Service Quality & Customer Satisfaction in Hotel Industry

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Abstract

The purpose of the study is to examine customers' perceptions of service quality in the hotels of Himachal Pardesh and Haryana states. The aim is to assess the perceived service quality of hotel attributes and to determine the factor structure of service quality perception. A modified SERVPERE scale was used to assess service quality perceptions from the perspective of domestic and international tourists. Data were collected in 06 hotels in the Himachal Pardesh and Haryana states, using a self-administered questionnaire. Descriptive statistical analysis, exploratory factor analysis and reliability analysis were conducted. A modified SERVPERE questionnaire on five point Lickert scale from 1 (strongly disagree) to 5 (strongly agree) on a sample of 220 respondents has been used to study the perception of customer service quality of 10 hotels in the Himachal Pardesh and Haryana states. The study showed that five factors play a vital role in influencing the perception of customers toward service quality in hotel industry. The study indicated that among the various service quality dimensions, 'tangibility' (with the largest β value) is the best predicator, followed by 'empathy', 'assurance', 'reliability' and 'responsiveness'.

Key words: service quality, factor analysis, reliability analysis, hotel industry.

Introduction

From the last several years, the service sector has become greater economic importance and elements for gaining a sustainable competitive advantage in the marketplace. In the service sector, the quality of service, one of the most dominant themes of research in services, has become a strategic instrument for firms since 1990s (Fisk et al., 1993; Donnelly et al., 1995). Customer perceives services in terms of its quality and how satisfied they are overall with their experiences (Zeithaml, 2000). Yoo and Park (2007) found that employees, as an integral part of

the service process, are a critical element in enhancing perceived service quality. The key to sustainable competitive advantage in today's competitive environment lies in delivering high-quality service that result in satisfied customers (Shemwell et al., 1998). In fact, service quality has become a great differentiator, the most powerful competitive weapon which many leading service organizations possess (Berry et al., 1985).

Parasuraman et al., (1988) defined service quality as a global judgment, or attitude, relating to the superiority of the service and explicated it as involving evaluations of the outcome (i.e., what the customer actually receives from services) and the process of service act (i.e., the manner in which service is delivered). Parasuraman et al., (1985) initially identified 10 dimensions used by consumers in evaluating service quality and finally consolidated them into five broad dimensions. SERVQUAL refers to five service quality dimensions (Parasuraman et al., 1988).

1. Reliability (The ability to perform the promised service dependably and accurately)
2. Responsiveness (Willingness to help customers and to provide prompt services)
3. Tangibles (Physical facilities, equipment, and appearance personnel)
4. Assurance (Knowledge and courtesy of employees and their ability to convey trust and confidence)
5. Empathy (Caring, individualized attention the firm provides to its customer)

Cronin and Taylor (1992) argued that performance is the measure that best explains customers' perceptions of service quality, so expectations should not be included in the service quality measurement instrument. They developed a performance-only scale called SERVPERF and tested it in four industries. Results indicated that the SERVPERF model explains more of the variation in service quality than SERVQUAL; it had an excellent fit in all four industries and it contains only half the number of items that must be measured. These results were interpreted as additional support for the superiority of the SERVPERF approach to the measurement of service quality.

Review of Literature

Parasuraman (1985) found that services were very difficult to assess than product given that services were characterized by intangible, heterogeneity, simultaneity of production and consumption, and a high proportion of accuracy versus search and experience properties. Further, professional services were complex in nature and their effects were often delayed, which made even post purchase evaluation difficult.

Parasuraman (1988) define perceived quality as a form of attitude, related but not equal to satisfaction, and results from a consumption of expectations with perceptions of performance. Therefore, having a better understanding of consumers attitudes will help know how they perceive service quality.

Jain and Gupta (2004) evaluated the diagnostic power of the two service quality scales, namely, SERVQUAL and SERVPERF scales. The paper also searched the validity and methodological fitness of these scales in the Indian context' an aspect which has so far remained neglected due to the preoccupation of past studies with service industries in the developed world. The data has been collected from 300 students and lecturers of different colleges and departments of the University of Delhi spread all over the city of Delhi. The study found SERVPERF scale to be providing a more convergent and discriminated valid explanation of the service quality construct. However, the scale was found deficient in its diagnostic power. It is the SERVQUAL scale by virtue of possessing higher diagnostic power to indicate areas of managerial interventions in the event of lack of service quality.

Objective of the Study

To study the perception of customer service quality in Hotel industry in Himachal Pardesh and Haryana states.

Research Methodology

For analyzing the customers' perception towards service quality offered by hotel, a modified SERVPERE type questionnaire relevant to the hotel industry has been constructed. In 'SERVPERE' construct all the statements are one-dimensional and performance based, which incorporate the statements of 'SERVQUAL' model that can be used for measurement (Cronin and Taylor, 1992). All the items were measured on the five point Likert scale from 1 (strongly disagree) to 5 (strongly agree). Based upon the earlier guidelines of researchers (Babakus and Boller, 1992; Boulding, et al., 1993), the overall perception of service quality was measured using single item, "your perception about the overall service quality of your hotel", measured on a five-point Likert scale, anchored at 1: "very bad" and 5: "very good".

The study covered 06 five star hotels in the NCR region. A sample of 300 customers was taken up who were approached personally. Out of the total, 220 correct completed questionnaires in all

respects. For choosing the sample, non-probabilistic convenience sampling technique has been used. Stratified sampling technique has been used.

Exploratory Investigations

An exploratory qualitative study was undertaken to better understand the key dimensions of service quality that are important to customers. For this, personal in-depth interviews, comprising open-ended questions with the customers, were conducted (Seth, 2008). In all, thirty customers were randomly selected for interviews. Each interview lasted 15 to 30 minutes. The semi-structured in-depth interviews focused on the following issues:

- How do the customers evaluate service quality in hotel industry?
- What are the important factors influencing the customer's perceptions of service quality in hotel industry?

The respondents provided valuable insights regarding the service quality measures and key factors impacting their perceptions.

Demographic Profile of the Respondents

Item (Gender)	Percentage
Male	67
Female	33

Purpose of Visit	Percentage
Business	32
Visit at friends & Relatives	29
Vacation	33
Others	06

Duration of Stay in Hotel	Percentage
1-4 days	59
5-10 days	37
More than 10 days	04

Age	Percentage

16-30 Years	22
31-45 Years	33
45-60 Years	38
60 Years and above	07

Income in Rs.	Percentage
Up to 50000	07
50000 to 100000	28
Above 100000	65

Statistical Tools

Data collected were subjected to descriptive analysis and reliability analysis, exploratory factor analysis using principal component method with varimax rotation, and multiple regression analysis. The regression analysis was conducted to determine the relative importance of service quality items influencing the overall service quality, importance of overall service quality to influence the customer satisfaction. Regression helps to predict the value of a dependent variable using one or more independent variables and is used for the investigation of relationships between variables. This analysis was also useful in quantifying the influence of various simultaneous effects on a single dependent variable (Gupta, 2009).

In order to test the strength of the relationship between the dependent and independent variables, regression coefficients were used to evaluate the strength of the relationship between the independent variables and the dependent variable. Chu (2002) indicated that the beta coefficients of the independent variables can be used to determine its derived importance to the dependent variable compared with other independent variables in the same model. In general, the relationship of the independent variable with the dependent variable will be positive if the beta coefficient is positive. In contrast, if the beta coefficient is negative, the relationship between the independent and dependent variables will become negative. Of course, the beta coefficient equalling zero implies that there is no relationship between both of the independent and dependent variables.

R^2 which represents the percent of variance in the dependent variable (overall service quality) explained collectively by all of the independent variables. Thus the R^2 value in the model

provided a measure of the predictive ability of the model. The close the value to 1, the better the regression equation fit the data.

Reliability Analysis

The reliability test has been assessed by computing the coefficient alpha (Cronbach, 1951), that measures internal consistency of the items means reliability refers to the instrument's ability to prove consistent results in repeated uses. For a measure to be acceptable, coefficient alpha should be above 0.70 (Nunnally, 1978), therefore, perception scale demonstrated high reliability. The reliability coefficient (Cronbach's alpha) values is 0.868.

Reliability Statistics
(Table:1)

Cronbach's Alpha	N of Items
.868	22

Exploratory Factor Analysis

In order to examine the dimensionality of SERVPERE instrument from the Indian perspective, 22-item scale was then Factor analyzed using the Principal Component method with Varimax rotation on the perceptions for the customers is performed for establishing the strength of the factor analysis solution as it is essential to establish the reliability and validity of the obtained reduction. However, before conducting the factor analysis, the adequacy or appropriateness of data for factor analysis has been analyzed using SPSS software with the help of Kaiser-Meyer-Oklin (KMO) Measure of Sampling Adequacy (MSA) and Bartlett's test of sphericity. In this study, value of KMO is acceptable because it exceeded the recommended value of 0.6 as suggested by Hair et al., (2010) indicating that factor analysis could be used for the given set of data. Moreover, the p value is 0.000 which is less than 0.05. The results thus indicate that the sample taken is appropriate to proceed with a factor analysis procedure.

KMO and Bartlett's Test (Table:2)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.862
Bartlett's Test of Sphericity	Approx. Chi-Square	3.147E3
	df	231
	Sig.	.000

Further, in order to assess the appropriateness of the data for factor analysis, the communalities (h^2) ranged from 0.857 to 0.599 for various statements derived from the factor analysis were reviewed shown in the Table 3. Communality indicates how much of each variable is accounted for by the underlying factors taken together. In other words, it is a measure of the percentage of variable's variation that is explained by the factors. A relatively high communalities show that not much of the variable is left over after whatever the factors represent is taken into consideration. It meant that factor analysis extracted a good amount of variance in the statements.

The items having factor loadings less than 0.5 were eliminated. The commonly used procedure of Varimax Orthogonal Rotation using 0.5 as a cut off point for factor loading for naming the factor is employed in the analysis (Hair et al., 1995) shown in Table 3. The factors so generated had eigen values range from 1.143 to 7.353. These were all relatively large (greater than 0.5), suggesting that the data set is appropriate (Stewart, 1981).

Meanwhile, five-factor solution explaining 72.527% cumulative variance, which is higher than 50% as recommended by Nunnally and Bernstein (1994). F1 explains maximum variance 33.421% followed by F2: 16.753% and F3: 9.676% variance, F4: 7.484% variance, F5: 5.194% variance respectively. It means that factor analysis has extracted a good amount of variance in the items. All the dimensions are named on the basis of the contents of the final items making up each of the five dimensions. All items were found highly loaded under five factors, which indicate customers are highly satisfied with these statements.

Table 3: Factor Extraction Results of Service Quality Measurement Items

Sr. No.	Name of Factor	Factor Loading	Eigen Value	Variance in %	Communalities (h^2)
F1: Tangibility					
1	The front desk was visually appealing	0.824	7.353	33.421	0.752
2	The employees were clean, neat uniforms	0.824			0.745
3	The restaurant's atmosphere was inviting	0.818			0.692
4	The outdoor surroundings were visually attractive	0.801			0.692
5	The hotel was bright and well lighted	0.764			0.668
6	Appropriate location	0.762			0.758
7	The hotel's interior and exterior were well maintained	0.740			0.649
8	The hotel was clean	0.670			0.599
F2: Reliability					
1	Performs the service right in the first instance	0.842	3.686	16.753	0.764
2	Service without delays	0.820			0.735
3	My guest room was ready as promised	0.761			0.633
4	When customers have a	0.749			

	problem hotel staff shows sincere interest in solving it				0.667
F3: Assurance					
1	The behavior of employees of the hotel instills confidence in customers	0.890	2.129	9.676	0.807
2	Customers of hotel feel safe in their transactions	0.845			0.757
3	Employees hotel are consistently courteous with customers	0.818			0.692
4	Employees hotel have the knowledge to give professional services to customers and to answer customer's questions	0.784			0.700
F4: Empathy					
1	Give customer individual attention	0.917	1.646	7.484	0.857
2	Employee of the hotel understand the specific needs of their customers	0.906			0.846
3	Knowing the exact time when service will be performed	0.794			0.719
F5: Responsiveness					

1	Hotel staff has knowledge to answer questions	0.807	1.143	5.194	0.821
2	Employees have always been willing to help customers	0.737			0.752
3	Employees tell customers exactly when services will be performed	0.660			0.652

Notes:

1. Factor loadings greater than 0.5 is acceptable (Hair et al., 1995).
2. Alpha values of 70% or higher are considered acceptable (Nunnally, 1978).

Multiple Regression Analysis

In order to assess the overall effect of the instrument on service quality and to determine the relative importance of six customer-perceived service quality dimensions of the generated scale, they were subjected to regression analysis. For this, based on Parasuraman et al., (1988) approach, multiple regression analysis model was followed in which the respondents' overall judgment of service quality perception was considered as dependent variable and the five extracted customer perceived service quality dimensions were made independent variables. Thus, the extracted score for each of the dimensions were regressed on the overall service quality score obtained from each respondent survey.

Model Summary (Table:4)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.774[a]	.599	.590	.42134

a. Predictors: (Constant), REGR factor score 5 for analysis 1, REGR factor score 4 for analysis 1, REGR factor score 3 for analysis 1, REGR factor score 2 for analysis 1, REGR factor score 1 for analysis 1

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	56.754	5	11.351	63.938	.000[a]
	Residual	37.991	214	.178		
	Total	94.745	219			

a. Predictors: (Constant), REGR factor score 5 for analysis 1, REGR factor score 4 for analysis 1, REGR factor score 3 for analysis 1, REGR factor score 2 for analysis 1, REGR factor score 1 for analysis 1

b. Dependent Variable: Overall

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.245	.028		114.249	.000
	REGR factor score 1 for analysis 1	.307	.028	.467	10.787	.000
	REGR factor score 2 for analysis 1	.150	.028	.228	5.267	.000
	REGR factor score 3 for analysis 1	.189	.028	.287	6.632	.000
	REGR factor score 4 for analysis 1	.301	.028	.458	10.577	.000
	REGR factor score 5 for analysis 1	.126	.028	.192	4.442	.000

a. Dependent Variable: Overall

The value of R^2 is 0.599, which explains that extracted factors account for 59.9% of variation in the overall customers' service quality perception. In other words, it has been observed that the overall regression model is significant (F= 63.938, p<0.000), with 59.9% of the variation in overall customers' service quality perception is predicted by independent variables. In other words, the value of R^2 is significant as indicated by the value of p value (0.000) of F statistic as

given in ANOVA Table 5. This shows that regression model results are showing significantly better prediction of overall customers' service quality perception. The result of Table 5 can be summarized as regression equation given below:

Overall service quality as perceived by customers= 3.245+0.307 (Tangibility)+0.150 (Reliability)+0.189 (Assurance)+0.301 (Empathy)+0.126 (Responsiveness).

All the factors were found to be significant and remained in the equation explaining overall service quality. The beta (β) coefficients provide the relative importance. The dimension with the largest coefficient represents the most important dimension in terms of its influence on overall quality perceptions. The next largest coefficient represents the second most influential dimension and so forth. In other words, the higher the beta co-efficient, more the contribution of factors in explaining perceived service quality. The results indicate that perceived service quality is influenced by all the five dimensions with "Tangibility" as the most important dimension having β coefficient = 0.307, and Responsiveness appearing to be the least important (with β co-efficient = 0.126).

Findings, Conclusions and Suggestions

Thus the study shows that five factors play a vital role in influencing the perception of customers toward service quality of hotel. The results of the regression analysis highlighted the priority areas of service improvement and revealed that not all the dimensions contribute equally to the customers' perceptions of service quality in hotel industry. The study indicated that among the various service quality dimensions, 'tangibility' (with the largest β value) is the best predicator.

Thus, the hotel industry is required to focus on important dimensions to achieve high levels of service quality and also aim at reaching acceptable level for not so important dimensions. Finally, the monitoring of service quality should be on continuous basis. The service providers can increase the size of market by managing the service quality dimensions in order of their importance. This is expected to increase the customers' satisfaction and the company will be more competitive in long run. Based on the relevance of each of these factors, hotel industry can draft a suitable action plans. Moreover, new comers who are planning to do hotel business in India should be attentive when analyzing on service quality, so that they can focus on the major dimensions and plan to meet the customers' perception regarding service quality. The hotel industry shall have to reorient themselves in terms of the customer service parameters to instill the concept of quality service in the mind of the customer and further in terms of growth. Thus,

the findings can be used as a guide for hotel managers to improve crucial quality attributes and enhance service quality and business performance.

Scope for further Study

This study is done in Himachal Pardesh and Haryana; therefore, the result got may not fit to the country as a whole. There may be a possibility of cultural differences playing a role in the outcome of the study. Thus, there is need to explore these result for other part of country and other countries as well. This may provide comprehensive understanding of the service quality dimensions across different culture, values and beliefs. More dimensions of services can be added to measure the perception of customer service quality.

Additionally, future research could also assess hotel staffs' perceptions of service performance and compare them with guests' perceptions in order to identify the differences.

In the current study, exploratory factor analysis using principal component method with varimax rotation has been used. Moreover, the results of this study may further be validated by using confirmatory factor analysis technique.

The future studies may explore the significance of service quality dimensions and the factors influencing customer satisfaction and retention for corporate customers.

The study can be further extended to investigate the relationship between service quality, loyalty, retention, and competitiveness. Another comparison can be done among private and public sector hotel in term of products offered. Study can also be done to measure the gap between expectation and perception of service quality of public and private sector hotel.

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