

Original Article

Service Quality and Customer Satisfaction in Hotels in Butwal Sub-Metropolitan City

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Abstract - High level of competitiveness in the marketplace in which hospitality industries such as hotels function has been one of the main reasons why service quality and customer satisfaction have become of great importance. The paper mainly deals with two objectives: To determine factors influencing customer satisfaction and to examine the relationship between service quality and customer satisfaction among hotels in Butwal sub-metropolitan city, Nepal. SERVQUAL model was used to develop a questionnaire which was later distributed to respondents from across hotels in Butwal. Descriptive statistics and Regression analysis were used to establish the factors influencing customer satisfaction and bring out the relationship between service quality and customer satisfaction. The four service quality variables namely Tangibles, Assurance, Reliability, and Empathy yielded positive relation with customer satisfaction. This means that service quality is strongly linked with customer satisfaction and the higher the service quality, the higher the customer satisfaction. The results further reveal that the Assurance dimension contributes most towards customer satisfaction followed by Tangibles and Reliability, whereas the Responsiveness dimension has negative relation with customer satisfaction. However, all the dimensions were highly rated and therefore the hotels cannot afford to ignore any of the variables. This study contributes to the existing studies examining service quality and customer satisfaction in the hotel industry. The results from the study could be helpful to the management of hotels in their policy formulation in the context of improving customer satisfaction and service loyalty.

Key Words - Service Quality, SERVQUAL, Customer Satisfaction

I. INTRODUCTION

One of the most effective tools in the Hotel Industry's success is service quality. Juran (1988) defines quality as “fitness for use” while in Crosby (1979) quality is defined as “conformance to requirements”. Mitra (2000) on the other hand views the quality of a product or service as “the fitness of that product or service for meeting or exceeding its intended use as required by the customers”. Considering the hotel industry, bringing about quality has a complication that differs from when tangible product is involved. Parasuraman et al., (1985) noted that it was inappropriate to use a product-based definition of quality when studying the service sector. They, therefore, developed the expression, “service quality”. Service quality refers to the difference

between customers' expectations of service and their evaluation of the services they received.

It is perceived as subjective since it relies on the judgment of the customer. However, it is an important concept in influencing the extent and nature of customer satisfaction experienced after service delivery. According to Gronroos (1990), service quality is dependent on two variables: expected service and perceived service. Expectations are beliefs about the level of service that will be delivered by a service provider and they are assumed to provide standards of reference against which the delivered service is compared (Bitner et al,2003). If there is congruence between the performance and the expectations, then a customer is said to be satisfied.

Various models have been proposed to measure service quality. Lehtinen (1982) proposed that service quality can be measured by its physical, corporate, and interactive quality whereas Leblanc (1992) suggested a variety of factors such as responsiveness, corporate image, and accessibility as some of the factors used to evaluate service quality. However, the most popular model for measuring service quality is the SERVQUAL model developed by Parasuraman et al. (1985) and engenders five determinants of service quality presented in order of importance, reliability, responsiveness, assurance, empathy, and tangibles.

This study focused on service quality and customer satisfaction: a case of hotel industry in Butwal sub-metropolitan city. The hotel industry is highly service-oriented as, through the experiences, customers form opinions by comparing the service encounters against their expectations. The hotel industry in Butwal is experiencing increasing competition with major international hotel brands increasingly setting up operations in Butwal. This is set to increase the competition in the hotel industry. To survive in this dynamic and highly competitive business environment the hotel operators will be forced to critically acknowledge the importance of service improvement in order to gain a competitive advantage.

II. REVIEW OF LITERATURE

This chapter discusses the theoretical framework and empirical studies related to service quality and customer satisfaction. In particular, the study covers literature related to the study as studied by other scholars. The literature is reviewed in two streams. First, literature on service quality and its measurement is reviewed. Then,



literature relating to customer satisfaction is reviewed. Finally, literature relating to the relationship between service quality and customer satisfaction is reviewed and a conceptual framework of the study developed.

A. Service Quality

Researchers proposed different views on the definitions of service quality. Service quality is defined as a comparative function between consumer expectations and actual service performance (Parasuraman et al., 1985). On the other hand, Parasuraman et al, (1988) defined service quality as the ability of an organization to meet or exceed customer expectations. According to Cronin & Taylor (1994), service quality is a form of attitude representing a long-run overall evaluation of service. As observed by Chang, Chen, and Hsu (2002), the traditional notion of service quality by Parasuraman et al., (1985) is most commonly accepted.

Stromgren (2007) studied the factors influencing service quality in the hotel industry in Peru and established that the customers were more interested in the dimensions of reliability exterior, tangibles, and assurance. The best predictor of overall service quality was identified as the dimension of reliability. The researcher however noted that a different context would give different results. This is due to different social-demographic variables such as culture and religion which might impact customer expectations.

Harr (2008) on the other hand, studied service dimensions that lead to higher levels of customer satisfaction in restaurants in Singapore and found out that assurance, empathy, and tangibles are the most important to customers' evaluation of service quality, and thus, may have a positive influence on customer satisfaction.

B. Determinants of Service Quality

When purchasing goods, the customer employs many tangible aspects to judge quality; style, hardness, color, label, feel, and packaging. However, when purchasing services fewer tangible aspects exist. In the absence of tangible evidence on which to evaluate quality, customers must depend on other aspects. Service quality dimensions are the aspects/characteristics which customers use to evaluate service quality. Research by Parasuraman et al., (1985) identifies ten determinants that influence customers' perceptions of service quality as reliability, responsiveness, tangibility, communication, credibility, security, competence, courtesy, understanding, and access.

For the purpose of this study, the researcher adopted Parasuraman et al's (1988) dimensions of service quality i.e. Reliability, Responsiveness, Access, Empathy, and Tangibles. The five dimensions of service quality developed by Parasuraman et al, (1988) are the most acknowledged and applied in the diversity of service industries Nathan.D. and Saghier.N. (2013).

C. Customer Satisfaction

Tse and Wilton, (1988) defined customer satisfaction as "the consumer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product or service as perceived after its consumption".

Woodruff (1997) defined customer satisfaction as "the evaluative reaction to how particular product performed when compared to how he or she anticipated that it would perform". Kotler (2001) on the other hand, defined Customer satisfaction as the extent to which a product's perceived performance matches a buyer's expectations. Failure to meet these expectations leads to dissatisfaction. These definitions consider satisfaction as an overall post-purchase evaluation by the customer.

Table 1. Five dimensions of service quality

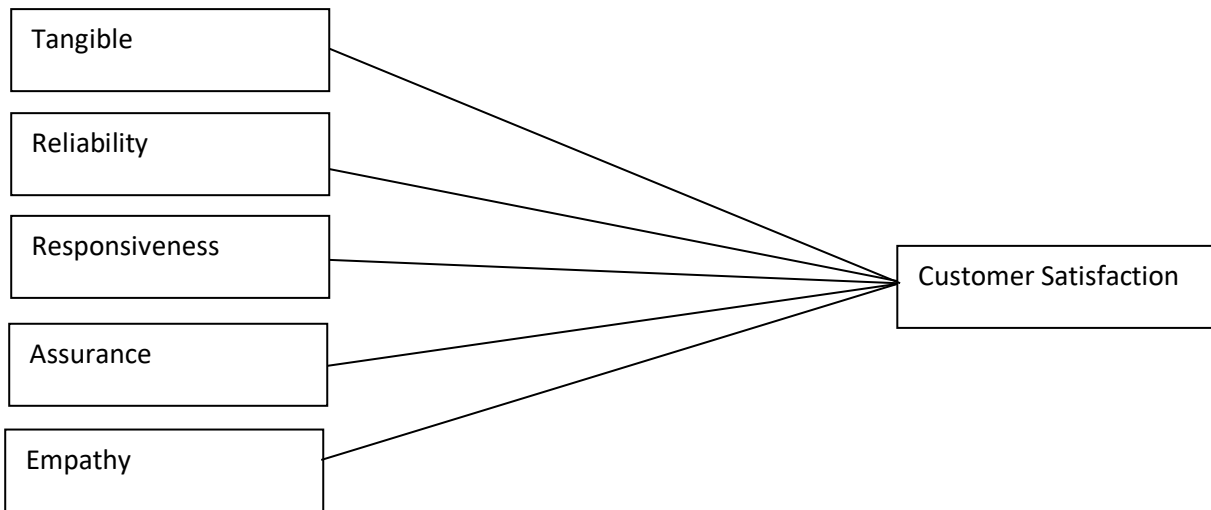
Dimension	Description
Tangibles	Physical facilities, equipment, and appearance of personnel
Reliability	Ability to perform the promised service dependably and accurately
Responsiveness	Willingness to help customers and provide prompt service
Assurance	Knowledge and courtesy of employees and their ability to inspire trust and confidence
Empathy	Caring, individualized attention the firm provides its customers.

Source: Adapted from Parasuraman, Zeithml, and Berry (1988)

D. Conceptual Framework

Based on the literature reviewed, a theoretical framework for this study was developed and is shown in Figure 2.1, the major objective of the study is to

analyze the relationship between service quality and customer satisfaction.



Source:(Jalal,2016)

Fig. 1 Service quality and customer satisfaction relationship framework.

The dependent variable in this research is overall customer satisfaction while the independent variable is service quality which measures the level of customer satisfaction. The dimensions included in this variable are reliability, responsiveness, assurance, empathy, and tangibility.

III. RESEARCH METHODOLOGY

A research design is a framework of the project that stipulates what information is to be collected from which sources by what procedures. The research methodology includes the overall research design, the sampling procedure, data collection method, and analysis procedure. In this study, Descriptive research has been adopted. The descriptive research study includes surveys and fact-finding inquiries of different kinds.

A. Sources of Primary and Secondary Data

This study has utilized both secondary and primary sources of data. The primary data has been collected from different guests of different hotels in Butwal sub-metropolitan city. Similarly, the secondary data has been collected from different secondary sources such as websites, articles, magazines, reports, journals, etc.

B. Research Design

The researcher applied a descriptive design to study service quality and customer satisfaction from the customer’s perspective in hotels. This study was used to establish the relationship between the determinants of service quality and customer satisfaction among hotels in Butwal sub-metropolitan city. To be more specific, a survey-based descriptive research design has been used to get the opinion of a large number of customers.

C. Population and Sample size

The size of the population is uncertain because a certain location or area is not enough to cover the entire population. Regardless of the place, customers belong to the hotels according to the researcher’s convenience in this study are the parts of the population of this study. From the infinite population, 301 respondents have been chosen as a sample using the convenience sampling technique.

D. Data Analysis

After the collection of data through structured questionnaires, data are properly coded for completeness and consistency. The result of the analysis has been properly tabulated, analyzed, and interpreted. Quantitative data collected was then analyzed and interpreted in line with the study objectives through the use of a statistical package for social sciences (SPSS).

At first, the research question was answered using the data collected from part II of the questionnaire. The mean (weighted average) and SD (Standard Deviation) were used to analyze the data from the responses received. The Linear Regression model was used to realize the second objective. The mathematical expression for the regression model is given as follows:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \epsilon$$

Where,

Y = dependent variable representing Customer Satisfaction

X₁, X₂, X₃, X₄ and X₅ = independent variables representing the 5 service quality dimensions (Tangibles, Reliability, Responsiveness, Assurance and Empathy respectively)

α = constant (the intercept of the model)

β₁ + β₂ + β₃ + β₄ + β₅, = regression coefficients

ε = Error term

IV. RESULTS AND CONCLUSION

The study sought to find out the distribution of respondents in three categories named; gender, age, the

purpose of visit, and the number of visits to the hotels. Table 2 presents the demographic profile of the respondents. Out of total respondents, 57.8 percent were male respondents and 42.2 percent were female respondents. Hence, the majority of the participants were male.

Similarly, the study further sought to find out the age distribution of respondents, and the findings were reported as follows: 18 – 25 age bracket constituted 15%, 26 – 35 age bracket constituted 35.9%, 36 – 45 age bracket constituted 17.6%, 46 – 55 age bracket constituted 16.3% and lastly, age bracket rated as over 55 years received a mere 15.3%.

The study also captured the purpose of visit and the findings were as follows; 46.2% of respondents visits the hotels for leisure while another 39.9% of respondents were for business-related issues. Finally, meetings consist of 13.3 % and other purposes constituted 0.7% each. The results showed that the majority of guests visit the hotels in Butwal for leisure purposes and the least guests visit the hotels for other various purposes.

Table 2. Demographic profile of the respondents (N=301)

Gender	Frequency	Percent
Male	174	57.8
Female	127	42.2
Total	301	100
Age		
18-25	45	15
26-35	108	35.9
36-45	53	17.6
46-55	49	16.3
Over 50	46	15.3
Total	301	100
Purpose of Visit		
Leisure	139	46.2
Business	120	39.9
Meetings	40	13.3
Others	2	0.7
Total	301	100

Source: Author's calculation based on data from Questionnaire Survey, 2019

A. Test of Reliability

The indicators of the five-point Likert scale have been tested for reliability using Cronbach's Alpha coefficient. Cronbach's alpha is commonly used in studies as an indicator of the instrument or scale reliability or internal consistency. The responses were examined and various tests were applied to the instrument, including the use of Cronbach's alpha, where "Cronbach alpha scores greater than .70 were considered as indicative of acceptable reliability. The reliability of each measure was assessed by coefficient alpha. The normally recommended alpha level for preliminary research is 0.7 (Taber, 2017).

Table 3. Reliability Test

Cronbach's Alpha	N of Items
.718	6

Since Table no. 3 exhibits the value of Cronbach's Alpha greater than 0.7, which is 0.718, the collected data are taken as reliable data for further analysis.

B. Perception of Factors Influencing Customer Satisfaction

The first objective of the study sought to find out factors influencing customer satisfaction. Respondents were asked to rate the factors on a scale of 1 to 5 ranging as 1 = strongly disagree, 2 = disagree, 3= neutral, 4 = agree and 5= strongly agree. A five-point

Likert scale was used to interpret the respondent's responses.

The mean (weighted average) and standard deviation were used to analyze the data from the responses received as shown in Table no. 4

Table 4. Factors Influencing Customer Satisfaction

Factors	N	Mean	SD
Hotel's Physical Facilities	301	3.1163	1.57579
Timeliness of Services	301	3.5947	1.23633
Communication Materials	301	3.3289	1.30695
Appearance and Behavior of employees	301	3.9468	1.11527

Source: Author's Calculation based on data from a Questionnaire survey, 2019

According to the researcher, those factors with a mean between 0.5 and 1.5 were not influencing customer satisfaction, those factors with a mean greater than 1.6 but less than 2.5 were somewhat influencing customer satisfaction. From the respondents' summary in table 4.3 above, there was no score between 0.5 and 1.5 therefore all the factors mentioned above-influenced customer satisfaction fair extent. The factors with a mean greater than 2.6 but less than 3.5 were neutral, which were timeliness of services and communication materials. The factors with a mean greater than 4.6 would be termed as extremely influencing customer satisfaction. There was no mean score greater than 4.6 hence it can be

said that none of the factors listed above were perceived to be extremely influencing customer satisfaction. The factors with a mean greater than 3.6 but less than 4.5 were fairly influencing satisfaction. The appearance and behavior of employees were found to be fairly influencing satisfaction which has a mean value of 3.9468.

The standard deviation was also used to analyze the responses. The higher the standard deviation, the higher would be the level of dispersion among the respondents. The standard deviation for all the factors listed was more than 1 meaning there was no general consensus among the respondents.

Test for regression coefficients
Table 5. Regression coefficients of the five dimensions of service quality

	Coefficient	Std.Error	T-stat	P value
Intercept	2.332	.214	10.904	.000
Tangibles x ₁	.186	.059	3.147	.002
Reliability x ₂	.182	.078	2.332	.020
Responsiveness x ₃	-.167	.065	-2.557	.011
Assurance x ₄	.244	.064	3.787	.000
Empathy x ₅	.013	.062	.208	.836

Source: Author's Calculation based on data from a Questionnaire survey, 2019

From the above table no 4.4, the following values were obtained; $\beta_0 = 6.322$, $\beta_1 = 0.867$, $\beta_2 = 0.916$, $\beta_3 = 0.865$, $\beta_4 = 0.813$, $\beta_5 = 0.879$. Therefore, the regression model can be expressed as follows:

$$Y = 2.332 + 0.186X_1 + 0.182X_2 - 0.167X_3 + 0.244X_4 + 0.013X_5 + \epsilon$$

Therefore:

$$\text{Customer satisfaction} = 2.332 + 0.186 \text{ Tangibles} + 0.182 \text{ Reliability} - 0.167 \text{ Responsiveness} + 0.244 \text{ Assurance} + 0.013 \text{ Empathy} + \epsilon$$

From the above table no 4.4, since the P-value of four variables i.e. Tangibles, Reliability, Responsiveness, and Assurance were below 0.05, they were statistically significant at a 5 % level of significance. However, Empathy was statistically insignificant its p-value was above the acceptable threshold i.e. 0.05.

From the research findings, a positive effect was found on four dimensions of service quality i.e. tangibles, reliability, assurance, and empathy with regression coefficients of 0.186, 0.182, 0.244, and 0.013 respectively. These findings suggest that a unit increase intangible dimension, taking all the other variables constant at zero would result in a 0.186 increase in customer satisfaction.

Similarly, a unit increase in reliability would result in a 0.182 increase in customer satisfaction. A unit increase in assurance would result in a 0.244 increase in customer satisfaction. Moreover, a unit increase in empathy would result in a 0.013 increase in customer satisfaction.

Finally, since the responsiveness dimension has a negative coefficient with a value of -0.167, which signifies a unit decrease in responsiveness would result in a 0.167 decrease in customer satisfaction.

Table 6. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.931	5	5.586	10.972	.000 ^b
	Residual	150.191	295	.509		
	Total	178.122	300			
a. Dependent Variable: Customer satisfaction						
b. Predictors: (Constant), Empathy, Tangibles, Responsiveness, Assurance, Reliability						

From the above table 4.5, significance $F=0.000$, which is less than $p=0.05$ and therefore the model is statistically significant. This implies that the model can be used for prediction purposes.

V. RESULTS AND DISCUSSION

This study set out to determine the factors influencing customer satisfaction and the relationship between service quality and customer satisfaction. From the above findings, out of four major factors that may impact customer satisfaction, the appearance and behavior of employees were found to be fairly influencing customer satisfaction. This implies that the hotels can improve the level of customer satisfaction by encouraging employees to be more committed and present loyally to their guests with the highest impact. The standard deviation for all the factors listed was more than 1 meaning there was no general consensus among the respondents.

These findings further indicate that assurance contributes most towards customer satisfaction followed by Tangibles and Reliability. Empathy was seen to contribute the least. However, all the dimensions were highly rated by the respondents and therefore the service industry cannot ignore any of the dimensions as they influence customer satisfaction though at different levels.

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