Relationship between Service Quality and Customer Satisfaction in Sri Lankan Hotel Industry

Umesh Gunarathne W.H.D.P

Department of Marketing
Faculty of Management and Finance
University of Ruhuna
Matara: SRI LANKA

Abstract- After 30 years war, as a country Sri Lanka has a great opportunity to develop tourism industry and there are lot of tourists visit to spend holidays in Sri Lanka from around the world. In tourism industry Hotels play a major role. Therefore the hotels should be provided excellent services quality for their customers.

Services quality is considered substantial when it comes to define organizational success. The winning strategy is to deliver best services quality to customers. Today, need to improve services quality in Sri Lankan hotel industry have come under limelight due to stiff competition where hotels are trying to attain competitive advantage through the human factor. Excellent quality service not only results in a profit strategy but also it is energizing for employees to perform to their potential to meet challenges. By providing quality service, hotels can sustain customers' confidence and gain competitive advantages over their competitors. This study studies the relationship between Services Quality and Customer Satisfaction in Sri Lankan hotel industry.

In this research paper, quantitative methods were used. The data were collected through questionnaire which contained five point likert scale Statements. Results of different correlations, T-test and hypotheses testing revealed a great deal of existing services with customer satisfaction. In order to generate the results employed confirmatory factor analysis by using Smart PLS. Mainly courtesy of attendants, comfort in guestroom, cleanliness and environment of hotel have played vital role in creating serenity and subsequent contentment among customers. This study confirms direct relationship between Service Quality and customer satisfaction. It seems judicious to believe that understanding of customer satisfaction role is extremely significant as it appears key factor in the success of modern organization specially hotels.

Index Terms- Customer Satisfaction, Hotel Industry and Service Quality

I. Introduction

Service Quality receives a significant amount of attention from researchers (e.g., Parasuraman, 1988, Markovic, S. (2005), Cronin, J. and Taylor, S. (1994)) When a country developing, it is quite general that service sector is getting higher proportion in the gross national production. Specially, after the industrial revolution the requirement of services to trade and services which not relevant to trade (E.g. - doctors, lawyers, teachers etc.) have improved dramatically. So the service completion in the global market becomes stronger and shape. Unlike manufacturing organizations, service organizations have high involvement of human that is because service providers directly deal with customers than manufacturing organizations and overall performance of the organization is depend on how well the staff satisfied customer requirements via the superior Service quality.

As also service has to be consumed by customers at the time when the service provider delivers the service, if the service provider is not capable and experienced the whole organization image can be damaged with in a shorter period of time. Therefore it is obvious that quality is a critical factor for service organizations, in which customers get strong impression either service provider, respond positively or negatively. Especially with the growing completion it is essential that every organization should strengthen their quality in every aspect than competitors.

Service quality has been recognized as a key factor in differentiating service products. Customer satisfaction can be secured through high-quality products and services (Getty & Getty, 2003; Gupta & Chen, 1995; Tsang & Qu, 2000). Edvardsson (1996) highlighted that the concept of service should be approached from the customer's point of view, since it was his/her perception of the outcome that constituted the service. Customers may have different values and different grounds for assessment and, most of the time; they may perceive the same service in different ways.

Problem Identification

The quality of service in hotel industry is an important factor of successful business. The existing trend of complete quality management in hotel industry ensures the achievement of competitive advantage of hotel companies and is therefore the subject of contemporary research into service quality in hotel industry.

As the tourist Industry is well established & Blooming Industry in Sri Lanka Specially after the war, it is essential to identify the service Quality of them & whether the customers are given what they need & expect. So this research is purposed to identify whether there is a positive relationship between service Quality and customer Satisfaction in hotel industry as applying the existing theory to check the results in Sri Lankan hotel industry. Therefore throughout this study we hope to find a solution for following research question,

"What is the relationship between services quality and customer satisfaction in hotel Industry?"

Objectives
- To examine the relationship between Service Quality and Customer Satisfaction.
- To identify major service Quality and Customer Satisfaction elements in the hotel industry.

II. LITERATURE REVIEW

2.1. Services Quality

There are many researchers who have defined service quality in different ways. For instance, Bitner, Booms and Mohr (1994, p. 97) define service quality as 'the consumer's overall impression of the relative inferiority / superiority of the organisation and its services'. While other researchers (e.g. Cronin and Taylor, 1994; Taylor and Cronin, 1994) view service quality as a form of attitude representing a long-run overall evaluation, Parasuraman, Zeithaml and Berry (1985, p. 48) defined service quality as 'a function of the differences between expectation and performance along the quality dimensions'. This has appeared to be consistent with Roest and Pieters' (1997) definition that service quality is a relativistic and cognitive discrepancy between experience-based norms and performances concerning service benefits.

Service quality is considered the life of hotel (Min &Min, 1996) and core of service management (Chen, 2008) Service quality is related with customer satisfaction (Shi &Su, 2007) and customer satisfaction is associated with customers revisit intention (Han, Back & Barrett, 2009). If an effective image is portrayed to customers, it will create competitive advantage for hotel (Ryu, Han & Kim, 2008). As a result of service development process three concept of service is composed and these three steps are service process, system and Service resources-structure (Edvardsson, 1997).

Marketing is the main factor that only focused on the Customer satisfaction (Flint & Woodruff & Gardial 1997 &Peter & Olson, 1996). Customer satisfaction plays an important role in financial performance of hotel (Nilssom Johnson & Gustafsson, 2001). In hotel industry, as service has direct interaction with customers, that is why customer satisfaction can be a replication of service quality in hotels.

2.1.1. Tangibility

The tangible Service Quality Dimension refers to the appearance of the physical surroundings and facilities, equipment, personnel and the way of communication. In other words, the tangible dimension is about creating first hand impressions. A company should want all their customers to get a unique positive and never forgetting first hand impression, this would make them more likely to return in the future (Delgado and Ballester, 2004).

2.1.2. Reliability

The reliability Service Quality refers to how the company are performing and completing their promised service, quality and accuracy within the given set requirements between the company and the customer. Reliability is just as important as a goof first hand impression, because every customer want to know if their supplier is reliable and fulfil the set requirements with satisfaction (Delgado and Ballester, 2004).

2.1.3. Responsiveness

The responsiveness Service Quality refers to the willingness of the company to help its customers in providing them with a good, quality and fast service. This is also a very important dimension, because every customer feels more valued if they get the best possible quality in the service (Delgado and Ballester, 2004).

2.1.4. Assurance

The assurance Service Quality refers to the company's employees. Are the employees skilled workers which are able to gain the trust and confidence of the customers? If the customers are not comfortable with the employees, there are a rather large chance that the customers will not return to do further business with the company (Delgado and Ballester, 2004).

2.1.5. Empathy

The empathy Service Quality refers to how the company cares and gives individualized attention to their customers, to make the customers feeling extra valued and special. The fifth dimension are actually combining the second, third and fourth dimension to a higher level, even though the really cannot be compared as individuals. If the customers feel they get individualized and quality attention there is a very big chance that they will return to the company and do business there again (Delgado and Ballester, 2004).

2.2. Customer Satisfaction

Customer satisfaction is a business philosophy which tends to the creation of value for customers, anticipating and managing their expectations, and demonstrating ability and responsibility to satisfy their needs. Quality of service and customer satisfaction is critical factors for success of any business (Gronoos, 1990; Parasuraman etal., 1988). As Valdani (2009) points out: enterprises exist because they have a customer to serve. The key to achieve sustainable advantage lies in delivering high quality service that results in satisfied customers (Shem wellet al, 1998). Service quality and customer satisfaction are key factors in the battle to obtain competitive advantage and customer retention. Customer satisfaction is the outcome of customer's perception of the value received in a transaction or relationship, where value equals perceived service quality, compared to the value expected from transactions or relationships with competing vendors (Blanchard & Galloway, 1994; Heskett et al., 1990; Zeithaml et al., 1990). In order to achieve customer satisfaction, it is important to recognize and to anticipate customers' needs and to be able to satisfy them. Enterprises which are able to rapidly understand and satisfy customers' needs, make greater profits than those which fail to understand and satisfy them (Barsky & Nash, 2003).

Many researchers (Oliver, 1981; Brady and Robertson, 2001; Lovelock, Patterson and Walker, 2001) conceptualize customer satisfaction as an individual's feeling of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations. Generally, there are two general conceptualisations of satisfaction, namely, transaction-specific satisfaction and cumulative satisfaction (Boulding *et al.*, 1993; Jones and Suh, 2000; Yi and La, 2004).

III.   CONCEPTUAL FRAMEWORK AND HYPOTHESES

Service Quality
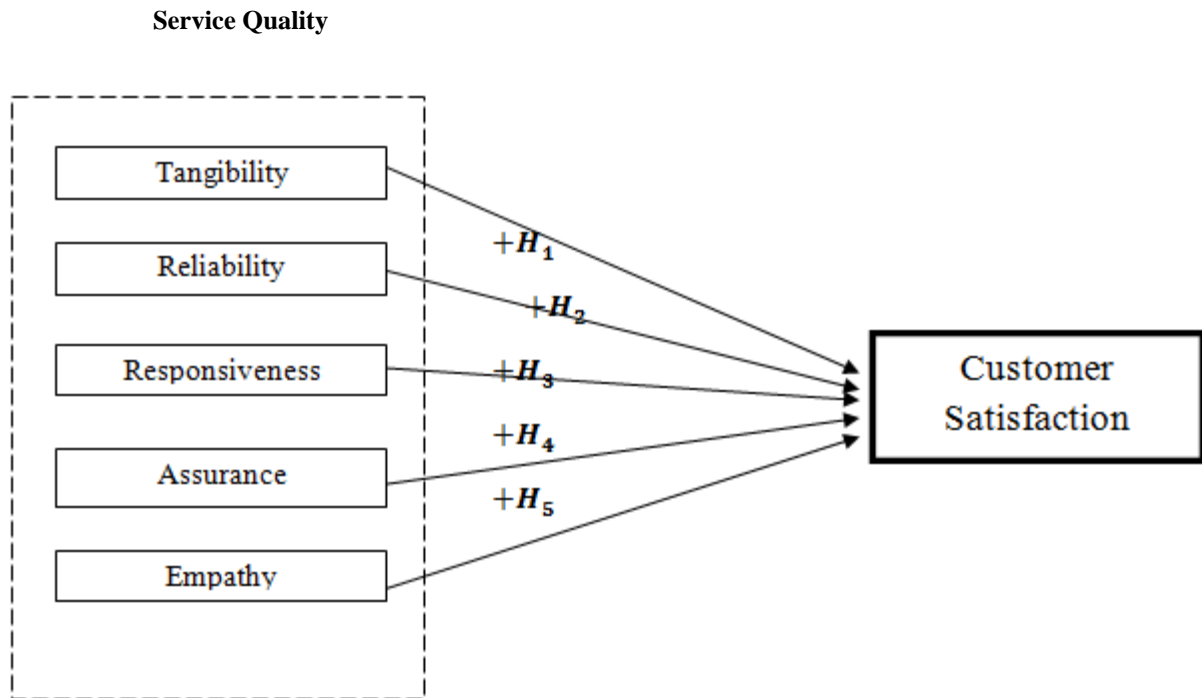
Hypotheses of the study

$+H_1$= There is a positive relationship between Tangibility and Customer Satisfaction.

$+H_2$= There is a positive relationship between Reliability and Customer Satisfaction.

$+H_3$= There is a positive relationship between Responsiveness and Customer Satisfaction.

$+H_4$= There is a positive relationship between Assurance and Customer Satisfaction.

$+H_5$= There is a positive relationship between Empathy and Customer Satisfaction.

IV.   METHODOLOGY

4.1 Research Approach

The research approach for the research study is "Descriptive Research". A deductive method refers to the use of logic of a theory to generate prepositions or hypothesis that can be tested. It also provides the need to explain the causal relationship between service quality and customer satisfaction in the hotel industry and also required the collection of quantitative data as well. This involves testing the theories that already exists and these tests will be carried out through questionnaires.

4.2. Data Collection

Both primary and secondary data sources were used to ask research questions. In order to prepare the questionnaire, first, supervisor's views were elicited and then the research questionnaire was finally revised. Data were collected from foreigners who have visited Sri Lanka for spend holidays.

150 participants were involved in this study. After the distribution of questionnaire, there were only 134 complete questionnaires returned.

4.3. Measurements

In developing measures to represent the concepts Service Quality and Customer Satisfaction, synthesized scales from the literature with those obtained in the field work. The initial measures were refined and pre tested to enhance the validity and accuracy of the questionnaire. Service Quality was measure under the 5 dimensions (Tangibility, Reliability, Responsiveness, Assurance and Empathy) and developed 23 Questions which are needed to cover 5 dimensions. Five point Likert scale were used (1= Strongly Disagree to 5= strongly agree). Customer satisfaction is the dependent variable of this study. By referring previous research findings developed 7 items which are relevant to measure customer satisfaction. Five point Likert scale were used. (1= Strongly Disagree to 5= Strongly Agree)

V.   DATA ANALYSIS

5.1. Results

The analysis of collected data was carried out through various statistical techniques and Structural equation modelling (SEM) is used to test the study hypotheses. A confirmatory factor analysis (CFA) is undertaken on the data to verify the dimensionality and reliability of the scale used to measure the customer satisfaction and Service Quality. Both Smart PLS 2.0 and SPSS (13) software packages were used in this Study.

5.1.1 Validity and reliability

Based on the following table1 in Initial model column KMO for 30 items are .880, Chi Square value 2145.064, degree of freedom 435 and significance level is .000. It means that confidence level is 99.99%.

After deleting 2 items (One from Assurance, one from empathy and the items were deleted because the value of contribution to the variable was less than 0.5. Item A3 =0.23 and item E3 = 0.43) refined the new values and the values shows in final model column.

Based on the data illustrated in the following table1 final model column, it is seen that (KMO) coefficient for 28-item questionnaire is 0.893, indicating the sample adequacy. Chi Square value 2057.156, Degree of Freedom 378 and Also Bartlett value is meaningful at 0.000 indicating that factors' separation has been appropriately done based on factorial loads and factors do not overlap each other. The coefficient of determination computed by using SMART PLS 2.0 and the value is .770. It means that 77%. Scholars like Bagozi (1988) accepted that r^2 value should be greater than 25% in order to become success research study. And also it represents the total impact of independent variables on dependent variables. Based on this study is a successful research study. ($r^2 = 77\%$)

Table no (1) KMO and Bartlett's Test

	Initial Model	Final Model
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	**.880**	**.893**
Bartlett's Test of Sphericity		
Approx. Chi-Square	**2145.064**	**2057.156**
Degree of freedom	**435**	**378**
Sig.	**.000**	**.000**

Table (2) Confirmatory factor Analysis (Final Model)

Constructs and Indicators	Standardised Loading (t- values)	Composite Reliability/ AVE
Service Quality **Tangibility** • Furniture in the hotel is modern and comfortable. • The interior and exterior decoration in the hotel is quite appealing. • The employees have neat appearance. • The hotel facilities are up- to –date. • The broaches and pamphlets are visually presented. • The hotel is clean.	.82 (16.12) .81 (16.96) .75 (12.85) .66 (8.24) .71 (13.67) .75 (12.83)	.86/.57
Reliability • The front desk employee accurately verified the reservation requests. • The time it took to check in or check out is not too long. • The reservation system is easy to use (telephone and Internet reservation) • Transport facilities are available. • The employees provide error- free records.	.65 (9.61) .76 (13.87) .73 (10.72) .74 (12.94) .84 (24.85)	.86/.55
Responsiveness • The employees are courteous. • The employees gave us special attention. • The employees adopted Services to our needs. • The staffs are willing to help guests.	.75 (17.49) .82 (19.82) .80 (20.27) .85 (25.97)	.88/.68

Assurance • **The Staff in the hotel is polite.** • **The staff imparted confidence to the guests.** • **The staffs are friendly.**	.82 (16.16) .80 (28.44) .90 (33.32)	.88/.71
Empathy • **The employee quickly apologized when service mistakes are made.** • **The employee listened carefully when you complain.** • **Employees understand the customer's requirements.**	.83 (21.11) .73 (10.28) .66 (6.86)	.79/.56
Customer Satisfaction • **I intend to continue using this hotel** • **I would recommend this hotel to other people** • **I would like to stay in this hotel next time** • **I would like repurchase many services in this hotel** • **I would encourage friends and relatives to visit this hotel** • **I consider the performance in this hotel strong** • **I would consider this hotel as my first choice when I need a hotel service.**	.81 (18.42) .77 (15.68) .76 (15.99) .77 (15.32) .79 (21.46) .78 (17.63) .75 (10.41)	.91/.61

Table no 2 Shows the confirmatory factor analysis. Confirmatory factor analysis assesses the degree to which the hypothesized structure of item is capable of representing the relationship in the data. After deleting 2 items (One from Assurance, one from empathy and the items were deleted because the value of contribution to the variable was less than 0.5. Item A3 =0.23 and item E3 = 0.43) the adjusted confirmatory factor analysis model shows in table 2. First, All composite reliabilities are .79 or higher, which indicates internal consistency among the measures far above the recommended level of .60 (Bagozzi and Yi, 1988). Second average variance extracted (AVE) ranged from .55 to .71. Bagozzi and Yi (1988) suggested a target level >.50.

5.2. Test of the Hypotheses

The Structural Equation Modeling (SEM) methodology was employed to test the hypotheses. Based on the values computed through the software it represent that the theoretical model fit the data well.

5.2.1. Tangibility and Customer Satisfaction

Hypothesis H_1 states that there is a positive relationship between Tangibility and customer satisfaction. The hypothesis supported by the data because contribution to the customer satisfaction has taken positive value (+ **0.259**). Therefore developed hypothesis can be accepted. It means that there is a positive relationship between Tangibility and Customer Satisfaction.

5.2.2. Reliability and Customer Satisfaction

Hypothesis H_2 predicted that there is a positive relationship between Reliability and Customer Satisfaction. This prediction is supported by the data because according to the Smart PLS software Reliability contributes to the Customer Satisfaction by positive value (+ **0.116**). The hypothesis which is developed by the researcher can be accepted.

5.2.3. Responsiveness and Customer Satisfaction

Hypothesis H_3 postulates that Responsiveness positively related with the Customer Satisfaction. The hypothesis supported by the data. The value of Responsiveness contribution to the Customer Satisfaction is (+ **0.440).** So the constructed hypothesis can be accepted. Finally it can conclude that there is a positive relationship between Responsiveness and Customer satisfaction.

5.2.4. Assurance and Customer Satisfaction

Hypothesis H_4 states that there is a positive relationship between Assurance and Customer Satisfaction. The hypothesis not supported by the data because the contribution to the customer satisfaction has taken a negative value (**-0.002).** The hypothesis which developed is not match with the findings. Finally conclude that there is a negative relationship between Assurance and Customer Satisfaction.

5.2.5. Empathy and Customer Satisfaction

Hypothesis H_5 states that there is a positive relationship between Empathy and customer satisfaction. The hypothesis supported by the data because the value of Empathy contributes to the customer Satisfaction is (+ **0.140**). Therefore the postulated hypothesis can be accepted according to the data. Therefore it can be concluded that there is a positive relationship between Empathy and Customer Satisfaction.

Table (3): The relationship between Service Quality and Customer Satisfaction

Relationship	Service Quality and Customer Satisfaction Hypothesis Number and Direction	
Tangibility and Customer Satisfaction	H1 (+)	Supported
Reliability and Customer Satisfaction	H2 (+)	Supported
Responsiveness and Customer Satisfaction	H3 (+)	Supported
Assurance and Customer Satisfaction	H4 (+)	**Not Supported**
Empathy and Customer Satisfaction	H5 (+)	Supported

The Summery of the hypotheses testing shows above table 3 and the left hand column shows that predicted hypotheses. The middle and right hand column show the direction of the hypothesized effect of service Quality on Customer Satisfaction and whether the hypothesized effects are supported by the findings or not.

VI.   DISCUSSION AND CONCLUSION

The relationship between service quality and customer satisfaction (Caruana, 2002; Oh, 1999; Cronin etal., 2000; Parasuraman et al., 1988) has been the concern of many previous studies in the context of service industry. The purpose of this research is to investigate the relationship between Service Quality and Customer satisfaction. In the literature review section of the paper five dimensions (Tangibility, Reliability, Responsiveness, Assurance and Empathy) of service Quality are identified. The table 1 shows the major findings of this research study.

In this study, having knowledge on these areas would definitely help managers to meet the challenge of improving service quality in the hotel industry. This paper contributes to the theoretical orientation of tourism service quality and tourist's satisfaction in hotel industry literature by determining some major service quality levels. This study also identified five tourism service quality dimensions, namely, tangibility, reliability, responsiveness, assurance and empathy, all of which comprise the criteria tourists use to evaluate the service quality of Sri Lankan hotels. The findings of this study indicate that the most important factor in predicting tourism service quality evaluation was tangibility, followed by empathy, reliability, and responsiveness. The findings of this study suggest that among the five dimensions of service quality, assurance has a negative relationship with customer satisfaction. These results support the idea that despite the usefulness of the SERVQUAL scale as a concept, it should be adapted for the service environment as well.

In conclusion, knowing how consumers perceive service quality and being able to measure service quality can benefit management of hotel service. Measuring service quality can help management provide reliable data that can be used to monitor and maintain improved service quality. Using the SERVQUAL model to assess service quality enables management to better understand the various dimensions and how they affect service quality and customer satisfaction. This will help them to identify those that have strengths and weaknesses and thereby make

necessary improvements. However, in this study, the researcher has been trying to measure service quality and customer satisfaction by using the SERVQUAL model and find out if it is an effective tool in assessing consumer's perceptions of service quality in hotels. Further, through this study the findings show that the SERVQUAL model is not a good tool to measure service quality in hotel industry because a dimension (Assurance) did not prove reliable for measurement and therefore the managers of the hotel industry can implement the strategies in order to enhance the employee performance through proper training and development programs about the hospitality and way of provide superior quality service. In conclusion, further the findings imply that different methods and models could be used to measure service quality and customer satisfaction in hotel industry.

Future Research

Several research implications and limitations emerged from this study. First, the study limited to examine only 5 hotels located in Galle district. It means that limited to geographical area and data analyzed only considering 105 questionnaires. The relevance of suggested consider other areas and analyzed data by using at least 300 completed questionnaires. Second the researcher developed questionnaire by referring literature review and it has been done based on one article which have conducted similar study in Ghana. For future researchers can choose different items by reviewing relevant more articles and this has to be explored further.Finally, the results of this study may not have been representative of the whole population, due to the fact that a convenience sampling method was used to collect the data. To be able to generalize the findings for this specific hotel segment, a study that would include more hotels in a variety of regional settings.
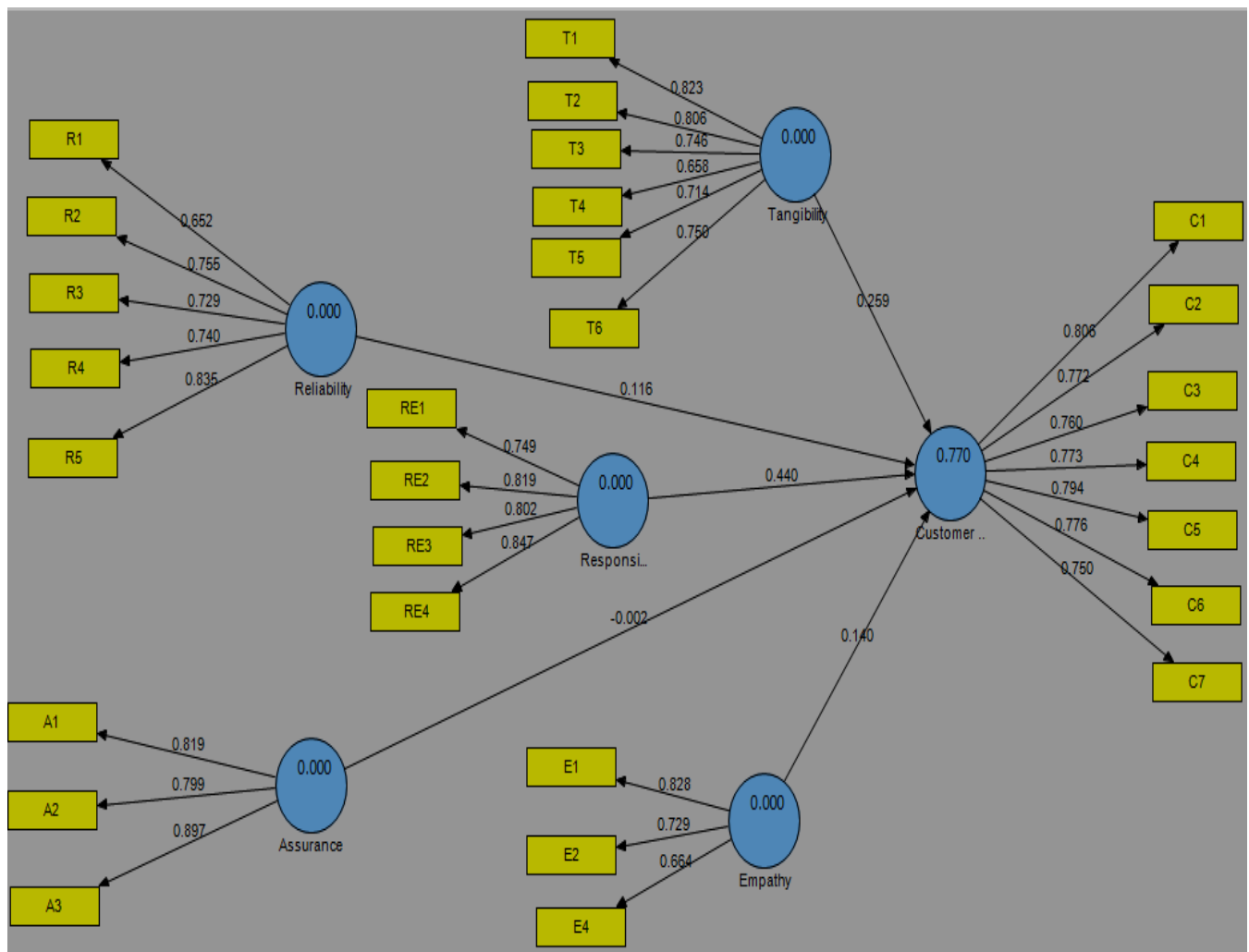
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AUTHORS

First Author – Umesh Gunarathne W.H.D.P

Appendix
SMART PLS 2.0 Algorhythem conceptual frameworks (final Model)

Appendix2: t- values (final model)