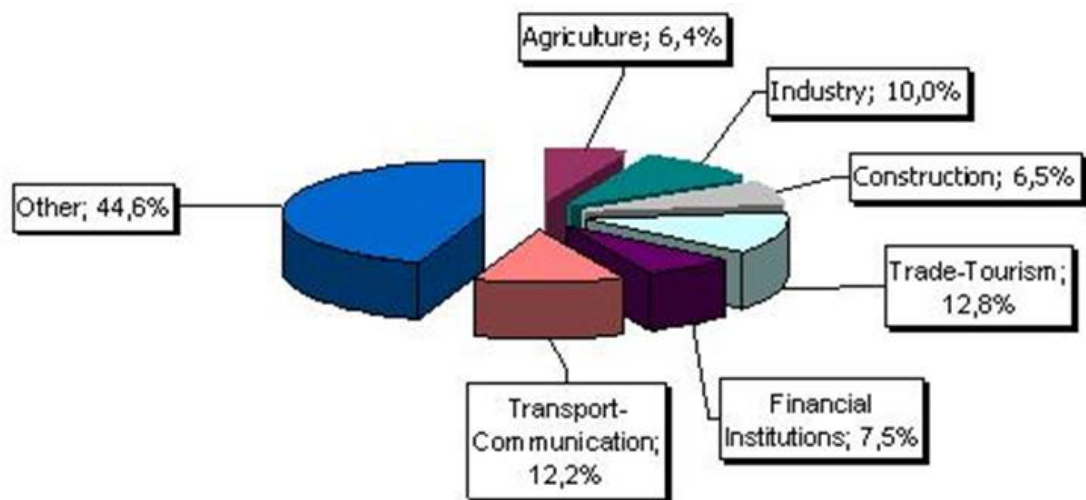
Figure 3.1. GDP of North Cyprus according to sectors in 2009.
Source: http://www.investinnorthcyprus.org.

The TRNC uses the Turkish Lira as its currency, which links its economic situation to the Turkish economy (Culea, 2010). Despite the constraints imposed by the lack of

32

international recognition, the TRNC economy turned in an impressive performance in the last few years. In particular, economic isolation from the world economy has eradicated the capability of the Turkish Cypriot economy to generate foreign currency resources, which are inevitably required for a sustainable development of a small island economy, and this leaves the North Cyprus economy extremely dependent on the Turkish economy and foreign currency inflows in the forms of aid and export earnings obtained both from and via Turkey. In addition to political problems, North Cyprus also deals with economic problems of being a small island with limited natural resources and a very small domestic market which constitutes insufficient domestic demand that is required for any sectorial development (Günçavdi & Küçükç, 2009).

3.2 Tourism Industry in North Cyprus

The role of tourism industry in growing the economy of north Cyprus is undeniable in recent years (Gilmore, 2007). UNDP (2006) reported that "despite being the important source of foreign exchange for the Turkish Cypriot community, this sector is under developed especially when compared to the southern part of the island. This sector obtains less 1 percent if bank loans".

Since the independence of the Turkish Republic of North Cyprus, Tourism Industry faced many problems and difficulties in result of the sanctions which negatively affected the economy and society in one hand and the instability caused by political problems after 1974 in the other hand that made it difficult for this sector to grow (Godfrey, 1996; Altinay et al., 2003). In compare with South Cyprus that developed in recent decades in result of relation with European Union north part still suffering of lack of political recognition (Halil Nadiri & Kashif Hussain, 2005, p 470).

North Cyprus in result of lack of appropriate policy and absence of sufficient implementable planning has failed despite having about 387 km of coastal resources (Alipour & Kilic, 2005). Therefore, North Cyprus with appropriate natural, cultural and historical attraction is a tourist destination that requires good marketing strategies to prevent or minimize all problems that this industry faced with and achieve high level of advantages of existing opportunities (Figure 3. 2).

Tourist activities classified into different sections in North Cyprus such as visiting cultural and historical site, playing water sport with regard to existence of wonderful beaches. Beaches are the significant tourist attraction in North Cyprus with beautiful sea and view (www.amyvillas.co.uk/map.asp).

Figure 3.2. Map of Cyprus with demarcation line showing north Cyprus.
Source: http://www.amyvillas.co.uk/map.asp

3.3 Main Cities in North Cyprus
3.3.1 Nicosia (Lefkosa)

Nicosia (Lefkosa) is the largest city of northern Cyprus which located in center of this large island and known as a capital city. This city is the major center of business

practices and diplomatic activities. Based on 2006 census the population of Nicosia is about 84,900 people. The population also consists of people from different nationalities. Nicosia is now the only divided capital in the world. North and South Cyprus separate by the "green line".

3.3.2 Girne (Kyrenia)

 Kyrenia is a port town that located in northern coast of island of Cyprus. This town is known because of its castles and historical harbor. Kyrenia is a good tourist destination because of its historical places, beautiful sea, and charming nature. The main interesting places are shipwreck museum and Saint Hilarion castle.

3.3.3 Famagusta

The town of Famagusta is an important harbor in north Cyprus. In 1300 A.D, this town was the center of business of Mediterranean Sea. Some historian stated that Famagusta prospered with destruction of Salamis, the former capital of the Cyprus Island. There are tourist attractive historical places in/around this town such as Salamis ruins and Lala Mostafa Pasha Mosque in addition of its beautiful beach resorts. In recent decade the existing of a university campus contribute to the local economy of this city and made Famagusta as an academic center in whole of island.

3.3.4 Accommodation Sector in North Cyprus

3.3.4.1 Types of accommodation sector

Accommodation is a fundamental element of the tourism industry. It is the large subsector of tourism which effect the economy related to this industry (Cooper et al., 1998).select of accommodation demonstrates the expectation and the needs of tourist. Therefore, supplying of different accommodations both quantitative and qualitative influence the type of tourist attracted to the particular area (Sharpley, 2000).

The physical location, density and quality of accommodation, and the extent to which it is balanced with the broader development of infrastructure and tourism-related facilities, is an important element in attraction of tourism destinations. In short, the success of tourism destinations is largely dependent upon the appropriate development of the accommodation sector (Sharpley, 2000).

Many destination areas have experienced rapid, excessive or inappropriate development of the accommodation sector (Cockerell, 1996). North Cyprus as a tourist destination despite rapid growth in recent years has faced the emergence of a number of significant challenges to the future growth and stability of the Cypriot tourism sector, challenges which have resulted largely from the failure to plan and control the development of the accommodation sector (Sharpley, 2000). After declaration of North Cyprus at the end of 1980s hotel /accommodation industry has grown continuously in North part of Cyprus. Hotel industry is an inseparable part of tourism industry in north Cyprus (Altinay et al., 2003). This industry has the essential role in growth of North Cyprus economy and developing of infrastructures of north part of island. The existing of the political problems is a main barrier that this industry faced with in the North of the island (Altinay et al., 2003).

3.3.4.2 Statistics for Accommodation Sector

Investment in hotel construction has been increased and competition among hoteliers has been boosted. Based on the information of Tourism and planning office (2003), 128 hotels were available in 2003, with 11858 bed capacity. These statistics increased in recent years and the investing in this sector has been continued. According to the North Cyprus Tourism Directory 2013 published by North Cyprus tourism and agencies association in year 2012 there are 145 hotels in north Cyprus

which categorize in 5 stars hotel (15 hotels), 4 stars hotel (6 hotels), 3 stars hotel (15 hotels), 2 stars hotel (22 hotels) and 1 star hotel (22 hotels). It also consist of 6 2nd class holiday village, 3 Boutique Hotels, 32 Tourist bungalows, 7 Apart hotels, 15 Tourist Pensions ,1 Local Guest House and 1 Specially Registered. The capacities of these hotels are equal to 19,867 beds. Furfur more, statistics of North Cyprus tourism and agencies association shows that 668,355 tourists had been accommodated in year 2012 in North Cyprus (Figure 3.3).

CATEGORY	NUMBER	%	BEDS	%
5 STARS	15	10	9.580	48
4 STARS	6	4	1.704	9
3 STARS	15	10	2.211	11
2 STARS	22	15	1.588	8
1 STAR	22	15	718	4
2nd CLASS HOLIDAY VILLAGE	6	4	1.045	5
BOUTIQUE HOTEL	3	3	418	2
SPECIALLY REGISTERED	1	1	34	0
TOURISTIC BUNGALOW	32	22	1.891	10
APART HOTEL	7	5	456	2
LOCAL GUEST HOUSE	1	1	34	0
TOURISTIC PENSION	15	10	188	1
TOTAL	145	100	19.867	100

Figure 3.3. Hotel and their capacities (2012)
Source: http://www.kitsab.org

Despite existing of numerous hotels in this part of island and delivering services to tourist/travelers, significant environmental measurements have not implemented to evaluate the role of hotels in making negative effects on the environment through over using the energy, generating huge waste and disturbing the nature especially coastal line.

Chapter 4

MODEL AND HYPOTHESIS DEVELOPMENT

Overview

This chapter presents information about the study conceptual model. This chapter also provides information about the development of hypothesis according to the empirical investigations and marketing literature.

4.1 Conceptual Model

Figure 1 shows conceptual model of the study. This study proposed the model consisted of environmental policy (EP), customer satisfaction (CS), customer loyalty (CL) and market performance (MP) (figure 1). This model suggests the effects of EP on CS, CL and MP directly and through mediating role of CS and CL on MP indirectly. According to this model, EP positively effects on satisfaction and loyalty of customers. CS increases their loyalty level of customer. Thus, customer will be willing to pay and stay more at contact with organization (hotel). CL regarding EP increases the spending in organization and increase organization MP in the related market accordingly.

In other words, this study tests the effects of EP on Profit chain model to find its acceptability on green environmental activities of hotel industry. This study proposed its conceptual model among international customers and managers of five star hotels in Northern Cyprus (Figure 4.1)
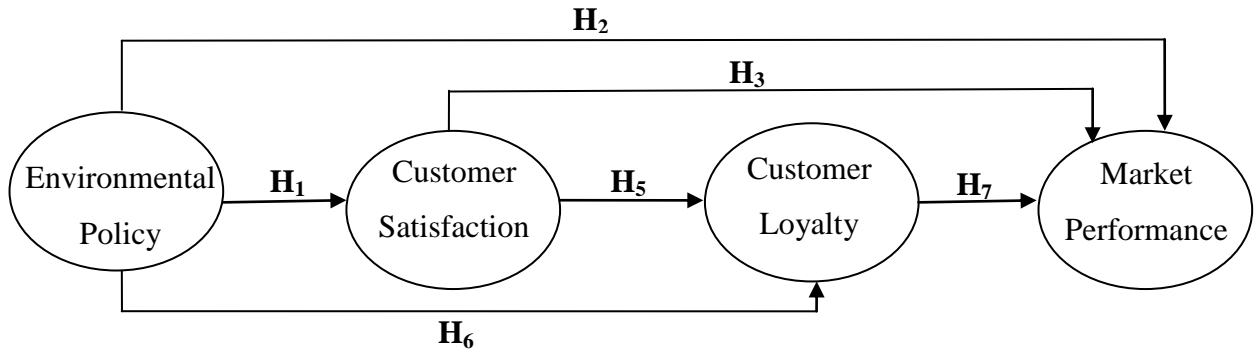
H_4: Environmental policy $\longrightarrow$ Customer satisfaction $\longrightarrow$ Market performance

H_8: Environmental policy $\longrightarrow$ Customer loyalty $\longrightarrow$ Market performance

Figure 4.1. Conceptual Model

4.2 Hypothesis Development

4.2.1 Environmental Policy and Customer Satisfaction

EP defined as those green policies put into consideration the environmental issues and problems such as global warming, pollution and ozone layer (Leonidou, Leonidou, Fotiadis, & Zeriti, 2013). Regarding the intensification of environmental issues, more customers and stakeholders worry about the organization activities (Chan & Wong, 2006). Customers worry about the protecting the natural environment in a sustainable way (Rueda-Manzanares, Aragón-Correa, & Sharma, 2008). Therefore, organizations specially hotels should consider the environmental issues in their activities and have to reform their performance alongside of green and sustainable environmental conservation (Leonidou et al., 2013). Therefore, those organizations include environmental policies in their top priority can achieve competitive advantages in advance.

Different studies considered environmental issues and policies into their research focus (Carmona-Moreno et al., 2005; Deng & Burnett, 2002; Font, 2002). Carmona-

Moreno et al. (2004) evaluate the effects of natural beauty and environmental issues on satisfying the visitors in hotel industry. Font (2002) investigated the quality of environmental activities on degree of satisfaction among international tourists. Han, Hsu, Lee, & Sheu, 2011 showed the customers' buying behavior in relation to environmental activities. That is, customers change their hotel based on their environmental consideration and conservation performance (Hsu, Lee, & Sheu, 2011). And study done by Kotler and Lee (2008) concluded that environmental friendly activities of hotel operation increased the CS. Customers showed high degree of satisfaction due to the hotel attention in environmental issues and green concerns. Based on this information, the following hypothesis proposes as:

H1: Environmental policy positively boosts customer satisfaction.

4.2.2 Environmental policy and Market Performance

Although most of the organizations worldwide adopt environmental policies in their management systems but few of them have complete awareness from environmental sustainable practices (Penny, 2007). Although there have few information about the sustainable practice of environmental issues but these practices resulted in lower cost and higher revenue and profit in the market (Penny, 2007). EMS designed particular products for organizations based on environmental perspective. These products directly or indirectly effect on performance of the organization (Hui et al., 2001). Market performance refers to the financial performance of the organization in the market (e.g. stock market) (Kotler & Keller, 2012). Bahdanowiz (2005) highlighted the importance of country structure in implementing the environmental issues in organizations regarding the political and social assistance. Organization should consider macro- factors in structuring the environmental policies; these factors can affect or deviate the final MP of the organization in the market; so macro-

environmental factors effect on market performance of the organization (López-Gamero, Molina-Azorín, & Claver-Cortés, 2011; Shah, 2011).

Few studies evaluated the impact of environmental issues on MP. Shah (2011) considered the political and social issues in selection of EP and their effect of MP. Bahdanowiz (2005) stressed the importance of country structure in assisting EP implementation and improving MP of the organization. Penny (2007) found the positive effects of EP on MP among green hotels with low awareness level. Other empirical studies strengthen the findings of Penny (2007) (Garay & Font, 2012). They found that enrolling EPs strengthens the performance of the organization both financially and non-financially (Bohdanowicz, Zientara, & Novotna, 2011). Based on this information, following hypothesis proposes:

H2: Environmental policy increases market performance.

4.2.3 Customer Satisfaction and Market Performance

Numerous studies discuss the importance of CS on MP. CS is the customers overall self-evaluation of the situation based on personal factors (Shah, 2011). Customer evaluates the overall benefits weighted costs spend in the organization (Leonidou et al., 2013). Nowadays' customers are more aware about the environmental sensitivity and problems, so they seek any environmental preservation activities in organizations (Leonidou et al., 2013). Green organizations try to decrease their unnecessary costs while protecting the environment and increasing the satisfaction of their customers (Tibor & Feldman, 1996). Aware customers will be satisfied regarding the effective implementation of EP (Tibor & Feldman, 1996). Satisfied customers stay more with organization and agree to spend premium price (Tibor & Feldman, 1996).

Smith et al. (2000) found the positive effects of CS on MP through organizational quality services. Ryu and Han (2009) found the positive effects of qualified and healthy foods, physical environment and services on CS and increasing the performance of the organization. Baker et al (1994) stated the importance of restaurant and hotels service quality and food healthiness on CS; therefore, satisfied customers pay premium price to the organization and accordingly the market performance of the restaurant would increase. According to these studies, third hypothesis proposes as follow:

H3: Customer satisfaction positively related to market performance.

4.2.4 Environmental policy, Customer Satisfaction, and Market Performance

Due to the increasing pressure of governments in protecting the environment, more and more organizations have to involve in formulating and implementation of environmental policies (Chen, Tang, Jin, Li, & Paille, 2014). Chen et al. (2014) examined the effects of environmental policies on quality performance of the organizations. His study mentioned the positive influences of environmental strategies on development of products and service and involvement of employees in environmental practices. Employing environmental strategies into the organization instructions result in increase of aware customers' satisfaction (Choi & Chu, 2001). According to Choi and Chu (2001) satisfied customers will be willing to stay and spend more in the organization. Chou (2014) mentioned the positive effects of environmental policies in increase of innovative practices which indirectly resulted in overall satisfaction of the customers and guests.

Overall, aforementioned reasons prove the linkage between environmental policy, satisfying the customers' needs and expectation and finally improving the market performance of the organization in the market (Choi & Chu, 2001; Barsky & Labagh,

1992; Cho, 2014). Chou (2014) evaluated the effects of EPs on customer satisfaction through innovation and employee involvement in which the accumulation of internal organization effort increase the satisfaction of customers and lead to profitability of the hotel in industry. Blanco, Rey-Maquieira, & Lozano (2009) found the direct correlation between employing green practices and profitability of the hotels. Eiadt, Kelly, Roche, and Eyadat (2008) investigated the direct impact of green practices on hotel profitability through innovation and competitive advantage while Kassinis and Soteriou (2003) mediate this relationship toward CS. Based on these studies, fourth hypothesis proposes as follow:

H4: Customer satisfaction mediates the relationship between environmental policy and market performance.

4.2.5 Customer Satisfaction and Customer Loyalty

CS defined as the customer overall self-evaluation of the situation and CL defined as the customer willingness to stay in touch with the organization (Olorunniwo et al., 2006). Extant literature focused on this relationship excessively (Olorunniwo et al., 2006). Customers who are satisfied with the performance, service quality of the organization and green social responsibility of the organization would stay more in transaction with the organization (Chan & Hawkins, 2010; Kassinis & Soteriou, 2003).

D'Souza, Taghian, Lamb, and Peretiatko (2007) found the positive correlation between practicing green environmental issues and their effect on increasing satisfaction of employees and customer, and performance of the organization. Diamantopoulos et al. (2003) stated the increase in satisfaction of high educational and aware customer regarding employing environmental practices and high

profitability of organizations. Based on these researches, fifth hypothesis proposed as follow:

H5: Customer satisfaction positively associated with customer loyalty.

4.2.6 Environmental Policy and Customer Loyalty

Due to ecological sensitivity, customers are more and more willing to stay with those organizations with high green environmental practices and concerns (Bruns, 2000). Hotels try to adopt environmental practices to decrease their operating costs and increase number of their loyal customers (Bowe, 2005; Forbes, 2001).

Chan and Wong (2006) found the positive effects of EPs on increasing loyalty level between satisfied customers. Font (2002) stressed the importance of environmental policies on CL in hotel industry regarding the demographic profiles of the customers. Based on this information, sixth hypothesis develops as follow:

H6: Environmental policy positively affected customer loyalty.

4.2.7 Customer Loyalty and Market Performance

Based on the studies mentioned in previous hypothesis, hotel organizations employ environmental practices for decrease their operating costs, meet the industry requirement and increase satisfaction and loyalty level of their customers to remain in interaction with the hotel (Chou, 2014; Kassinis & Soteriou, 2003). Loyal customers are more willing to continue their purchase behavior with the green organization (Chen et al., 2014). Loyal customers are willing to pay premium price to the organization service and product (Chen et al., 2014). Aware customers are also willing to pay premium price in green hotels to protect and preserve the sustainability of the ecological elements (Chen et al., 2014; Olorunniwo et al., 2006).

Kassinis and Soteriou (2003) found the positive effects of CL on improving the financial and market performance of the organization. Chen et al. (2014) enforced the correlation between loyalty and market performance of the organization due to requirement of the society and customers' needs. Based on this information following hypothesis proposes as:

H7: Customer loyalty raises market performance.

4.2.8 Customer Loyalty, Environmental Policy and Market Performance

Nowadays providing sustainable activities to protect the ecological uniqueness is the necessity for every single member of the society both individuals and organizations. Regarding the increase in society awareness and urgent needs of the world, every organization has to adopt green activities in its strategic timetable (Kassinis and Soteriou, 2003). So it can be helpful for society, organization, and customers. Customers would choose the green hotels as their final choice. Organizations can decrease its unnecessary costs (Font, 2002). Society can continue its activities sustainability. Therefore, employing green practices by organizations increase the willingness of the customers to stay and pay premium price in the organization and finally the performance of the organization will increase financially in the market (Chou et al., 2014, Chen & Wang, 2006). Therefore, Environmental policies and hotel performance affected by customer loyalty; it can be perceived that customer loyalty has a mediating role between aforementioned relations.

Study done by Han, Hsu, and Lee (2009) found the direct effects of environmental green practices on customers' satisfaction and loyalty, and performance of the organization. According to Manaktola and Jauhari (2007), customers are more willing to purchase from green hotels. Lin et al. (2007) examined the increased purchase behavior of customer for green hotels services. Based on the following

studies and theoretical investigation of the relevant studies, the last hypothesis proposes as:

H8: Customer loyalty mediates the relationship between environmental policy and market performance.

This study included the respondent profile such as age, gender, education and etc. as the control variable to test the reliability of the results and study model. Age, gender, education, marital status and etc. considered as the demographic variables in this study.

Chapter 5

METHODOLOGY

Overview

This chapter includes information about the methodology, data analysis, measurement, evaluation model and results of the data collection.

5.1 Deductive Approach

The approach used in this study is deductive approach (logic approach). In this approach theory used to examine the significant and reliability of the proposed relationships. Deductive approach analyzes the deductions by assessing the construct of the study based on theory (Hyde, 2000). In this study constructs are EP, CS, CL, and MP based on EMS and profit chain model.

5.2 Cross-Sectional Method

In this study the cross-sectional method used to collect the data. This method contains gathering the data from a population in a particular time. Cross-Sectional Method used in the study in order to examine the accurate effect of each variable on other variables via the same period of time.

5.3 Sample and Procedure

The hypotheses of this study were tested by using data collected from 5star hotel managers and customers in North Cyprus. 12 5star hotels in 3 main city of north Cyprus (Nicosia, Kyrenia and Famagusta) selected as a target for achieving the information which between them 3 hotels avoid of participating in. All data gathered

by permission of the managers of the hotels. The researcher contacted them by a letter contained the research information and permission for collecting the data via their guest relation officers. The researcher also contact with the hotel customers to participate in time of gathering the data in each hotel. All data gathered in about one mounth.180 questionnaires distributed between hotel customers that 149 questionnaires return to the researcher which finally 133 questionnaires used for data analyzing. 36 questionnaires developed for the hotel managers that 34 valid questionnaires were returned. In a self-administered manner both managers and customers filled out the questionnaires. Confidentially they were assured that there is no identifying information in the questionnaires.

As a threat, Common method bias can negatively effect on the magnitudes of research relationships, since it leads to measurement error and deflate or inflates the observed correlation between all variables (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). For minimizing this kind of error demographic questions came at the end of questionnaires.

5.4 Measurements

The questionnaires developed for this study divided into two parts (A) and (B) which is based on literature review. In questionnaire (A) managers asked to fill out questionnaires and in questionnaire (B) customers answered the questions. Eleven items of questionnaires (A) related to written environmental policy and saving energy are developed based on the Erdogan and Baris (2007) and two items related to market performance developed based on study of Olorunniwo et al., (2006) and Kassinis et al., (2003). Customer questionnaire divided into three parts. In questionnaire (B) thirteen items related to the hotel attributes were taken from

Olorunniwo et al., (2006) and items related to customer satisfaction chosen from Robinot and Giannelloni (2010) and Olorunniwo et al., (2006) articles. Part customer loyalty items also developed based on Olorunniwo et al., (2006). All responses were recorded based on 5-point likert scale.

5.5 Data Analysis

In accordance with prevalent empirical studies (e.g., Kim, 2011; Kim & Jogaratnam, 2010), a two-step approach is used in this study (Anderson & Gerbing, 1988). In the first step, by subjected all measures in confirmatory factor analysis (CFA) the discriminate and convergent validity of the measurement model was evaluated (Anderson & Gerbing, 1988; Fornell & Larcker, 1981). In second step, Structural Equation Modeling (SEM) was used to assess the relations in the proposed model. Through AMOS these analyses were employed (Joreskog & Sorbom, 1996). According to recommendation of Bagozzi and Yi (1988) Composite reliability (CR) was measured through the benchmark of 0.60. For assessing the model fit the overall $\chi 2$ measure, IFI (Incremental fit index), CFI (Comparative fit index), SRMR (Standardized Root mean square residual) and RMSEA (Root mean square error of approximation) were employed.

5.5.1 Structural Equation Modeling (SEM)

SEM is the static technique employed to assess the relationships among two variables or more. For the first time SEM was developed by Sewall Wright in year 1930 .SEM is based on linear equation system. This is employed in different disciplines such as political science, sociology, psychology, marketing, accounting management and strategy (Nachtigal,et al, 2003).

In general, SEM is explained as "a class of methodologies that seeks to represent hypotheses about the means, variance and covariance of observed data in terms of Smaller numbers of structural parameters defined by a hypothesized underlying model" (Kaplan, 2000). A SEM included the (A) measurement models by which the latent variable linked to the observed variable and (B) structural part, a simultaneous equation system is used to connect the latent variable to each other (Kaplan, 2000). SEM creates the estimates which demonstrate the strength of the relationships among the constructs in theoretic model (Maruyama, 1998) and make a comparison between model and empirical data (Nachtigal,et al, 2003). In order to accomplish this comparison a fit statistic means is employed which in one side it demonstrates the acceptance or rejection of the hypothesized relationship between the observed and latent variables and the latent variables in other side.

5.6 Result

5.6.1 Tourists' Profile

Demographic information of the tourists is summarized in Table 1. It shows that 45, 28, 17 and 10 percent of respondents are aged between 28-37, 38-47, 18-27 and more than 47 years, respectively. The majority of the respondents are females (60.9%) and the 49.1 percent are men. Approximately half of the tourists (46.6%) have a bachelor degree, 27.1 percent master, 22.6 percent college and the rest have doctoral degree. In regards to level of environmental awareness, 69.2 percent of respondents are medium, 26.3 percent are low and just 3.8 percent are high (26.3% and 3.8%).

Table 1. Profile of the Tourist

Variables	Frequency	Percent
Age		
18-27	23	17.3

28-37	59	44.4
38-47	37	27.8
More than 47	14	10.5
Total	133	100.0
Gender		
Female	81	60.9
Male	52	39.1
Total	133	100.0
Education		
College	30	22.6
Bachelor	62	46.6
Master	36	27.1
Doctoral	5	3.8
Total	133	100.0
Environmental Awareness		
Low	35	26.3
Medium	92	69.2
High	5	3.8
Total	133	100.0

5.6.2 Preliminary analysis and Confirmatory Factor Analysis

To check construct validity of the study, Confirmatory Factor Analysis (CFA) has been used. During the CFA process, five items were removed from environmental policy and two items from customer satisfaction (Table 2). According to results of CFA, four factors model has acceptable fit ($\chi2 = 546.3$, df = 248; $\chi2/df = 2.20$, CFI =

0.92, IFI = 0.91, RMSEA = 0.090, SRMR =0.075). As shown in Table 2, all standardized factor loading are more than 0.5.

5.6.2.1 Reliability analysis

As shown in Table 2, results of Composite Reliability (CR) are more than acceptable level (.7). CR for environmental policy, customer satisfaction, customer loyalty, and market performance are .86, .82, .77, and .66, respectively. That proved the reliability of the measurement (Hair et al., 2010).

5.6.2.2 Construct validity

Average Variance Extracted (AVE) estimated for each construct that outlined in Tables 2. AVE for all constructs is more than .5, which frequently reported as a cut-off level. CR for the each construct is more than AVE for that construct. Such results confirm convergent validity of the study variables. Maximum Shared Squared Variance (MSV) Average Shared Square Variance (ASV) calculate for all constructs and based on the results, MSV and ASV are less than AVE that approved discriminate validity of the constructs (Fornell et al., 1981).

Table 2. Result of Factor Analysis

Scale Items	SFL	AVE	CR
Customer satisfaction (Olorunniwo et al., 2006)			
My choice to stay at this hotel/motel was a wise one	.879		
I think I did the right thing when I chose to stay in this hotel	.863	.73	.82
I am satisfied with my decision to visit this hotel/motel	.844		

I feel that my experience with this hotel/motel has been enjoyable	.826		
Environmental policy (Erdogan and Baris, 2007; Olorunniwo et al., 2006)			
Hotel Intervene to reduce pollution	.872		
Environmental knowledge and practices	.833		
Hotel has Training program for employees about environmental activities	.722	.63	.68
Hotel uses the recycle bin	.701		
Saving energy	.699		
Customer loyalty (Olorunniwo et al., 2006)			
Stay in this hotel/motel again if you have a chance to visit the same area	.872		
Recommend lodging in the evaluated hotel/motel to someone else	.846	.72	.77
Next time, if the hotel/motel chain is not available (e.g. no vacancy, not open yet) in the area you visit, how willing are you to wait for vacancies	.827		
Market Performance (Han et al., 2009)			
Customer satisfaction in relation with environmental policy increased hotel annual revenue.	.768		
Retention of customer in relation with environmental policy increases hotel annual revenue.	.730	.69	.83

Note: SFL: Standardized Factor loading, AVE: Average variance extracted.
Note: SFL: Standardized Factor loading, AVE: Average variance extracted, CR: Composite reliability.

5.6.3 Model Testing

The proposed model and hypotheses has been drawn and tested using AMOS (Figure 5.1). The results of SEM are presented in the section follows.
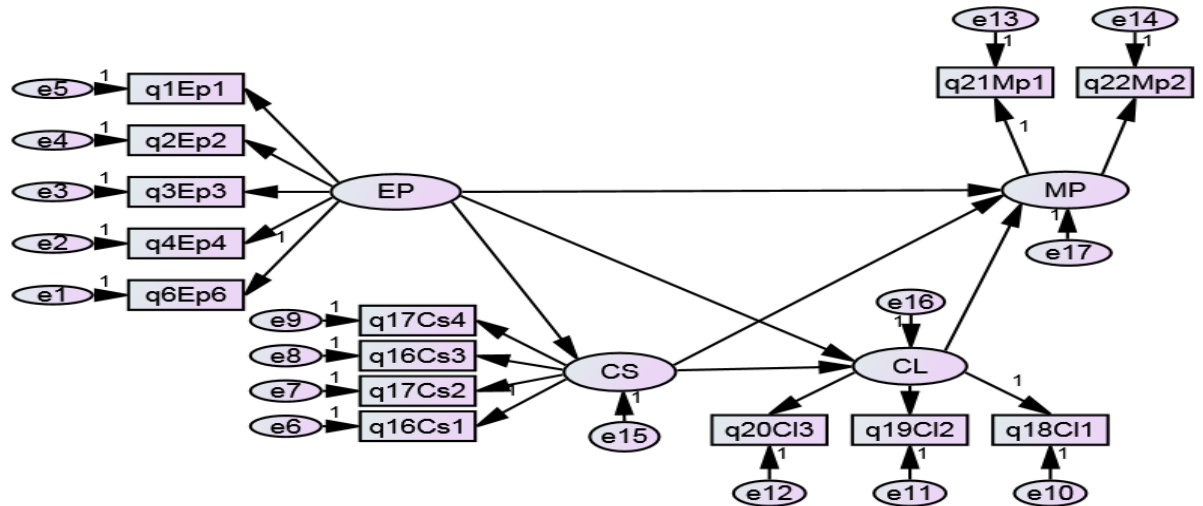
Figure 4.1. Tested Proposed research model (EP is environmental policy, CS is customer satisfaction, CL is customer loyalty, and MP is market performance).

According to the amount of model fit indices ($\chi2 = 733.81$, df = 412; $\chi2$ / df = 1.78; CFI = 0.94; IFI = 0.92; RMSEA = 0.082; SRMR = 0.087), proposed model fits data well. Standardized regression weights (beta) of the pre-determined relationships are calculated to test hypotheses of the study. The results of SEM are presented in Table 3. Since, one of the main objectives of this study is impact of environmental policy in hospitality industry; we asked whether the hotels achieve the environmental certificates. The result indicates that selected hotels have the certificate of environmental program.

Environmental policy positively related to customer satisfaction (β=.67, P< .001). That is actions and policies that concern about environmental issues boost the level of tourist' satisfaction. Then, **Hypothesis 1** is supported. Environmental policy has a

positive linkage with market performance (β=.48, $P<$ .001). Therefore, **Hypothesis 2** is supported.

Market performance significantly influenced by customer satisfaction (β=.44, $P<$ .001). Thus, **Hypothesis 3** is supported.

Table 3. Result of Hypothesis Testing

Hypothesis	Beta	T value
Environmental Policy ⟶ Customer Satisfaction	.67**	7.30
Environmental Policy ⟶ Market Performance	.48**	5.01
Customer Satisfaction ⟶ Market Performance	.44**	4.33
Environmental Policy ⟶ Customer Satisfaction ⟶ Market Performance	.32*	3.27
Customer Satisfaction ⟶ Customer Loyalty	.67**	6.13
Environmental Policy ⟶ Customer Loyalty	.51**	4.72
Customer Loyalty ⟶ Market Performance	.09	.37
Environmental Policy ⟶ Customer Loyalty ⟶ Market Performance	.07	.10

**Significant at level of .001, *Significant at level of .05.

To test mediating effect of customer satisfaction on the relationship between environmental policy, Baron and Kenny' guideline (1986) has been used. Four criteria should be met to accept the mediating role of customer satisfaction as follows:

1. Independent variable (environmental policy) has a significant relationship with mediator (customer satisfaction) that supports (see Table 3).

2. Independent variable (environmental policy) has a significant association with dependent variable (market performance) that supported.

3. Mediator (customer satisfaction) has a significant effect on dependent variable (market performance) that supported.

Although, environmental policy has a significant and direct effect on the market performance, when the customer satisfaction entered to the equation, significant level of the relationship between decreased from .001 to .05 (β=.32, $P<$ .05). The magnitude of R_2 for customer satisfaction is .31. It means customer satisfaction partially mediated the relationship between environmental policy and market performance (Table 3). Hence, **Hypothesis** 4 is supported.

As shown in Table 3, customer satisfaction has significant and positive effect on customer loyalty (β=.67, $P<$ .001). Therefore, **Hypothesis** 5 is supported. Direct effect of environmental policy and customer loyalty has been confirmed (β=.51, $P<$ .001). That is exerting environmental policy increase the loyalty of the customers. Thus, **Hypothesis** 6 is supported.

According to the results, customer loyalty has not significant impact on market performance (β=.09, *ns.*). Then, **Hypothesis** 7 does not support. As we explained the principles of mediation approach proposed by Baron and Kenny (1986), the third criteria does not met and customer loyalty cannot functions as a mediator on the relationship between environmental policy and market performance (β=.07, *ns.*). Therefore, **Hypothesis** 8 does not support (Table 3). The final status of hypotheses is outlined in Table 4.

Table 4. summery of the study hypotheses

No.	Hypotheses	Status
1	Environmental policy positively boosts customer	Supported

56

	satisfaction	
2	Environmental policy increases market performance	Supported
3	Customer satisfaction positively related to market performance	Supported
4	Customer satisfaction mediates the relationship between environmental policy and market performance	Supported
5	Customer satisfaction positively associated with customer loyalty	Supported
6	Environmental policy positively affected customer loyalty	Supported
7	Customer loyalty raises market performance	Not Supported
8	Customer loyalty mediates the relationship between environmental policy and market performance	Not Supported

To sum up, six out of eight hypotheses are supported based on the results of SEM analysis.

5.7 Findings of the Study

This study developed and evaluated the research model in which the environmental policy (EP) effects on the customer satisfaction (CS), customer loyalty (CL), and market performance (MP) directly. This study also tested the indirect effects of EP on MP through mediating role of CS and CL. This study tested the reliability of its model in five star hotels in North Cyprus as the study setting.

This study found the positive correlation between EP with CS and MP. In addition this study found the Positive effects of EP on MP through mediating role of CS. Also, CS directly increases CL. Out of the pool of eight hypotheses, six of them supported and two of them which were related to customer loyalty were not

supported. EP had no direct connection with CL. CL doesn't mediated the relationship between EP and MP.

5.8 Discussion of the Finding

This study examined the effects of EP on CS, CL, and MP directly and on MP indirectly through mediating role of CS and CL among five star hotels in Northern Cyprus.

This study found the positive effects of EP on CS. This result is consistent with study done by Leonidou et al., (2013) in which in today's world customers are more aware and conscious about their surrounding and the possibility of any danger. Therefore, they will be willing to find the organizations fully dedicated to the current and recent needs of the society; in most of the countries, governments announce the importance of preserving ecological uniqueness for sustainability of living and healthiness (Robinot & Giannelloni, 2010); thus, customers attract to those cautious organization which are aware of the current trends and adopting their strategies based on the social and environmental requirements. In addition, Carmona-Moreno et al. (2004) found the effects of natural environmental issues on satisfying the tourists' needs in hotel industry.

Empirical studies tried to understand that if implementing these green strategies are profitable for organization in hotel industry or not. Based on the wide range of studies, green environmental activities is profitable for organizations in different ways such as decreasing their costs, increasing their profitability, improving their brand image, increasing their market performance in the industry, achieving competitive advantage and etc. based on these investigation more and more

organization convinced to participate in green practices (Robinot & Giannelloni, 2010).

EP increase the financial and MP of the organization. This result is congruent with the study done by Penny (2007). Penny (2007) concluded that the green environmental involvement of the organizations directly increases the financial elements of the firms and decrease the operating costs as well.

Satisfied customers affect the MP of the hotels positively. This outcome is consistent with numerous studies. Investigation done by Ryu and Han (2011) confirmed that CS increases the financial performance of the organization. Moreover, Shah (2011) stated that satisfied customer interested to stay in touch with the hotel while customers scrounge in using the hotel resources and services related to environmental issues (Han et al., 2009).

CS mediates the relationship between EP and MP. EP positively relates to CS and CS increase the performance of MP. Conscious customers look for green policies in the hotels and when they noticed the accuracy of the hotel service and products alongside of the green environmental and ecological issues they will choice the hotel for their temporal stay (Chao, 2014). This result is in exact consistency with Blanco et al. (2011) evaluation in which the CS from EPs increases profitability of the organizations.

CS positively increases CL in green hotels. Satisfied customers will be the loyal customers in a long run (Karatepe, 2006). Loyal customers will have positive Word-of –Mouth about the organization (Kassinis & Soteriou, 2003). Loyal customers will

stay more in the organization (Kassinis & Soteriou, 2003). They will pay premium price to the hotels' services and products (Olorunniwo et al., 2006). They will choose the hotel for the repeating and future purchases (Kassinis & Soteriou, 2003). EP increases the loyalty level of customers in green hotels. Customers, who see the undertaken activities of the hotel alongside of green practices would become loyal to the organization and will have positive WOM, repeat purchase behavior and etc. in compare to satisfied ones (Chao et al., 2014).

Against the theoretical support for the relationship between EP, CL and MP; The two related hypotheses about the mediating role of CL in relationship between EP and MP and the other one the direct effect of Cl on MP was not supported. This can be explained based on situational factors of the study case.

Chapter 6

DISCUSSION AND CONCLUSION

Overview

This chapter of the thesis provides information about the discussion of the study. Then, this chapter provides brief summary of the study and its implication. Then, this chapter concludes the result of the study. In this chapter also information about the managerial implication, limitation and future of the study presents as well.

6.1 Discussion

This study evaluated the model to clarify the relationship between EP, CS, CL, and MP among the five star hotels in North Cyprus. In the case of Northern Cyprus, green activities are in the starting points. Although most of the hotel involved in green operation but few of them succeed in transferring the satisfaction of the customers to the loyalty level. Although EP affect loyalty of the customers but they failed to lead this loyalty into profitability for the organization.

This study found the positive effects of EP on CS. EP increase the financial and MP of the organization. Satisfied customers affect the MP of the hotels positively. EP positively relates to CS and CS increase the performance of MP. Satisfied customers will be the loyal customers in a long run (Karatepe, 2006). Loyal customers will have positive Word-of –Mouth about the organization (Kassinis & Soteriou, 2003). Customers, who see the undertaken activities of the hotel alongside of green practices, would become loyal (Chao et al., 2014).

6.2 Conclusion

Most of the recent studies concentrated on importance of environmental management and its viability through the societies (Watson, 2006). Most of the European and Far East countries are already involved in the green environmental activities while the rest are just start their operation with slow speed (Watson, 2006). Regarding the importance of recent trends, more studies attracted to finalize the effects of these trends on the different organizations. Hospitality industry as the center of this process found itself responsible and as the most importance player in this area. Hospitality industry is the most responsible player in use of the nature, recycling, pollution and rapid usage of ecological resources.

Green practices aimed to decrease the individuals and organizations destruction to the nature. Every tourism activities try to attract more customers and visitors to increase their profitability in the market. The problems arise when none of them notice the usage of limited resources in their consumptions. Unorganized management of organization usage and activities destroy the uniqueness of the nature and on the other side speed up the life time of limited natural resources. Alongside of increasing environmentalist concern in green practices, more individuals interested and aware of protecting and preserving the environment in their every activity. Individuals look forward to those organizations care about the conservation of the environmental elements.

Empirical studies tried to examine the applicability of green strategies for organization in hotel industry. Based on the wide range of theoretical investigations, green environmental activities is accepted as the profitable strategy for organizations

in various direction such as, increasing their profitability, achieving competitive advantage, improving their brand image, increasing their market performance in the industry, decreasing their costs, and etc. based on these investigation more and more organization convinced to participate in green practices.

In sum, this study evaluated the effects of EPs on CS, CL and MP directly and the effects of EPs on MP through mediating role of CS and CL in five star hotels located in Northern Cyprus. This study developed a conceptual model which tested by Structural Equation Modeling. Based on the literature this study proposed eight hypotheses. All hypotheses supported except hypotheses 7 and 8 in case of North Cyprus. Based on the result of the study, Organizations should participate in green practices' activity and put them as their strategic necessity for implementation. At the end, employing EPs in the hotel increase the number of satisfied and loyal customers and financial and market performance of the organization in the industry and market directly and indirectly.

While a large number of customers select a hotel to stay regarding its non-environmental approach in compare to pre-environmental hotels, recent researches indicate that customers are willing to feel special toward pro-environmental attributes during service delivery (Robinot and Giannelloni, 2010). Adopting EMS help the firms understand the market problems regarding their market orientation activities. Therefore, they can consider EMS and employ environmental policies in their planning and management structure. Moreover, Tynan et al., (2009) mentioned that there are many customers which are willing to receive pro- environmental services and agree to pay extra for the cost related services due to their awareness from the associated costs of implementing environmental policies (Barnes, 2007).

Thus, hoteliers must deliver acceptable service quality considering the environment in order to satisfy loyal customers whom are willing to pay premium price for environmental issues and products (Christina G. Chi &, Dogan Gursoyre, 2008).

6.3 Managerial Implication

Based on the concluding results, this study provides some useful implications for managers of the organizations such as hotels and restaurant.

Organization should provide the clear instruction about their green operation in the hotel for customers'' use in order to make it clear they understand the involvement of the organization in the EP operations.

Managers have to actively adopt latest EPs into their strategies. It is acceptable to invite satisfied customers to some environmental workshops and green activities of the hotel. Also, it is good to ask the customer perceptions and their recommendation in improving the green practices in the organization. Managers have to also work hard to put the environmental strategies as the competitive advantage of the organization.

6.4 Limitation of the study

This study is not free from limitation. Some of the limitations of this study are as follow.

First, this study uses three variables to test the applicability of the EPs. Second, this study distributed its data only among five star hotels in Northern Cyprus. This study distributed its questionnaires via cross- sectional methods. This study just evaluate he perception of customers and managers in understanding the level of CS, CL and MP.

6.5 Future Direction

There is some direction for future evaluation related to this study.

First, future studies can include more related variables such as commitment, service quality, attitude toward green behavior, overall image and etc. to this model to broad the area of applicability of the model in marketing literature. Second, it is better for future studies to expand the number and types of hotels (Three, Four and Five star) and in two or more places to check the accuracy of the result. Third, future studies can use longitudinal data to decrease the possibility of bias in the result. Next, it is beneficial to test the model based on environmentalist and employees' perspectives. Finally, adding more outcomes for the model expands the understanding of the benefits of EP in marketing literature.

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APPANDICES

Appendix A: Questionnaire A

As part of my M.S. research/thesis at the Eastern Mediterranean University, faculty of tourism in North Cyprus, I am conducting a quantitative survey research about employing environmental policy in the hotel. The findings of this research will be highly beneficial to the management's environmental policy in the accommodation sector/hotels. I will appreciate if you could complete the following questionnaire. Any information obtained in connection with this study will remain confidential. This is solely for a research purpose and you do not need to reveal your name.

Many thanks for your time,

Sincerely,

Sedigheh safshekan

1.NONE 2.Low 3.Avrage 4.High 5.Very High

Environmental knowledge and practices	1	2	3	4	5
Hotel has Training program for employees about environmental activities					
Mangers are Awareness of pollution around the hotel					
Hotel Intervene to reduce pollution					
Hotel uses the recycle bin					
Hotel managers have knowledge about recycle firms					
Saving Energy					
The hotel uses energy-saving light bulbs in guest room.					

The hotel use Key-Card control system in guest room guest.					
The hotel employs solar system in hotel.					
The hotel re-uses the towel and linen.					
The hotel purchases the energy saving material.					
The hotel uses the treated wastewater to irrigate garden.					
Market performance (revenue).					
Customer satisfaction in relation with environmental policy increased hotel annual revenue.					
Retention of customer in relation with environmental policy increases hotel annual revenue.					

Environmental awareness: Low ( ) Medium ( ) High ( )	Gender: Female ( ) Male ( )	Education: College ( ) Bachelor ( ) Master ( ) PHD ( )
	Marital Status: Single ( ) Married ( )	Age: 18-27 ( ) 28-37 ( ) 38-47 ( ) 47-more ( )

Appendix B: Questionnaire B

As part of my M.S. research/thesis at the Eastern Mediterranean University, faculty of tourism in North Cyprus, I am conducting a quantitative survey research about employing environmental policy in the hotel. The findings of this research will be highly beneficial to the management's environmental policy in the accommodation sector/hotels. I will appreciate if you could complete the following questionnaire. Any information obtained in connection with this study will remain confidential. This is solely for a research purpose and you do not need to reveal your name.

Many thanks for your time,

Sincerely,

Sedigheh Safshekan

SDA: Strongly disagree

DA : Disagree

N   : Neutral

A   : Agree

SA : Strongly agree

No	Questions	SD	DA	N	A	SA
1	The hotel/motel is clean.					
2	Outside appearance is attractive.					

3	Interior design is attractive.					
4	The hotel/motel facilities are up-to-date.					
Customer satisfaction						
5	Would you agree to say "I am satisfied with my decision to visit this hotel/motel"?					
6	Would you agree to say "My choice to stay at this hotel/motel was a wise one"?					
7	Would you agree to say "I think I did the right thing when I chose to stay in this hotel"?					
8	Would you agree to say "I feel that my experience with this hotel/motel has been enjoyable"?					
9	You appreciate the signs about reusing bed linen and towels).					
10	You appreciate the fact that hotel uses clean or renewable energies (solar, wind power, etc.					
Customer Loyalty						
11	Would you recommend lodging in the evaluated hotel/motel to someone else?					
12	How likely is it that you would stay in this hotel/motel again if you have a chance to visit the same area?					
13	Next time, if the hotel/motel chain is not available (e.g. no vacancy, not open yet) in the area you visit, how willing are you to wait for vacancies?					

Environmental awareness: Low ( ) Medium ( ) High ( )	Gender: Female ( ) Male ( )	Education: College ( ) Bachelor ( ) Master ( ) PHD ( )
	Marital Status: Single ( ) Married ( )	Age: 18-27 ( ) 28-37 ( ) 38-47 ( ) 47-more ( )