



**ADDISABABAUNIVERSITY
COLLEGE OF BUSINESS & ECONOMICS
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**THE EFFECT OF SERVICE QUALITY ON CUSTOMER SATISFACTION
IN ETHIOPIA HOTEL INDUSTRY THE CASE OF THREE STAR HOTELS
IN ADAMA,**

**BY:
DEREJE KEFENI**

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**The effect of Service Quality on Customer Satisfaction in Hotel
Industry: The Case of Three Star Hotels in Adama,**

By: Dereje Kefeni

Advisor: Dr. Getie Andualem

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Declaration/Confirmation

I **DerejeKefeni** hereby declare that the thesis work entitled ‘‘Effect of SERVICE QUALITY on CUSTOMER SATISFACTION IN THE HOTEL INDUSTRY: THE CASE OF THREE STAR HOTELS IN ADAMA’’, is outcome of my own effort and study that all sources of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestions of the research advisor.

This study submitted by me for the award of the degree of Master of Marketing Management in Addis Ababa University at Addis Ababa Ethiopia, is original work and it has not been presented for the award of any other Degree, Diploma, Fellowship or other similar titles of any other university or institution.

Declared By:

DEREJE KEFENI Signature _____

Date: April 3, 2018

Confirmed by:

Advisor Dr. Getie Andualem Signature _____ Date _____

Addis Ababa University

School of Graduate Studies

This is to certify that the thesis prepared by DEREJE KEFENI, ‘‘EFFECT OF SERVICE QUALITY ON CUSTOMER SATISFACTION IN THE HOTEL INDUSTRY: THE CASE OF THREE STAR HOTELS IN Adama’’ and submitted in partial fulfillment of the requirement for the Degree of Master of Marketing Management in complies with the regulations of the university and meets the accepted standard with respect to originality and quality.

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Internal Examiner: -----Signature _____ Date _____

External Examiner: -----Signature _____ Date _____

Chair of Department or Graduate Program Coordinator _____

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Abstract

This paper sought to examine the relationship between service quality and customer satisfaction in the hotel industry in Adama. The study adapted the SERVQUAL model as the main framework for analyzing service quality. Descriptive analysis was used to examine the relationships between service quality dimension and customer satisfaction. The results indicated that the strong relationship between service quality dimensions and customer satisfaction. Beside the importance of other factors service quality plays an important role as a driver for higher customer satisfaction level in service enterprises in general and in hotel business in particular.

Dimension of service quality namely tangibility, reliability, responsiveness, confidence, communication and empathy found statistically significant impacts on customer satisfaction with significant level at 5%. This result indicates that service quality confirms its role as an important driver of customer satisfaction which leads to customer loyalty and the hotels' profits. Therefore, service quality should be taken into high consideration in both academic and practical activities. Data was collected from 151 three star hotel customers through questionnaire, additionally the 14 key informant should selected through purposive sampling those are hotel manager, employees and culture and tourism office through interview. The techniques of analysis used in this study are descriptive statics such as frequency and percentage was used to analyze the data. (regression, correlation, ANOVA and Chi-square test). Customer satisfaction coefficient formulae were used to measure and quantify the relationships between service quality and customer satisfaction with the support of SPSS version 20.

Key words:-customer satisfaction, customer perception and services quality dimension

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

The concept of service quality has been the subject of many research studies in variety of service industries; even the research attention towards hospitality industry has been growing.

This concept has been the subject of many conceptual and empirical studies, and it is generally accepted that quality has positive implications for an organization's performance and competitive position. However, despite the vast amount of research done in the area of service quality, quality related issues have received little research attention within the hospitality context (Harrington and Akehurst, 1996). Further, authors of studies conducted on quality in the service industries have also expressed concern regarding the quality dimensions in hotels and, in particular, with methods used to measure customer perceptions of hotel service quality (Johnston R.J. Eason .P.J (1990). A relative increase of investment is recently observed in the hotel & tourism sector.

The hotel industry consists of many different services, including accommodation, restaurants, cafes, and catering. The market for the hotel industry, especially classified hotels in a developing country like Ethiopia, is closely linked to the tourism industry, because a majority of consumers for the sector services come from international tourists.

Customer satisfaction has also been a subject of great interest to organizations and researchers alike. The principal objective of organizations is to maximize profits and to minimize cost. Profit maximization can be achieved through increase in sales with lesser costs. One of the factors that can help to increase sales is customer satisfaction, because satisfaction leads to customer loyalty recommendation and repeat purchase Wilson A. Zeithaml V, Bitner M, and Gremler D, (2008).

Customers became very vital in business during the marketing era of the 1950s when companies could produce what they can sell and not just selling. What are the qualities of these services provided to customers? Are the customers satisfied with these services? Thus, this research originated from the fact that customer/consumer is the key to business. In fact, their satisfaction is the most important tool that help to increase sales and generate profits in the business environment. Moreover, the importance of service quality and customer satisfaction has been proven relevant to help improve the overall performance of organizations (Magi & Julander, 1996).

For instance, in tourism meaning it is directly or indirectly linked with the number of nights spent by visitors in the country, Quality of service is the key factor to maintain the length of stay. As service quality is becoming a major part of business practice, it is important to be able to measure and research its effectiveness. The purpose of this research is to investigate the effect of service quality and customer satisfaction of three star hotels in Adama city to forward visible and scientific solutions to improve service quality delivery of hotels and which dimension of the service quality has a significant effect in the customer's level of satisfaction by applying a modified version of SERVQUAL which is the LODGING QUALITY INDEX that was customized for the hotel industry. Additionally, the researcher wants to identify the factors that are influencing the service quality on customers' satisfaction in three star hotels in Adama city.

1.1.1. Over View of Hotel Industry in Ethiopia

History has proved that, the development of hotel industry is connected with travelling. Similarly, the development of hotels in Ethiopia is also associated with the increasing number of travelers both indigenous and foreigners. Developments in Ethiopia's foreign relations, particularly during the reign of Menelik II had, relatively speaking, an impressive impact in the country, by implanting the seeds of modernization through the importation of European technology and institutions among which "hotel" is one subject. Therefore, its appearance is related with the opening of the society into the western world. Development of modern hotels in Ethiopia traces back to the 19th century. Itege Taitu hotel, which was built in 1898 (E.C.) at the center of the city (piazza), is the first hotel in Ethiopia. This hotel is currently half burned due to unspecified reasons and lacks original works of the past.

Taitu Betul (1851-1918), an Ethiopian empress and the wife of Emperor Menelik II, established this hotel to provide guests a place to rest and dine. From this time up to the Derg reign, the country had owned for about 50 hotels at a national level and out of these only 19 hotels were to be star rated hotels, according to the report of Tourism Commission in 1994.

Currently, with the emergence of new and modern hotels in the country, the number has grown considerably and there were 500 star rated hotels in Ethiopia. And out of these 116 hotels are found in Addis Ababa, Ministry of Culture and Tourism (2010), out of these 116 star rated hotels, the international chain hotels are only three in number. These are Hilton Addis, Sheraton Addis, and Radisson Blue hotel.

Nowadays the stock of hotels in Ethiopia has increased sharply over the last few years. While tourist accommodation is available as the major attraction, improvement as well as new construction is taking place, according to ministry of culture and tourism there are 140 hotels in

Addis Ababa, 124 in Amhara, 5 in Afar, 13 in Benshangul Gumuz, 19 in Dire Dawa, 16 in

Gambela, 7 in Harar, 74 in Oromia, 14 in Somalia, 78 in Southern Nation Nationality and Peoples, and 38 in Tigray.

1.2 Statement of the Problem

Though a great emphasis is given for the

expansion of hotel industry since the early time, many service related problems are still visible.

The conducted preliminary survey through personal observation and unstructured interview before beginning the actual study indicates that, either private or public owned Hotels have much

serious quality and customer handling strategy problems. This is seen when the employees are very much delayed both in taking order from the guests who are waiting for their order and, even long wait for the delivery of the order. For instance the hotel employees let bring the menu to the customer and sometimes they are not obey to give receipt.

The other major problems often observed were lack of three-star Hotel service ethics in Adama.

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. It is essential to identify the service Quality & whether the customers

are given what they need & expect. So this research is purposed to evaluate the effect of service Quality

and customer Satisfaction in hotel industry in Adama. Therefore, going through the very specific

idea, the purpose of this study is to examine the factor that are influence service quality on customer satisfaction in Adama three star hotels.

According to Buzuye (2010) in Ethiopia handling of customer related issues are not scientific

still it is following traditional way for example throwing the food in front of the guest who, of

course, is referred to, as 'a guest is always right'. They also insult the guest, cheat the guest or failure to give

the change back as fast as possible, chewing gum while serving the guests, pasting finger into the nose

while serving, touching hair and other bodies, etc.

With all this lack of respect to customers, different tourists emphasize that three things attract foreigner to visit Ethiopia. One is presence of sites of different tourist attraction; second Adama resides regional and national offices to host conferences of different issues. The third factor is security of the country to host anyone who wants to refresh leisure times with no fear of terrorist acts like neighboring Somalia and Kenya. Due to this fact growth in Ethiopia's tourism industry continues to be steady even despite the effect of the global financial crisis. Therefore, three star hotels in Adama need to have high customers' orientation in forwarding services to solve problems of service delivery. Different researches were conducted on the hospitality industry, for example Bezuye (2010), Alelign (2013) assessed hotel related services in Ethiopia, Abrham (2015) also investigation of customer service delivery and customer satisfaction of three star hotels in Addis Ababa however deep investigation of those research lacks to identify the factors that influence the service quality on customer satisfaction in three star hotels. Additionally the above researchers have not seen in the dimension of empathy. Therefore this research duly investigates effect of service quality and customer satisfaction of three star hotels in Adama town to forward visible and solution to improve service quality delivery and customer satisfaction by identifying factors that influence service quality on customer satisfaction of three star hotels in Adama. Using the modified form of SERVQUAL, which is LODGING QUALITY INDEX that was customized specifically for the hotel industry.

1.3 Research Questions

1.3.1. Main question

- How the service quality have been affecting customer satisfaction in three star hotel in Adama city

1.3.2. Sub questions

- What are the factors that affect customer satisfaction?
- What are the service quality perceptions of customers in Adama three star hotels?
- Which of the service quality dimensions has significant effect on customers' satisfaction?

1.4 Objective of the study

1.4.1 General Objective

The general objective of this study is to evaluate the service quality and customer satisfaction in

the three star hotels in Adama town.

1.4.2 Specific Objectives

- ❖ To examine the effect of major service Quality dimensions on Customer Satisfaction in three star hotels in Adama.
- ❖ To identify the Perceptions of customers toward the services of the three star hotels in Adama.
- ❖ To examine the correlation between service quality and customer satisfaction

1.5 Scope of the Study

The scope of the study will covering both geographical and conceptual boundaries. Geographically the study focused particularly at Adama city of Oromia regional state located as eastern parts of Addis Ababa. Especially the research bounded to the three star hotels in Adama town. Therefore the study is limited to six (6) three star hotels found in Adama. Conceptually, the paper was bounded to the effect of Service Quality and Customer Satisfaction in three star hotels in Adama town. Additionally this study identifies the factors that are influences customer satisfaction.

1.6. Significance of the study

Upon its completion, this study will benefit hotel managers, employees and customers. Through providing clear information concerning factors influencing customer's satisfaction and perception with regard to service quality dimension which has significant effect on service quality and customer satisfaction in three star hotels in Adama and the study may benefit researchers' undertaking further study on a related topic.

1.7 Limitations of the Study

There were different bottleneck that hamper the smooth flow of the research such as hotel owner's negative perception of the research questionnaires' to fill "we don't have to challenge our customers they are here to refresh" so it needs the research to show extraordinary patience and commitment that put its own negative impact to accomplish the research as needed.

The outcome of the study is mainly dependent on the individual responses of the respondents who participate in the study. So the result may not be generalizable beyond the specific population. The data and information related with the topic will not easily available.

The hotel confidentially keep the data. Even sometimes filled questionnaires are keeping hidden for themselves. So hotel policy of not disclosing some sensitive data and information for obvious reason posed an obstacle to the practical orientation that can be very much useful. To overcome the above limitation the researcher should be clearly explain the aim of the research to concerning body. The researcher should be give the recommendation letter that having from official government office that issued to the all concerning body. Finally the researcher should follow up will doing using telephone to fix appointments

1.8. Operational Definition of Terms

A 'hotel customer' was defined in this study as an individual who was a temporary or permanent visitor, had stayed overnight at the hotel, and was involved in any services rendered (researcher emphasis).

Service Quality; an author defines service as "any intangible act or performance that one party offers to another that does not result in the ownership of anything" (Kotler & Keller, 2009: 789)

Customer Expectation; the extent to which a product or service fulfills a customer's need and desire (Oliver, 1981)

Customer Satisfaction; can also be a person's feelings of pleasure or disappointment that results from comparing a product's perceived performance or outcome with their expectations (WTO, 1985)

Customer Perception; is an opinion about something viewed and assessed and it varies from customer to customer, as every customer has different beliefs towards certain services and products that play an important role in determining customer satisfaction (Reichheld, 1996)

Reliability; consistency of performance and dependability, accuracy in billing, keeping records correctly, performing the service right at the designated time.

Responsiveness; willingness or readiness of employees to provide service, timeliness of service such as mailing a transaction slip immediately, calling the customer back quickly, giving prompt service.

Communication; keeping customers informed in language they can understand and listening to them, explaining the service itself and its cost, assuring the consumer that a problem will be handled.

Tangibles; physical evidence and representations of the service, other customers in service facility

Empathy: Empathy is defined as the “caring, individualized attention the firm provides its customer.

1.9. Organization of the Thesis

The study divided into five chapters. Chapter one deals with general introductory issues such as background, statement of the problem, objectives, research questions, significance, and scope. Chapter two focused on literature review regarding service quality and customer satisfaction. Chapter three deals with methodology used in conduct the study. The fourth chapter discussed result of the study. Finally, chapter five concluded and forwarded recommendations based on the questions set.

CHAPTER TWO

REVIEW OF RELATED LITRATURE

This chapter outlines the concept of service quality and customer satisfaction. From the last decade, the services sector has become greater economic importance. The elimination of waste

due to poor quality and meeting customer expectations are the major challenges facing managers in the services sector. This chapter presents the reasons why we should measure service quality, customer satisfaction in hotel industry as well as their measures. Time by time, different researchers tried to find out the way to measure of service quality and customer satisfaction in the hotel industry. Next scientist generation improved the model of the precedents or invented a new one. Among all, three most popular models to measure customer satisfaction and service quality in the hotel industry are SERVQUAL, HOLSERV and LODGING QUALITY INDEX. Each model has its own strong point and has been used flexibly in hotel industry to present literatures relevant to this research and to provide a theoretical framework. The chapter begins with a review of definitions and some measurements of customer satisfaction and service quality, and then follows by the relationship between customer satisfaction and service quality which leads to the conceptual frame work of the study.

2.1. Theoretical Literature Review

2.1.1. Conceptualizing Service Quality and Customer Satisfaction

Someonesaythatservicequalityandcustomersatisfactioniscriticalfortheservicesurvival.Sowhatarethey?Bothofthemareintangiblebuttheexactdefinitionisstillacontroversialissue. Customersatisfactionisapsychologicalconceptthatinvolvesthefeelingofwell-beingand pleasurethatresultsfromobtainingwhatonehopesforandexpectsfromanappealingproduct and/orservice(WTO,1985).ToOliver(1980),customersatisfactiondefinitionisbasedonthe expectationdisconfirmationpointofview.Beforepurchasingorusingtheproductorservice, customersalwayshavetheirpersonalexpectationaboutitsperformance.Afterbuyingorusing productorservice,iftheresultisequalorbetterthanexpectation,itmeanstheexpectationhas positiveconfirmation.Intheoppositecase,iftheresultislowerthanexpectation,wehave negativeconfirmation.Customersaresaidtobesatisfiedonlyiftherearepositiveconfirmations ofexpectation.However,inanycase,thelevelofcustomersatisfactionisdifferentbetween differentcustomersbecauseeachofthemownstheirpersonalneeds,demandsaswellas experiences.

2.1.1.1. Service quality

Duringthepasttwodecades,servicequalityhasbecomeamajorareaofattentiontopractitioners, managersandresearchersbecauseofitsstrongimpactonbusinessperformance,lowercosts,return oninvestment,customersatisfaction,customerloyaltyandprofitability(Cronin andTaylor,1992;Hallowell,1996).Mostafa(2005)observesthatservicequalityhasbecomeafamousresearchtopic

because of its important relationship to cost, profitability, customer satisfaction, customer retention, service guarantee, and financial performance. Moreover providing service, understanding customer expectations and the customer's perception of the service encounter is a vital component to delivering superior service. Delivering superior service, especially in the hotel industry creates a myriad of opportunities for the service organization to surpass the competitive and become a recognized leader in the service industry. It only stands to reason that the concept of the service encounter directly affects satisfaction, loyalty and future behavioral intentions; which in turn, has a direct effect on the organization's success and financial stability (Zeithaml et al., 2008).

Service quality is considered as a critical dimension of competitiveness (Lewis, 1989). Excelling in service quality and opting for high customer satisfaction is the vital issue and challenge facing the contemporary service industry (Hunget al., 2003). Service quality is an important subject in both the public and private sectors, in business and service industries (Zahari Yusoff, W., & Ismail, M. (2008). The concept of service quality has been defined differently by many authors as follows:

Service quality is the extent to which a service meets or exceeds customer needs and expectations (Lewis and Mitchell, 1990). Bitner and Hubbert (1994) also defines service quality as a consumer's overall impression of relative inferiority/superiority of the organization and its services. On their part, Lewis and Booms (1983) defines service quality as a measure of how well the service delivered matches customer expectations. Delivering service quality means conforming to customer expectations on a consistent basis. It has also been defined as the difference between customers' expectations and the service delivered (Parasuraman Zeithaml, V. A & Berry L, L (1985). Service quality can also be quantified by the degree of discrepancy between customers' desired, as opposed to predicted, expectations and their perceptions of service performance (Parasuraman et al., 1985). Service quality levels are higher when the gap between perceptions of performance and desired expectations is non-existent or small; the levels of satisfactory service quality exist when perceived performance exceeds predicted expectations (Parasuraman et al., 1988).

Service quality evaluation takes place when the customer's perceptions of the service experienced are compared with the service expected. In contrast, product quality results from a comparison of customer's perceptions of product performance with the expected level of product performance. A service quality gap results when service perceptions fall below expected levels. The gap that exists between the service provider's perception of quality and the customer's perception of quality is the perception gap (Oliver, 1999). The difference between customers' expectations and the service delivered is termed the service quality (Parasuraman et al., 1985). Despite some definitional nuances, researchers generally agree that service quality is concerned with whether service perceptions meet, exceed or fall short of customer expectations (Cronin & Taylor, 1992, 1994; Gronroos, 1983a, 1983b;

Oliver, 1993; Parasuraman et al., 1985; Zeithaml et al., 1993). Understanding the service quality expectations of customers would give marketers the opportunity to close the gap between expectations and perceptions of service quality levels.

2.1.1.2 Customer satisfaction

Those who buy the goods or services provided by companies are customers. In other words, a customer is a stakeholder of an organization who provides payment in exchange for the offer provided to him by the organization with the aim of fulfilling a need and to maximize satisfaction. Sometimes the term customer and consumer are confusing. A customer can be a consumer, but a consumer may not necessarily be a customer. Another author explained this difference. i.e. a customer is the person who does the buying of the products and the consumer is the person who ultimately consumes the product (Solomon, 2009)

When a consumer/customer is contented with either the product or services it is termed Satisfaction. Satisfaction can also be a person's feelings of pleasure or disappointment that results from comparing a product's perceived performance or outcome with their expectations (Kotler & Keller, 2009). As a matter of fact, satisfaction could be the pleasure derived by someone from the consumption of goods or services offered by another person or group of people; or it can be the state of being happy with a situation.

Satisfaction varies from one person to another because it is utility. "One man's meal is another man's poison," an old adage stated describing utility; thus highlighting the fact that it is sometimes very difficult to satisfy everybody or to determine satisfaction among a group of individuals. Moreover, Tse & Wilton, (1988) relates client happiness, which is a sign of customer satisfaction, is and has always been the most essential thing for any organization. Customer satisfaction is defined by one author 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" (hence considering satisfaction as an overall post-purchase evaluation by the consumer" (Fornell, 1992). Some authors stated that there is no specific definition of customer satisfaction, and after their studies of several definitions they defined customer satisfaction as "customer satisfaction is identified by a response (cognitive or affective) that pertains to a particular focus (i.e. a purchase experience and/or the associated product) and occurs at a certain time (i.e. post-purchase, post-consumption)". (Giese & Cote, 2000)

This definition is supported by some other authors, who think that consumer's level of

satisfaction is determined by his or her cumulative experience at the point of contact with the supplier (Sureshchander et al., 2002). It is factual that, there is no specific definition of customer satisfaction since as the years pass, different authors come up with different definitions. Customer satisfaction has also been defined by another author as the extent to which a product's perceived performance matches a buyer's expectations (Kotler et al., 2002). According to Schiffman & Karun (2004) Customer satisfaction is defined as "the individual's perception of the performance of the products or services in relation to his or her expectations". In an nutshell, Levy, (2009, NBRI, 2009) defines customer satisfaction could be the pleasure obtained from consuming an offer. Measuring customer satisfaction could be very difficult at times because it is an attempt to measure human feelings. It was for this reason that some existing researcher presented that "the simplest way to know how customers feel, and what they want is to ask them" this applied to the informal measures (Levy, 2009).

Boulding, W. K. A., Stachm, R. and Zeithaml, V. A. (1993) & Andreassen, (2000) broaden the idea of customer satisfaction by saying there exist two conceptualizations of customer satisfaction; transaction-specific and cumulative. Following the transaction specific, customer satisfaction is viewed as a post-choice evaluation judgment of a specific purchase occasion (Oliver, 1980) until present date, researchers have developed a rich body of literature focusing on this antecedents and consequences of this type of customer satisfaction at the individual level (Yi, 1990). Cumulative customer satisfaction is an overall evaluation based on the total purchase and consumption experiences with a product or service over time. (Fornell, 1992, Johnson & Fornell, 1991). This is more fundamental and useful than transaction specificity customer satisfaction in predicting customer subsequent behavior and firm's past, present and future performances. It is the cumulative customer satisfaction that motivates a firm's investment in customer satisfaction.

Customer satisfaction lies in the ideal of the beholder it is very complicated and relative phrase as it is very specific to the customer who measures what satisfies whom. So it invites other probes of what hampers customer satisfaction and needs of the customer.

2.1.2. Factors that Influence Customer Satisfaction

From literature review, there are many factors that affect customer satisfaction. Such factors include friendly employees, courteous employees, knowledgeable employees, helpful employees,

accuracy of billing, billing timeliness, competitive pricing, service quality, good value, billing clarity and quick service (Hokanson, 1995). From the studies carried out in many countries factors like: service quality, and perceived value, are the key constructs affecting the customer's satisfaction with mobile services. Studies also point out that customer satisfaction results ultimately in trust, price tolerance, and customer loyalty. Therefore, building customer relationship is a backbone for all organizations in general, and companies in service industries in particular. Issues like: customer satisfaction, service quality, customer perception, customer loyalty, are the main concerns of the now days service companies, which improves organization's performance and translates into more profits.

2.1.3 customer expectation and perception of services provide

2.1.3.1. Customer Expectations

Expectations play an important role in the satisfaction formation. The extent to which a product or service fulfills a customer's need and desire may play an important role in forming feelings of satisfaction because of the impact of confirmation or disconfirmation that have on satisfaction. Consumers expect to be delivered quality products and services; therefore, companies try to offer quality products and services. The term expectations really matter to companies because they want to know what customers' expectations are. The term "expectations" has different uses, in the satisfaction literature, it is viewed as a prediction made by a consumer about what is likely to happen during an exchange or transaction.

According to Oliver (1981) "...expectations are consumer-defined probabilities of the occurrence of positive and negative events if the consumer engages in some behavior." In the contrast, Kotler, (2000) opposes in the service quality literature it is defined as desires and wants, what a service provider should offer rather than would offer. Customers form their expectations from their past experience, friends' advice, and marketers' and competitors' information and promises. Therefore, perceived service quality is viewed as the difference between consumers' perceptions and expectations for the service provided. Organizations in order to keep expectations from rising, they have to perform services properly from the first time (Parasuraman et al. 1988). Thus, customer expectations for the service are likely to rise when the service is not performed as promised. Expectations serve as reference points in customer's assessment of performance (Cronin & Taylor, 1992). Thus, retailers can increase customer satisfaction by decreasing customer expectations.

2.1.3.2. Customer Perception

Perception is a psychological term related with an opinion about something viewed and assessed and it varies from customers to customers, as every customer has different beliefs towards certain services and products that play an important role in determining customer satisfaction. Customer satisfaction is determined by the customers' perceptions and expectations of the quality of the products and services. In many cases, customer perception is subjective, but it provides some useful insights for organizations to develop their marketing strategies. Providing high level of quality service has become the selling point to attract customer's attention and is the most important driver that leads to satisfaction.

Therefore, customer perception and customer satisfaction are very closely linked together, because if the perceived service is close to customer's expectations it leads to satisfaction. Satisfied customers provide recommendations; maintain loyalty towards the company and customers in turn are more likely to pay price premiums (Reichheld, 1996). What should make a customer to have a good perception of what he/she consumed? It arises question to another related term.

2.2. Empirical literature review

Best experience of Hotel industry in Kenya

The hotels play a central role in the country's tourism industry, yet the Coast lacks five-star hotels. According to the Economic Survey (2012), the tourism earnings in Kenya rose by 32.8% from 73.7 billion in 2010 to 97.9 billion in 2011. Out of these earnings, the hotel industry's establishments registered a net worth of over cash. 10 billions. The Kenya hotel and restaurant regulations of 1988 established standards upon which classification of hotels is based. Internationally, the classification of hotels and restaurants creates uniformity in the industry providing common elements in every class of hotel and restaurant that their clients should expect. The hotel business is regulated by two Acts of parliament namely: Hotels and restaurants Act (Cap 494) and the tourist Licensing Act (Cap 381). Vacation hotels, town hotels and lodges are classified into five classes denoted by stars, five being the highest and one being the lowest. These star-rated hotels enable both the domestic and international customers to understand the value of the services they are paying for. The hotels that are 5-star rated are expected to offer highest standards of facilities and services. According to the Kenya gazette, 13th June, 2003,

vol.cv-no.62, Nairobi has seven 5-star hotels, nine 3-star hotels, five 2-star hotels and five 1-star hotels.

Kenya has the best developed hotel industries in Sub-Saharan Africa, offering an average of 31,400 beds per night (Kenya economic survey 2013). As a result there has been unprecedented entry of international Hotel brands in the Kenyan Hotel industry. Kenya is set to host nine new international hotels which are planning to put up 1437 hotel rooms to cater for growing demand for travel and accommodation in the country by 2015 (Kenya economic survey 2013). These hotels include Marriot, Accor, Radisson blu, Park inn, Lonrho, Rezidor (2 hotels) and Hilton (2 new hotels).

Hotel occupancy in Kenya is relatively stable throughout the year, other than December due to Christmas and New Year celebrations in December and January which reduce demand during those months. Although the reasons for the visit to the country vary, with leisure being a significant driver, the market shows limited seasonality pattern. Nairobi's main source markets are the UK, the USA and Italy. Europe is the most important region accounting for 47% of total international arrivals in Nairobi. Arrivals from Asian markets are also becoming increasing important especially China and India. In 2011, for example, arrivals from China and India grew by 31% and 24% respectively. This is partly due to large construction projects being undertaken by Chinese companies.

2.2.1. Dimension of Service Quality

1. Reliability

Reliability is the ability to perform services dependably and accurately in a consistent manner. Reliability is very important determinant of product quality besides good personal service, staff attitude, knowledge and skills (Walker, 1990).

Berry and Parasuraman (1991) reported that reliable service is the outcome of the continuous improvement. Similarly in another study, it is found that service reliability is the service "core" to most customers. So managers should use every opportunity to build a "do-it-right-first" attitude (Berry, 1990).

H1 **Reliability** has significant effect on customer satisfaction.

2. Tangibility

This dimension shows the physical aspects of the services as physical facilities, appearance of personnel and tools used for the provision of services. It translates to the restaurant's interiors,

the appearance and condition of the cutlery, tableware, and uniform of the staff, the appearance and design of the menu, restaurant signage and advertisements. Tangibles are used by firms to convey image and signal quality (Zeithaml et al., 2006).

H2 Tangibility has significant effect on customer satisfaction.

3. Responsiveness

This dimension reflects the willingness or readiness of employees to provide quick services to customers. Customers are very keen to employees' behavior in services industry especially in the hotel industry. It was reported that customers are very sensitive to employees' working environment in service organizations (Brown and Mitchell, 1993). The correct match between staff skills and customers' expectation result in better service quality towards customers. Service recovery and problem solving have been recognized as important parts of services quality (Nelson and Chan, 2005).

H3 **Responsiveness** has significant effect on customer satisfaction.

4 Assurance

This dimension indicates the employees' knowledge, courtesy and their ability to convey trust and confidence. Service quality is also linked to the customer satisfaction as how employees use their knowledge & courtesy and their ability to incorporate trust and confidence. Parasuraman *et al.* (1988) reported assurance as an essential dimension of service quality after reliability and responsiveness towards satisfaction. It is found that a hotel can create customer satisfaction by ensuring trustworthy behavior and reflection of genuine commitments to service provision (Nelson and Chan, 2005). The trust and commitment are important factors for customer satisfaction regarding relationship quality (Nelson, 2006).

H4 **Assurance** has significant effect on customer satisfaction.

5. Empathy

This dimension shows the magnitude of caring and individual attention given to customers. In the hotel sector customer care and individual attention is indispensable for the better performance due to stiff competition. The employees' commitment to deliver quality services, skillfully handling of conflicts and efficient delivery of services resulted in satisfied customers for long term benefits (Nelson and Chan, 2005). Malhotra,(2005) examined the difference in

perceptions of service quality dimensions between developing and developed countries. They found that in developing countries like India

H5 **Empathy** has significant effect on customer satisfaction.

6. **Communication** – listens to its customers and acknowledges their comments, Keeps customers informed. Understanding the customer: - efforts by the service provider to know and understand the customer languages.

H6 **Communication** has significant effect on customer satisfaction.

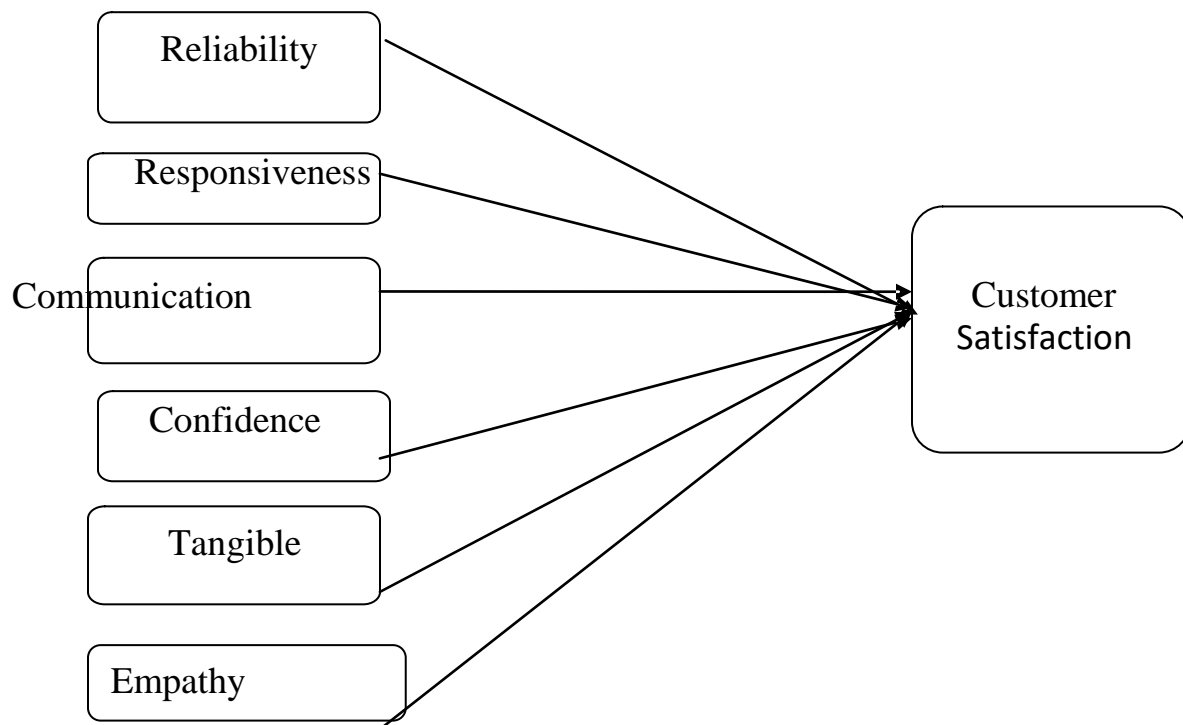
2.3. Conceptual Frame work

The aim of this section is to summarize the idea about past literature and to bring out the contributions for this study area. Thus this part starts with the idea generated and the contribution follows. The general idea from the past literature is that there is a relationship between customer satisfaction and service quality; also that service quality could be evaluated with the use of five service quality dimensions and the most useable is the SERVQUAL scale. A questionnaire for the hotel guests has been developed based on the components of the service quality in the hotel industry classified in the LODGING QUALITY INDEX. Moreover, it is supported by the marketing elements.

SERQUAL (Parasuraman, 1988) approach has been the most popular method for choosing because it is quite complete measure for all the service industry. It covers all six dimension of quality of the hotel services. However, it still has some weakness. Consequently, it is not a perfect choice. HOLSERV scale (Hunter and Gerbing, 1982; Parasuraman 1991) is a simpler method compared to SERQUAL. HOLSERV is a customized version of SERQUAL; it is one column questionnaire so it is easier to answer each question. However, to develop this questionnaire, it will be such a long survey that it is difficult to collect a large number of respondents if HOLSERV is applied. Therefore, the LODGING QUALITY INDEX (Getty and Thompson, 1994) has been chosen to develop the questionnaire. LODGING QUALITY INDEX is not only solved some weakness of SERQUAL but also very specific for the hotel industry.

Following the two clarifications about the different views of customer satisfaction of a customer of either being transaction-specific or cumulative (Boulding et al., 1993; Andreassen, 2000). The theoretical framework treats customer satisfaction as a transaction-specific. Thus, customers' in this paper is those who consume the services, satisfaction denotes customer's desire to maintain

a business relationship with the hotel and it is also the feelings of the customer towards the services provided to them by the hotels; while customer satisfaction in this study is the pleasures obtained by customers for the services provided to them by the employees of the hotels. It has been proven that “perceived service quality is a component of customer satisfaction” (Ziethamlet al. 2006). Other researchers had proven also that there is a relationship between customer satisfaction and service quality (Sivadas & Baker-Prewitt, 2000; Wanget al., 2002; Kuo-YF, 2003, Liang & Zhang, 2009 Gera, 2011; Sureshchandar, et al., 2002).



Source: Own literature review, 2018

CHAPTER THREE

RESEARCH METHODOLOGY

Methodology is a functional framework through which certain facts are placed so that their meaning may be seen more clearly. It therefore deals with procedure of research process, data collection, analysis and presentation in order to achieve research objectives.

3.1. Description of the Study Area

Adama (Oromo: Adaamaa or Hadaamaa; Amharic:, also known as **Nazret** or **Nazreth** is a city in central Ethiopia and the previous capital of the Oromia Region. Adama forms a Special Zone of Oromia and is surrounded by MisraqShewa Zone. It is located at 8.54°N 39.27°E at an elevation of 1712 meters, 99 km southeast of Addis Ababa. The city sits between the base of an escarpment to the west, and the Great Rift Valley to the east.

Adama is a busy transportation center. The city is situated along the road that connects Addis Ababa with Dire Dawa. A large number of trucks use this same route to travel to and from the seaports of Djibouti and Asseb (though the latter is not currently used by Ethiopia, following the Eritrean-Ethiopian War). Additionally, the new Addis Ababa-Djibouti Railway runs through Adama.

Adama University (formerly Adama Technical Teachers College) is located in Adama. AdamaStadium is the home of Adama City FC, a member of the Ethiopian Football Federation league.

The city name Adama may have been derived from the Oromo word *adaamii*, which means a cactus or a cactus-like tree. More specifically, *adaamii* means *Euphorbia candelabrum*, a tree of the spurge family, while *hadaamii* would mean Indian fig.

Following World War II, EmperorHaile Selassie renamed the town after Biblical Nazareth, and this name was used for the remainder of the twentieth century. In 2000, the city officially reverted to its original Oromo language name, Adama, though "Nazareth" is still widely used.

In 2000, the government moved the regional capital of Oromia from Addis Ababa to Adama, sparking considerable controversy. Critics of the move believed that the Ethiopian government wished to deemphasize Addis Ababa's location within Oromia. On the other hand, the government maintained that Addis Ababa "has been found inconvenient from the point of view of developing the language, culture and history of the Oromo people."

Based on the 2007 Census conducted by the Central Statistical Agency of Ethiopia (CSA), this city has a total population of 220,212, an increase of 72.25% over the population recorded in the 1994 census, of whom 108,872 are men and 111,340 women. With an area of 29.86 square kilometers, Adama has a population density of 7,374.82; all are urban inhabitants. A total of 60,174 households were counted in this city, which results in an average of 3.66 persons to a household, and 59,431 housing units. The four largest ethnic groups reported in Adama were the Oromo (39.02%), the Amhara (34.53%), the Gurage (11.98%) and the Silte (5.02%); all other ethnic groups made up 9.45% of the population. Amharic was spoken as a first language by 59.25%, 26.25% spoke Oromiffa and 6.28% spoke Guragiegna; the remaining 8.22% spoke all other primary languages reported. The majority of the inhabitants said they practiced Ethiopian Orthodox Christianity, with 63.62% of the population reporting they observed this belief, while 24.7% of the population was Muslim, and 10.57% were Protestant.

3.2. Research Design

Once the research problem is identified and defined clearly, the next step was designing the research method, because the research design provided guidelines for data collection. Both qualitative and quantitative research approach have used to investigate and understand the problem. This mixed research approach is useful to capture the best of both qualitative and quantitative approaches. Qualitative approach is suitable to understand concepts and phenomena; whereas quantitative approach is related to identifying the factors that influence the customer's satisfactions.

3.3. Population and Sampling procedures

Population is the universe of events from which the sample is extract. The study population for the research is the customers and guests of three star hotels in Adama. According to the data of approximately from six three star, hotels the number of population is 2564. It is from this population that the sample 157. Additionally, the 14 key informants were selected through purposive sampling those are, hotel managers, employees, guests, and culture and truism office.

3.3.1. Sampling Techniques

The study used non probability techniques to select the respondents. In non probability sampling, Convenience sampling method is used because the sample population is too large and it is difficult to include every respondent and because of their convenient accessibility and proximity to the researcher. Additionally purposive sampling was used to identify the key informants.

3.3.2. Sample Size Determination

From the total three star hotels customers of **Adama** city about 2564 customers to determine the sample size the study is set the sample by using the formula of Kothari (2004) to determine the sample size of the population which is less than 10,000, the sample size is calculated by using the following formula.

Using 93% confidence interval

$$n = \frac{Z^2 * p * (1-p)}{d^2}$$

Where n= desired sample size when target population is greater than 10,000

z= standard normal deviate 93% (1.81)

p= target population estimated to have characteristics being measured (50% or 0.5)

q = 1-p

d= the level of statically significance = 0.07

$$n = \frac{1.81^2 * 0.5 * (1-0.5)}{0.07^2} = 167 \quad n = \underline{\mathbf{167 \text{ customers}}}$$

Since the target population is less than 10,000 the sample size was selected by applying population formula

$$n1 = \frac{n}{1 + \frac{n}{N}}$$

Where n= desired sample size when target population is less than 10,000

n1=new sample size (final sample size)

N= the new population, here target population (2564)

$$n1 = 167 / 1 + (167/2564) = \underline{\mathbf{157 \text{ Guests}}}$$

Therefore, the study employees a total of 171 respondents, which mean 14, are key informants.

3.4. Data Type and Sources

Key informants from governmental office culture and tourism office, three star hotels managers, waiters and Guests are provided primary data which is collected using interview. Customers are avail primary data which is collected using questionnaire. Secondary data is collected from official government document, cash register, magazine, internet and related research paper.

3.5. Method of Data Collection

Interviews are used to gather data from key informants, from government's office and hotels. Survey questionnaire is used to gather quantitative data from customers about perception, expectation, factors and effects of services quality on customer satisfaction. Field observation of three star hotels facility and utilities that important is done. Document review is done to understand the factors that influence customer satisfaction and effects of service quality on customer satisfaction on three star hotels.

3.6. Method of Data Analysis and presentation

Thematic analysis is done for qualitative data. Data collect using questionnaire is cleaned, edited, coded, processed using and SPSS, descriptive statistical such as frequency and percent is used to analyze the data. Secondary data analysis is done for document review. Qualitative data is presents in narrative form. Quantitative data is presents using relevant tools basing on data type table, charts and graph. Qualitative data is presents in narrative form.

3.7. Ethical Considerations

Research in hotel industry is found to be very tiring some. In the country where the importance of research is still unidentified, the researchers suffered a lot to convince the importance of this research to improve their hotels service quality. Even in some hotels managers are not quite positive to handle questionnaires. However, it is research ethic to gather necessary information with patience till the researcher conclude everything that he needs from respondents. All information get from the respondents are treated with confidentiality without disclosure of the respondents' identity. Moreover, no information is modifying or change, hence information get is presents as collected and the entire literature collect for the purpose of this study arte appreciates in the reference list.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter presents a demographic description of the sample in terms of age, sex, level of education and the finding of the study. Finally, the statistical methods of analysis were discussed, which included a descriptive analysis, through SPSS version 20.

4.1 Reliability Test

The first step of measurement testing process is reliability test. One method to measuring reliability is through internal consistency which refers to the degree of inter-correlation among items that comprise the measure or summated scale (Flynn et al., 1990). The most widely accepted measure of internal consistency is Cronbach's alpha which is the average of the correlation coefficient of each item with each other item (Cronbach&Meehl, 1955).

All items shows strong consistency and its constructs indicated by values of Cronbach's alpha higher than 0.70. This suggests that the items concerned adequately measure a single construct for each tested variable (tangibility, reliability, responsiveness, confidence, communication and empathy). Reliability measurements for each construct are shown in Table 4.1.

Table 4.1: Reliability Statistics

Variables Alpha	No. of items	Alphas
Tangibility	11	.905
Reliability	4	.828
Responsiveness	6	.919
Confidence	3	.873
Communication	2	.715
Empathy	3	.813

Source: Own computation (2018)

4.2. Response Rate

The researcher achieved a 96% response rate. This means Out of the total 157 only 6 respondents did not respond. Therefore the results are analyzed using sample size 151. All key informants were interviewed.

4.3 Backgrounds and Characteristics of the Respondents

The main demographic profile of respondents of the study area such as age, sex, educational background of respondent's, occupational status, nationality of respondents and marriage status are presented.

Table4. 2: General Information of Respondents

		Frequency	Percentage
Gender Of Respondent	Male	104	68.9%
	Female	47	31.1%
	Subtotal	151	100.00%
Age Group	26-35	63	41.7%
	36-45	32	21.2%
	46-55	19	12.6%
	Above 55	0	0.0%
	18-25	37	24.5%
	Subtotal	151	100.0%
Educational Level	Diploma	17	11.3%
	Degree	51	33.8%
	MA And Above	50	33.1%
	Others	12	7.9%
	High School	21	13.9%
	Subtotal	151	100.0%
Occupational Status	Retire	51	33.8%
	Business Owner	34	22.5%
	Employed	36	23.8%
	Other	7	4.6%
	Student	23	15.2%
	Subtotal	151	100.0%
Nationality of Respondents	Foreigner	5	3.3%
	Ethiopian	146	96.7%
	Subtotal	151	100.0%
Marital Status	Married	66	43.7%
	Divorced	4	2.6%
	Widowed	2	1.3%
	Single	79	52.3%
	Subtotal	151	100.0%

Source:own field survey (2018)

4.3.1 Respondents Distribution by sex

As we can see from the table above, up on the total population 104 (68.9%) respondents are male whereas 47 (31.1%) of them are females. As the figure 4.1 shows a little more than two-third of the respondents are males where as one third of the respondents are females. This implies both

male and female customer of the three star hotels in Adama. The following chart depicts the distribution vividly.

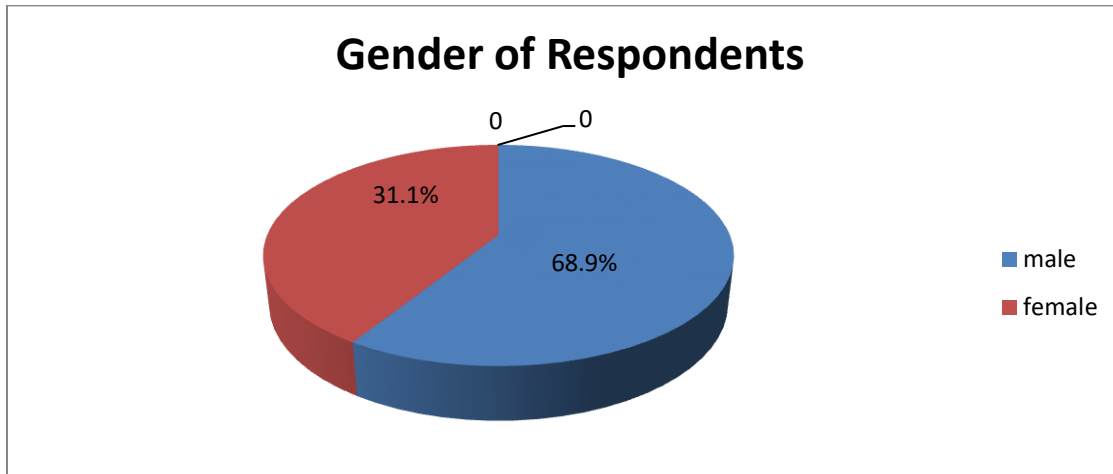


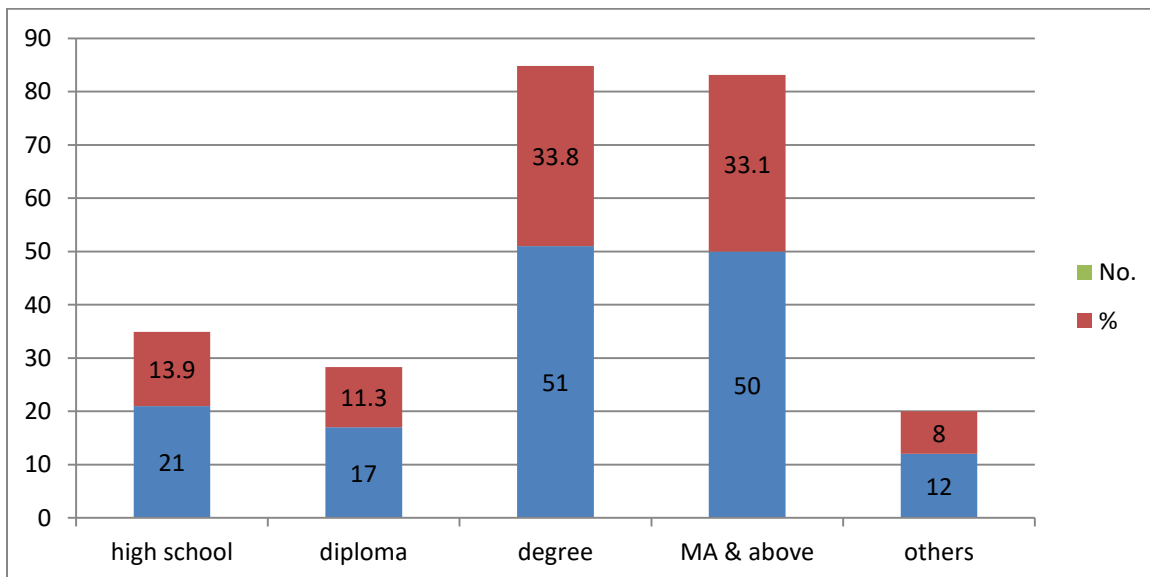
Figure 4.1 Gender of respondents

4.3.2 Respondents' Age Distribution

Most of the customer's are under the age group of 26-45 (62.9%) followed by the age group 18-25(24.5%). From the total respondents 12.6% of them are in the age range of 46 to 55. This implies majority of the customers of the three star hotel in Adama are under their adult age.

4.3.3 Educational Level of Respondents

Figure 4.2 Educational Levels



Sources: Filed Survey, 2018

About one third of the total respondents (33.8%) of the respondents are degree holder and 33.1% are second degree holders and above, while 13.9% and 11.3% of the respondent had high school

certificates and diploma holders, respectively. This indicates most of the customers of three star hotels in Adama are educated persons.

4.3.4 Occupational Status Of Respondents

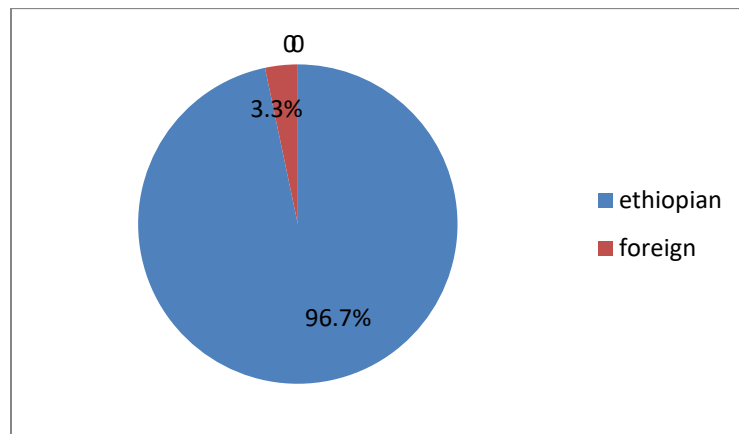
Table 4.3 occupational status

	Frequency	Percent
Student	23	15.2
Retire	51	33.8
Business Owner	34	22.5
Employed	36	23.8
Other	7	4.6
Total	151	100.0

Sources: *Filed Survey, 2018*

Table 4.3 indicates about 22.5% customers were business owners and employed and 33.8% were retired. About 15.2% customers were students and only 4.6% were accounted as others. This implies majority of the customers were business owners and employers which followed by retired persons.

4.4.4 Nationality of Respondents



Sources: *Filed Survey, 2018*

Figure 4.3 Nationalities of Respondents

The above figure indicates that most of (96.7%) of customers were from Ethiopian and only 3.3% were from other countries or foreign.

4.5.6 Marital Status of Respondents

Table 4.4 Marital Status

	Frequency	Percent
Single	79	52.3
Married	66	43.7
Divorced	4	2.6
Widowed	2	1.3
Total	151	100.0

Sources: *Filed Survey, 2018*

The above table exhibits that majority (52.3%) of the customers were single, 43.7% customers were married and only 2.6% and 1.3% customers were divorced and widowed, respectively. This indicates that customers of three star hotels in Adama hotel were from different marital status.

4.4 Intention of Customers to Use Three Star Hotels

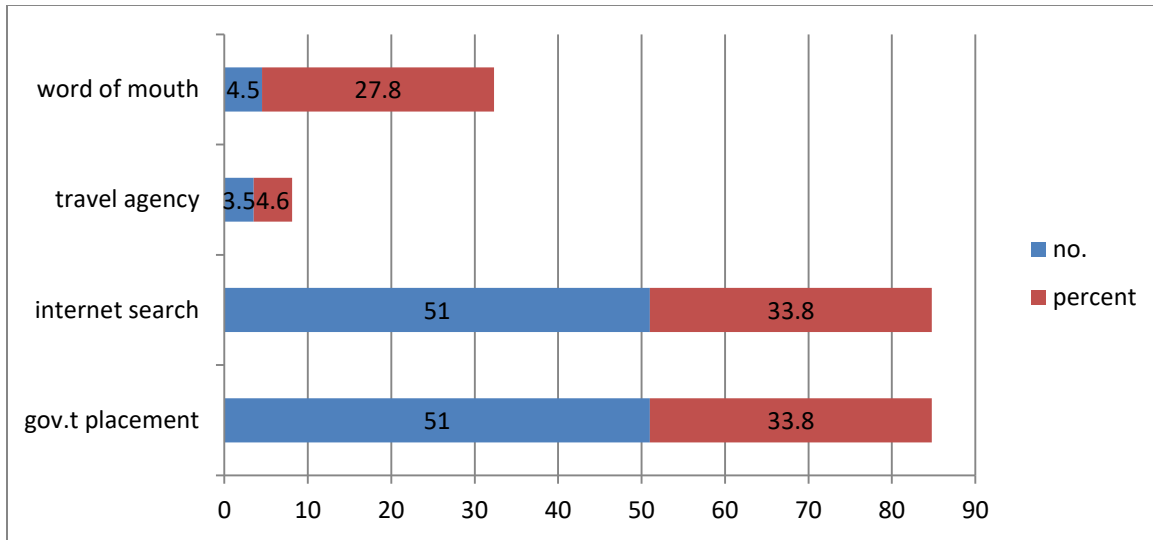
Table 4.4 purpose of visit

	Frequency	Percent
Pleasure	51	33.8
Business	24	15.9
Visiting Relatives	16	10.6
Conference	47	31.1
Study	9	6.0
Others	4	2.6
Total	151	100.0

The above table indicates that 33.8% customers were used the three star hotel for the purpose of pleasure and 31.1% of the customers were used the three star hotel for the purpose of conference. On the other hand 15.9% and 10.6% customer were using the three star hotels for the purpose of business and visiting relatives, respectively. Finally, 6% and 2.6% of customers were using the three star hotels for the purposes of study and others, respectively.

Hotel selection

The below figure presented 33.8% of customers use government place and internet search to find the hotels. On the other hand 27.8% and 4.6% use word of mouth and travel agency respectively.



Sources: *Field Survey, 2018*

Table 4.5 Monthly Incomes of Respondents

Monthly income	Frequency	Percent
<2000	30	19.9
2001-4000	27	17.9
4001-6000	17	11.3
6001-8000	22	14.6
8001-10,000	21	13.9
>10,000	34	22.5
Total	151	100.0

Sources: *Filed Survey, 2018*

According to table 4.5 majority of 57.7% customers were 2001-10,000 and 22.5% customers were >10,000 monthly incomes. The reaming 19.9% of customers incomes were <2000 monthly incomes.

Table 4.6 Years of customers contact with hotel

Years contact with hotel	Frequency	Percent
<1year	70	46.4
1-5yr	69	45.7
6-10yr	7	4.6
11-15yr	3	2.0
>15yr	2	1.3
Total	151	100.0

Sources: *Filed Survey, 2018*

According to table 4.6 indicates majority 46.4% and 45.7% of customers were contact with the hotel <1years and 1-5year respectively. On the other hand 4.6%, 2% and 1.3% of customers were contact with the hotel 6-10, 11-15 and >15years respectively. Based on this the study implies that 52.3% customers were familiar with the three star hotel 1-15years.

Table 4.7 Services Quality in the Hotel

	Frequency	Percent
above my expectation	45	29.8
equal with my expectation	98	64.9
below my expectation	8	5.3
Total	151	100.0

Sources: *Filed Survey, 2018*

The above table show that the quality of services hotel. Based on this the majority 64.9% customers responded the services they got equal with their expectation. On the other words 29.8% of customers were got services above their expectation. The remaining 5.3% customers were responded by said the services they got were below their expectation. Generally the study show that the services quality customers acquired were equal their expectation and above their expectation.

4.5 Factors That Affect Customer’s Satisfaction

Customer satisfaction has become a critical concern for companies and organizations in their efforts to advance product and service quality, and sustain customer loyalty within a highly competitive marketplace. Recently a number of customer satisfaction indicators have been developed and applied across different countries.

It is generally believed that providing high standard of service quality can result in high level of customer satisfaction. In order to achieve customer satisfaction, it is important to recognize and to anticipate customers' needs and to be able to satisfy them. Customer needs and perceptions are generally depending on the background of customers. Accordingly, the following section presents factors that affect customer satisfaction by considering respondents’ general characteristics.

➤ Gender and Customer Satisfaction

To test whether satisfaction of respondents is different across the gender of the subjects considered in this study the following cross tab is presented:

Crosstab				
		Gender Of Respondent		Total
		Female	Male	
Customer Satisfaction By Services In This Hotel	Not Met My Expectation At All	7	19	26
	Below My Expectation	4	20	24
	Equal With My Expectation	6	15	21
	Above My Expectation	17	23	40
	Highly Exceed My Expectation	13	27	40
Total		47	104	151

As we can see from the above crosstab majority of the respondents are satisfied by the services provided by three star hotels irrespective of their gender. However, the proportion of female satisfied respondents is larger than that of male respondents. However, as of the chi square table asserts there is no substantial difference between male and female respondents in view of the services of three star hotels in Adama town.

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.068 ^a	4	.280
Likelihood Ratio	5.233	4	.264
N of Valid Cases	151		
a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 6.54.			

Since the p value of the chi square test is above 0.05, it has to be concluded that the difference of stands of respondents regarding to their satisfaction on service provision of three star hotels in Adama city.

Similar to gender, overall satisfaction of customer s on the services of three star hotels in Adama city have no significant difference across other factors namely age of respondents, educational background, occupational status, nationality of respondents, marital status and income level as depicted in the annex.

➤ **Customer Satisfaction across Nationality of Respondents**

On the other hand, the study attempts to test the relationship among characteristics of respondents and quality service dimensions. The next crosstab depicted respondents' satisfaction across their nationality.

Crosstab				
		Nationality Of Respondents		Total
		Ethiopian	Foreigner	
Satisfied by Empathy Of The Hotel	Highly Dissatisfied	1	0	1
	Dissatisfied	1	1	2
	Neutral	27	2	29
	Satisfied	55	0	55
	Highly Satisfied	62	2	64
Total		146	5	151

The above cross tab clearly indicated that most of the respondents are Ethiopian nationals while only five of them are foreigners. In the case of Ethiopian nationals more than 87% of the respondents are at least satisfied where as only 40% of foreigners are found to be highly satisfied. About 40% of the respondents are neutral in this case while the remaining 20% of the respondents are dissatisfied by the empathy of the hotels considered in this study.

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.706 ^a	4	.002
Likelihood Ratio	8.783	4	.067
Linear-by-Linear Association	2.537	1	.111
N of Valid Cases	151		
a. 7 cells (70.0%) have expected count less than 5. The minimum expected count is .03.			

The above chi square test exhibited that there is a significant relationship ($P < 0.05$) between the view of respondents regarding the satisfaction of customers on empathy of the hotels studied and the respondents nationality.

➤ **Customer Satisfaction On Empathy Of Hotels Across Income Group**

Similar to nationality income group has apparent influence on the satisfaction level of customers. Due to this reason the following cross tab vividly presents how respondents view related with monthly income of respondents.

Crosstab								
		Monthly Income Of Respondents						Total
		<2000	2001-4000	4001-6000	6001-8000	8001-10,000	>10,000	
Satisfied The Empathy Of The Hotel	Highly Dissatisfied	0	0	0	0	1	0	1
	Dissatisfied	0	1	0	0	0	1	2
	Neutral	7	10	4	0	1	7	29
	Satisfied	10	1	4	8	15	17	55
	Highly Satisfied	13	15	9	14	4	9	64
Total		30	27	17	22	21	34	151

The above table clearly portrayed that most of the respondents have said that they are satisfied by the empathy of the hotel. However, their response seems to depend on the monthly income of the respondents. When one can look at this cross tab it is easy to understand that the number of satisfied respondents increases as the income of the respondents increases.

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	46.858 ^a	20	.001
Likelihood Ratio	53.580	20	.000
Linear-by-Linear Association	.677	1	.411
N of Valid Cases	151		
a. 15 cells (50.0%) have expected count less than 5. The minimum expected count is .11.			

As of the above chi square test shows the p value is .001 which implies that there is a significant relationship between respondents view on empathy and their income level.

The study also tries to assess the relationship between other quality dimensions (Tangibility, reliability, responsiveness, communication and confidence) and characteristics of respondents as indicated in the annex.

4.3. Dimension of Service Quality

As literatures apparently advocates there are tangible and intangible (reliability, responsiveness, communication and confidence) service quality dimensions. Based on this assumption the following section presents each dimensions of service quality so as to examine the effect of major service quality dimensions on Customer Satisfaction in three star hotels in Adama.

Table 4.8 Tangibility

Tangibility	Strongly disagree		Disagree		neutral		Agree		Strongly agree		Total	
	No.	%	No	%	No	%	No	%	No	%	No.	%
Physical facility	9	6.0	5	3.3	26	17.2	67	44.4	44	29.1	151	100.0
Employee dressed	7	4.6	2	1.3	10	6.6	62	41.1	70	46.4	151	100.0
Hotel atmosphere	9	6.0	5	3.3	5	3.3	56	37.1	66	43.7	151	100.0
Shop	16	10.6	14	9.3	55	36.4	33	21.9	33	21.9	151	100.0
Well lighted	13	8.6	4	2.6	12	7.9	68	45	54	35.8	151	100.0
Enough banking	20	13.2	20	13.2	24	15.9	25	16.6	62	41.1	151	100.0
Enough parking	6	4.0	3	2.0	13	8.6	33	21.9	96	63.6	151	100.0
Sign system	9	6.0	14	9.3	25	16.6	48	31.8	55	36.4	151	100.0
Seats cleanness	4	2.6	10	6.6	19	12.6	53	35.1	65	43.0	151	100.0
Security	4	2.6	11	7.3	17	11.3	57	37.7	62	41.1	151	100.0
Air condition	15	9.9	12	7.9	34	22.5	42	27.8	48	31.8	151	100.0
Total	112	74.1	100	66.1	240	158.9	544	360.4	655	433.9	1661	1100

Sources: Filed Survey, 2018

The table 4.8 reflected one of the dimensions of service quality of customer satisfaction in three star hotels in terms of tangibility. 73.5% customers were agree with the statements of the

physical facilities of the hotels are visually appeal and 9.3% customers were disagree with the statement. The reaming 17.2% customers were neutral with the statement physical facilities of the hotels are visually appeal. This indicates the services provided in the three star hotels quality was mode

In terms of employee well-dressed uniforms and neat, 87.5% customers were said the employee was well-dressed and neat in the hotel and 5.9% customers were disagreeing with the statement. Only 6.6% customers were neutral with the statement whether the employee were well-dressed or not in the hotel. Additionally 80.8% of the customers were agree by saying hotel restaurant's atmosphere was inviting and 9.3% customers were disagree with hotel restaurant's atmosphere was inviting. The remaining 3.3% customers were neutral with the statements. 43.8% customers were suggested that the shops found in the hotel were pleasant and attractive. On the other hand 19.9% customers were disagrees with the statement and only 19.9% customers were neutral with the hotel shops were pleasant and attractive. In terms of the hotel brightness and well-lighted 80.8% customers were agree and 11.2% customers were disagree with the statement. Additional 7.9% customers were neutral with hotel brightness and well-lighted.

57.7% accounts of customers were agreed with enough banking services in the hotels and 26.4% customers were disagree with statement. Only 15.9% customers were neutral with enough banking services in the hotel. Additionally 85.5% customers were suggested there were clean and enough parking area in hotels and 6% of customers were disagree with the statement. The remaining 8.6% customers were neutral with the clean and enough parking area in the hotel. 68.2% customers were agree with the hotel had effective sign system and 15.3% customers were disagree with the statement. The reaming 16.6% customers were neutral.

Majority 78.1% of customers were agree with the hotel seats were clean and comfortable and 9.2% were disagree with the idea. And only the 12.6% customers were neutral with hotel seats were clean and comfortable. Additionally 59.6% customers were agree with air condition was available in the hotel and 17.8% customers were disagree with the statement. The reaming 22.5% customers were neutral with availability of air condition in the hotel. Generally the study indicated that the services quality of three star hotels in Adama was a good in terms of tangibility.

Table 4.9 Reliability

Reliability	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	No.	%	No	%	No	%	No	%	No	%	No.	%
Reservation effectiveness	6	4.0	4	2.6	31	20.5	60	39.7	50	33.1	151	100.0
Guest room	7	4.6	7	4.6	28	18.5	45	29.8	64	42.4	151	100.0
TV, radio, ATM internet etc	4	2.6	14	9.3	50	33.1	51	33.8	32	21.2	151	100.0
I got what I paid	7	4.6	8	5.3	32	21.2	53	35.1	51	33.8	151	100.0

Source: field survey,2018

72.8% accounts of customers were agree with the reservation was handled efficiently in the hotels and 6.6% customers were disagree with statement. The remaining 20.5% customers were neutral with the reservation was handled efficiently in the hotel. Additionally 72.2% customers were agree with guest room was ready properly as promised in the hotel and 9.2% customers were disagree with the statement. The reaming 18.5% customers were neutral with the guests room was ready properly as promised in the hotel. In terms of additional service in the hotel such as TV, radio, internet, ATM, lights, shop, clinic, newspaper, magazines and other mechanical equipment availability 55% customers were agree and 11.9% customers were disagree with the statement. And33.1% customers were neutral with hotel TV, radio; internet, ATM, lights, shop, clinic, newspaper, magazines and other mechanical equipment availability. Majority 68.9% of customers were agreeing with the hotel services they got what they paid and 9.9% were disagreed with the idea. And 33.1.6% customers were neutral with hotel services they got what they paid. The study indicates that the services quality of three star hotels in Adama was good in terms of reliability.

Table 4.10 Responsiveness

Responsiveness	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	No.	%	No	%	No	%	No	%	No	%	No.	%
Employee response	7	4.6	9	6.0	19	12.6	55	36.4	61	40.4	151	100.0
Informative literature	15	9.9	7	4.6	35	23.2	50	33.1	44	29.1	151	100.0
Willing to answer	6	4.0	5	3.3	22	14.6	46	30.5	72	47.7	151	100.0
Help customer	9	6.0	4	2.6	15	9.9	48	31.8	75	49.7	151	100.0
Employee information	6	4.0	3	2.0	30	19.9	51	33.8	61	40.4	151	100.0
Room service	5	3.3	5	3.3	36	23.8	49	32.5	56	37.1	151	100.0

Source: field survey,2018

76.8% accounts of customers were agree with the employee responded promptly to their requests in the hotels and 10.6% customers were disagree with statement. The remaining 12.6% customers were neutral with the employee responded promptly to their requests in the hotel. Additionally 62.1% customers were suggested there were informative literature about the hotel provided and 14.5% of customers were disagreeing with the statement. The remaining 23.2% customers were neutral with the informative literature about the hotel provided.81.5% accounts of customers were agree with the hotel employees were willing to help customer and provide quick service in the hotels and 8.6% customers were disagree with statement. The remaining 9.9% customers were neutral with the hotel employees were willing to help customer and provide quick service in the hotels. Additionally 74.2% customers were suggested that employees make information easily obtainable by customers and 6% of customers were disagree with the statement. The remaining 19.9% customers were neutral with employees make information easily obtainable by customers.

Majority 69.6% of customers were agree with the hotel room service was prompt and 6.6% were disagree with the idea. And the remaining 23.8% customers were neutral with hotel room service

was prompt. The finding shows that the services quality of three star hotels in Adama was a good in terms of responsiveness.

Table 4.11 Confidence

Confidence	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	No.	%	No	%	No	%	No	%	No	%	No.	%
Employees respect	8	5.3	5	3.3	14	9.3	44	29.1	80	53.0	151	100.0
Employee polite	2	1.3	4	2.6	24	15.9	46	30.5	75	49.7	151	100.0
The facilities locate	3	2.0	2	1.3	26	17.2	61	40.4	59	39.1	151	100.0

Source: field survey,2018

Regardless of the above finding, respondents also reflect their perception about three star hotels service quality and customer satisfaction with dimensions of service quality. So 82.1% accounts of customers were agreed with the hotel employees were treated them with respect and 8.8% customers were disagree with statement. The remaining 9.3% customers were neutral with the hotel employees were treated them with respect. Majority 80.2% of customers were agree with the hotel employees were polite when answering their questions and 3.9% were disagree with the idea. And 15.9% customers were neutral with hotel employees were polite when answering their questions. Additionally 79.5% customers were suggested that the facilities were conveniently located and 3.3% of customers were disagreeing with the statement. The remaining 17.2% customers were neutral with the facilities were conveniently located. As the study reflect the services quality of three star hotels in Adama was good in terms of confidence.

Table 4.12 Communication

Communication	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	No.	%	No	%	No	%	No	%	No	%	No.	%
undivided attention	5	3.3	7	4.6	32	21.2	53	35.1	54	35.8	151	100.0
find out my particular need	1	.7	6	4.0	44	29.1	53	35.1	47	31.1	151	100.0

Source: field survey,2018

Regardless of the above finding, respondents also reflect their perception about three star hotels service quality and customer satisfaction with dimensions of service quality. So 70.9% accounts of customers were agreed with they received undivided attention at the front desk and 7.9% customers were disagreeing with statement. The remaining 21.2% customers were neutral with they received undivided attention at the front desk. Additionally 66.2% customers were suggested that the reservationists tried to find out their particular need and 4.7% of customers were disagreeing with the statement. The remaining 29.1% customers were neutral with reservationists tried to find out their particular need. The study implies the services quality of three star hotels in Adama was a good in terms of communication.

Table 4.13 Empathy

Empathy	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
convenient location reception	5	3.3	0	0	20	13.2	53	35.1	73	48.3	151	100.0
compensation schemes	8	5.3	2	1.3	69	45.7	39	25.8	33	21.9	151	100.0
Enough facility	7	4.6	8	5.3	38	25.2	41	27.2	57	37.7	151	100.0

Source: field survey,2018

Regardless of the above finding, respondents also reflect their perception about three star hotels service quality and customer satisfaction with dimensions of service quality. So 83.4% accounts of customers were agreed with the convenient location of the hotel reception and 3.3% customers were disagreed with statement. The remaining 13.2% customers were neutral with the convenient location of the hotel reception. Additionally 47.7% customers were suggested that the hotel provides compensation schemes in case of loss or customer healthy and 6.6% of customers were disagreeing with the statement. The remaining 45.7% customers were neutral with the hotel provides compensation schemes in case of loss or customer healthy. Majority 64.9% of customers were agreeing with enough facility in the hotel for the customers and guests and 9.9% were disagreed with the idea. And 25.2% customers were neutral with enough facility in the hotel for the customers and guests. According to the study shows the services quality of three star hotels in Adama was a good in terms of empathy.

4.3. Customer Satisfactions

Table 4.1 Customer Satisfactions

Customer satisfaction	Highly dis satisfied		Dis satisfied		Neutral		Satisfied		Highly satisfied		Total	
	No	%	No	%	No	%	No	%	No	%	No.	%
satisfied the tangibility	2	1.3	4	2.6	31	20.5	67	44.4	47	31.1	151	100.0
satisfied the reliability	4	2.6	2	1.3	27	17.9	59	39.1	59	39.1	151	100.0
satisfied the responsiveness	10	6.6	8	5.3	16	10.6	58	38.4	59	39.1	151	100.0
satisfied the confidence	6	4.0	12	7.9	23	15.2	55	36.4	55	36.4	151	100.0
satisfied the Communication	2	1.3	4	2.6	27	17.9	57	37.7	61	40.4	151	100.0
satisfied the Empathy	1	.7	2	1.3	29	19.2	55	36.4	64	42.4	151	100.0

Source: field survey,2018

Regardless of the above finding, respondents also reflect their perception about three star hotels service quality and customer satisfaction with customer satisfaction depend on their perception in the hotel. Based on the above table 75.5% accounts of customers were agree with highly satisfied the tangibility of hotel and 3.9% of customers were disagree with statement. The remaining 20.5% customers were neutral with highly satisfied the tangibility of hotel.78.2% accounts of customers were agree with highly satisfied the reliability of the hotel and 3.9% of customers were disagree with statement. The remaining 17.9% customers were neutral with highly satisfied the reliability of the hotel.77.5% accounts of customers were agree with highly satisfied the responsiveness of the hotel and 11.9% of customers were disagree with statement. The remaining 10.6% customers were neutral with highly satisfied the responsiveness of the hotel.72.8% accounts of customers were agree with highly satisfied the confidence of the hotel

and 11.9% of customers were disagree with statement. The remaining 15.2% customers were neutral with highly satisfied the confidence of the hotel. Majority 78.1% of customers were agree with highly satisfied the communication of the hotel and 3.9% were disagree with the idea. And 17.9% customers were neutral with highly satisfied the communication of the hotel. Additionally 78.8% customers were suggested that highly satisfied with the empathy of the hotel and 2% of customers were disagreeing with the statement. The remaining 19.2% customers were neutral with highly satisfied the empathy of the hotel. At the end the finding indicates that the customer satisfaction of three star hotels in Adama was as much as possible it were in good stands.

Correlation Analysis

Correlations								
		Customer Satisfaction	Tangibility	Reliability	Responsiveness	Confidence	Communication	Empathy
Customer Satisfaction	Pearson Correlation	1	.162*	.220**	.164*	.206*	.221**	.159
	Sig. (2-Tailed)		.047	.007	.044	.011	.006	.052
	N	151	151	151	151	151	151	151
Tangibility	Pearson Correlation	.162*	1	.716**	.660**	.678**	.591**	.578**
	Sig. (2-Tailed)	.047		.000	.000	.000	.000	.000
	N	151	151	151	151	151	151	151
Reliability	Pearson Correlation	.220**	.716**	1	.725**	.726**	.561**	.656**
	Sig. (2-Tailed)	.007	.000		.000	.000	.000	.000
	N	151	151	151	151	151	151	151
Responsiveness	Pearson Correlation	.164*	.660**	.725**	1	.792**	.601**	.602**
	Sig. (2-Tailed)	.044	.000	.000		.000	.000	.000
	N	151	151	151	151	151	151	151
Confidence	Pearson Correlation	.206*	.678**	.726**	.792**	1	.729**	.663**
	Sig. (2-Tailed)	.011	.000	.000	.000		.000	.000
	N	151	151	151	151	151	151	151
Communication	Pearson Correlation	.221**	.591**	.561**	.601**	.729**	1	.712**
	Sig. (2-Tailed)	.006	.000	.000	.000	.000		.000
	N	151	151	151	151	151	151	151
Empathy	Pearson Correlation	.159	.578**	.656**	.602**	.663**	.712**	1
	Sig. (2-Tailed)	.052	.000	.000	.000	.000	.000	
	N	151	151	151	151	151	151	151

*. Correlation Is Significant At The 0.05 Level (2-Tailed).

** Correlation Is Significant At The 0.01 Level (2-Tailed).

The above table shows that Correlation value between service quality dimensions and customer satisfaction. The results of correlation analysis supported theories of customer satisfaction and proved that there is a positive and strong significance relationship between the quality dimensions and customer satisfaction.

Tangibility and customer satisfaction ($r=.162^*$, $p < 0.05$), reliability and customer satisfaction ($r =.162^{**}$, $P < 0.01$), responsiveness and customer satisfaction ($r=.164^*$, $P < 0.05$), confidence and customer satisfaction ($r = .206^*$, $p < 0.05$), communications and customer Satisfaction ($r=.221^{**}$, $P < 0.01$) are positively correlated respectively. However, the correlation between Empathy and customer satisfaction found to be insignificant at the 0.05 significance level nevertheless it is significant at 0.07.

On the other hand the correlation analysis among the quality dimensions reveals that there are significant and positive correlations between each of the quality dimension with each other in 99% level of confidence ($P < 0.01$).

Regression Analysis

The researcher used multiple regression analysis to examine the independent variables (Tangibility, Reliability, Responsiveness, Confidence, and Communications) on the dependent variable customer's satisfaction.

Model Summary			
Multiple R	R Square	Adjusted R Square	Apparent Prediction Error
.565	.511	.260	.000
Dependent Variable: customer satisfaction			
Predictors: tangibility , reliability , responsiveness ,confidence and Communication			

Coefficients ^a								
Model		Un standardized Coefficients		Standardized Coefficients	t	Sig.	Co linearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.555	.631		2.462	.015		
	Tangibility	-.078	.210	-.047	-.374	.709	.412	2.425
	Reliability	.287	.212	.183	1.353	.004	.352	2.842
	Responsiveness	-.083	.180	-.065	-.459	.647	.319	3.137
	Confidence	.060	.214	-.046	.282	.000	.247	4.048
	Communication	.235	.185	.152	1.270	.000	.451	2.218

a. Dependent Variable: Customer Satisfaction by the service

From the above regression table the following formula can be drawn:

$$(Y) = 1.555 - 0.047 * \text{Tang.} + 0.183 * \text{Reliab.} - 0.065 * \text{Respo.} - 0.46 * \text{Conf.} + 0.152 * \text{Comun.} + e$$

Where:

Y: Estimated customers' satisfactions

Constant a=1.555

Tangibility Coefficient = -.047

Reliability Coefficient = 0.183

Responsiveness Coefficient = -0.065

Confidence Coefficient = -0.46

Communications Coefficient=0.152

e- Indicates random error.

If we take the value of R² to be the explanation power of regression model, these 5 service quality variables can clearly explain 51.1% of the variation of the customer satisfaction. Considering the beta coefficient of each independent variable and its significant level, we found that 4 components of service quality including tangibility, reliability, responsiveness, confidence, and communication show the significant impact on customer satisfaction (at the 5% significant level). From these dimensions reliability expresses the strongest impact on customer satisfaction with highest coefficient value of 0.183 followed by communication with coefficient value of 0.152. Responsiveness and tangibility represent the relative smaller impacts with negative coefficient values of -0.047 and -0.065 but with insignificant impact, respectively. Confidence has significant but negative impact on customer satisfaction at the 5% level.

The reliability coefficient beta and p value of confidence were positive and significant (beta= 0.183, p < 0.05) effect on customers' satisfactions in Adama studied hotels. Means the customer satisfaction in hotel is directly affected by the confidence where an increase in confidence by 0.183 will cause a direct increase in the customer satisfaction.

The value of communications contribution to the customer Satisfaction is beta=0.152, and p-value less than 1% sig. level). That means communications on customer satisfaction, where an increase in communications by 0.152 will cause an increase in the customer satisfaction in hotel

industry. On the other hand the coefficients and p value of tangibility and responsiveness were negative but insignificant.

The Model summary table 4.3.2 and the ANOVA table 4.3.3, include the R Square value, which serves as the proportions of the variation in dependent variable (customers' satisfactions) being explained by the variation in independent variable service quality dimensions. In other words this means that the R Square depicts how good the regression model is at explaining the variance in Customer Satisfaction in hotels' industry.

This is a good finding, but in order to find out if it is significant one must study the ANOVA table. The ANOVA table shows the results from the analysis of the variance and determines if the R Square value is significant or not. In this case the ANOVA table shows that the finding is significant because the p-value is less than significance level 0.1%. This indicates that the overall model was reasonable fit and there was a statistically significant association between service quality dimensions and customer satisfaction.

ANOVA					
	Sum of Squares	Df	Mean Square	F	Sig.
Regression	48.187	12	4.016	5.390	.000
Residual	102.813	138	.745		
Total	151.000	150			
Dependent Variable: customer satisfaction					
Predictors: tangibility , reliability , responsiveness ,confidence and Communication					

Discussion and interpretation

The research results demonstrate that the service quality is a strong driver for customer satisfaction in hotel service in Adama. Among the quality dimensions, all of them represent the significant impacts on the customer satisfaction. However, there are other studies which stress the most significant impact of Empathy on Customer satisfaction. Empathy refers to providing customers individual attention, understanding customer specific needs, having positive attitude when receive feedback from customers, and providing healthful menu. That means the hotels can considerably increase their customer satisfaction level if they may better perform their empathy. Conversely, responsiveness which refers to the willingness to serve customers, availability to respond to customers' requests and flexibility to meet customers' demands has the strongest

impact on customer satisfaction. Reliability contains attributes relating to performing services on time and accurately, solving problem sincerely, and keeping records confidentially is the next strong impact dimension; Reliability dimensions which referring to keeping promises, accurate and timely service, safe and secure stay has found to be important to customer satisfaction. These results imply suggestions for hoteliers to strongly focus on improving these quality dimensions to better gain and customer satisfaction. It can be seen that these quality dimensions mostly rely on hotel staff's knowledge and attitude. One concerning suggestions for hoteliers is that they should appropriately allocate resources to provide training for hotel staff. As a result, hotel staff will be more confident with occupational skills and knowledge to serve and help customers.

One limitation of this study is that the survey was conducted with customers of three-star hotels in Adama city. Moreover, time period to collected data were narrow in range with limited valid responses of 151 respondents. Thus, some conclusions may be improved in other more extensive studies. Despite these limitations, the study contributes to enrich the literature of service quality and customer satisfaction from a customer perspective. It enhances understanding of service quality and its impacts on customer satisfaction. The findings and implications will benefit hoteliers working in Adama who want to increase competitive advantage through quality dimensions.

As seen in analysis part majority, 68.9% customers were males where as 31.1% females. This implies both male and females was customer of the three star hotels in Adama. Additionally 26-45 age groups customers were adults, accounts for 62.9% and 18-25 age groups are accounts 24.5%. Only 12.6% of customers are in the range of 46 to 55 age group. This is implies majority of the customers of the three star hotel in Adama are adult age groups. In terms of educational status, 33.8% of the respondents had degree holder and 33.1% are second degree holders and above, whereas 13.9% and 11.3% of the respondent had high school certificates and diploma holders respectively. This indicates most of the customers of three star hotels in adama are educated person. As seen in analysis section 46.3% customers were business owner and employed and 33.8% were retired. About 15.2% customers were students and only 4.6% were accounted by others. This implies majority of the customers were business owner and employer which followed by retire.

In addition when we look the purpose of visit,33.8% customers were used to the three star hotel for the purpose of pleasure and 31.1% of the customers were used the three star hotel for the purpose of conference. On the other hand 15.9% and 10.6% customer were using the three star hotels for the purpose of business and visiting relatives respectively. Finally 6% and 2.6% of customers were using the three star hotels for the purposes of study and others respectively. As the researcher conduct interview with different parts Adama town was a conference and business transaction town. This implies the three star hotels in Adamawas familiar with different customers from different areas.

In terms of customer incomes 57.7% customers were 2001-10,000 and 22.5% customers were >10,000 monthly incomes. The reaming 19.9% of customers incomes were<2000 monthly incomes. This study indicates that the majority of the customers those who earns 2001-10,000per month were customers of three star hotels in Adama.

Majority 46.4% and 45.7% of customers were contact with the hotel <1years and 1-5year respectively. On the other hand 4.6%, 2% and 1.3% of customers were contact with the hotel 6-10, 11-15 and >15years respectively. Based on this the study implies that most of customers were familiar with the three star hotel short period of time. In addition to this, the quality of services in hotel discussed as follow:- the majority 64.9% customers responded the services they got equal with their expectation. On the other words 29.8% of customers were got services above their expectation. The remaining 5.3% customers were responded by said the services they got were below their expectation. Generally the study show that the services quality customers acquired were equal their expectation and above their expectation.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

In line with the research questions raised in this study the following important points were found:

- ✚ Both male and female are customers of the three star hotels in Adama; majority of the customers of the three star hotels in Adama are under their adult age; most of the customers of three star hotels in Adama are educated person; majority of the customers were business owner and employer which followed by retired persons; customers of three star hotels in Adama hotel were from different marital status;
- ✚ Majority of the three star hotel customers in Adama has a purpose of either pleasure or conference
- ✚ It is found that there is no substantial difference between male and female respondents in view of the services of three star hotels in Adama town.
- ✚ overall satisfaction of customer s on the services of three star hotels in Adama city have no significant difference across factors namely age of respondents, educational background, occupational status, nationality of respondents, marital status and income level.
- ✚ The study reveals that there is a significant relationship between the view of respondents regarding the satisfaction of customers on empathy of the hotels studied and the respondents' nationality.
- ✚ The study also found there is a significant relationship between respondents view on empathy and their income level.
- ✚ The study indicated that the services quality of three star hotels in Adama was a good in terms of tangibility, reliability, responsiveness, confidence, communication and empathy according to the respondents of the study.
- ✚ The results of correlation analysis proved that there is a positive and strong significance relationship between the service quality dimensions (reliability and communication) and customer satisfaction.
- ✚ The regression analysis revealed that from service quality dimensions reliability expresses the strongest impact on customer satisfaction followed by communication. Responsiveness and

tangibility represent the relative smaller impacts while confidence is the only independent variable which has significant but negative impact on customer satisfaction.

5.2 Conclusion

Hotel service is recently regarded as one of core businesses making up the tourism complex system which is one of the fastest growing industries in Ethiopia in recent years. The intensively competitive market requires hoteliers continuously renew and improve themselves to attract customers. In this context, the attention to service quality from the customer's perspective is considered as one of the most important factors deciding the success of tourism and hotel businesses. Therefore, the measurement of service quality and the evaluation of its impact on the customer satisfaction have been a great concerned topic for academics and practitioners in many service industries including tourism and hotel industries.

The purpose of this study was to empirically examine the relationship between service quality and customer satisfaction in three star hotels in Adama City. To achieve this aim the survey questionnaire was constructed covering 6 service quality dimensions based on SERVQUAL model. Data were collected from customers of three-star hotels in Adama city.

The results indicated that the strong relationship between service quality dimensions and customer satisfaction. Beside the importance of other factors service quality plays an important role as a driver for higher customer satisfaction level in service enterprises in general and in hotel business in particular.

Dimension of quality namely tangibility, reliability, responsiveness, confidence, empathy and communication found statistically significant impacts on customer satisfaction with significant level at 5%. This result indicates that service quality confirms its role as an important driver of customer satisfaction which leads to customer loyalty and the hotels' profits. Therefore, service quality should be taken into high consideration in both academic and practical activities.

5.3 Recommendation

Provision of high quality services is necessary so as to realize customer satisfaction, loyalty, soliciting new customers etc. Thus to secure these things, based on the findings, the following recommendation is forwarded:

- Motivating employees and creating sense of belongingness on their employees is a must for hotel owners so as to realize the tangible dimension of service quality.
- Managers of hotel should work towards achieving effective communications with their subordinates.
- Regarding to achieve the confidence dimension of quality service, employees satisfaction must be there first so that customer satisfaction is realized
- Hotel owners should maintain the service attribute of tangibility at the acceptable level to appeal customers
- Hotel business runners need to appropriately allocate resources to provide training for hotel staff. As a result, hotel staff will be more confident with occupational skills and knowledge to serve and help customers. Similarly, Frontline employees should be trained to serve customers in a good way and made them to recognize customers as a valuable asset.
- The Hotels should conduct regular customer survey to identify the levels of customer satisfaction and act accordingly based on the needs and preferences of customers.
- Employees of the Hotels should understand the specific needs of their customers. To do so Hotels should invest in its employees, especially those on the frontline who have a daily and timely contact with customers, to motivate them to serve customers best.
- Hotels in Adama should try to materialize customers' expectation and satisfy customers in order to keep them for a long period of time and to assure long term profit and success in the market in this competitive business world. So, the Hotels should focus on delivering high quality service that met customers' expectation to effectively compete with competitors.
- Employees of the Hotels should give prompt service to customers and act accordingly because customers want action behind the prompt service not just words of reassurance. Prompt response for customers' questions and complaints is a factor that must come to the attention of management. This requires establishing strong recovery procedures and skills to be used when the sector is at fault.
- The hotels must give emphasis to reliability by providing consistence service to their customers.

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APPENDIX



ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE MARKETING MANAGEMENT

SCHOOL OF GRADUATE STUDIES MBA-PROGRAM

SERVICE QUALITY AND CUSTOMER SATISFACTION IN HOTEL
INDUSTRY IN ETHIOPIA

Questionnaire to be filled by Hotel Guests

Dear Guests:-My name is DerejeKefeni, I am a graduate student at Addis Ababa University College of Business and Economics MBA- Program. Currently, I am conducting a research study on “effect of Service Quality on Customer Satisfaction in Hotel Industry in Ethiopia” in Partial fulfillment of Master of Arts

Degree in Management at Alfa University College. Your genuine response is highly valuable for the study and there are no identified risks from participation in the survey. The survey is anonymous. Participation is completely voluntarily.

Dear guests, this questionnaire is intended together information about Service Quality and Customer Satisfaction and other related issues in three stars Hotels. The information that you provide in this questionnaire will be kept confidential and be used only for academic purpose. Please fill free to contact me for further information at any time through;

Phone:0911906035

e-mail: derish2008@gmail.com

PART I: General Information

Instruction: Please tick \surd () in the boxes applicable to you.

1. Gender

Male Female

2. Age group

18-25 26-35 36-45 46-55 above55

3. Highest education level

High School Diplomat Degree

MA & above Others

4. Occupation

Student Retire Business Owner Employed Other

5. Nationality

Ethiopian Foreigner

6. Marital status

Single

Married

Divorced

Widowed

7. Purpose of visit

Pleasure Business Visiting Relatives

Conference Study Others

8. Hotel Selection Gov't Placement Internet search

Travel agency word of mouth

9. Monthly income in ETBirr

< 2000 2001-4000 4001-6000 6001-8000 8001-10,000

>10,000

10. How many years did you have contact with this hotels

Less than 1 year 1 -5 years 6-10 years

11-15 years More than 15 years

11. I frequently acquire services in this hotel that are

Above my expectation Equal with my expectation

Below my expectation

Part II: Dimensions of Service Quality

Instruction: Please show the extent to which you believe the Hotel has the feature described by the statement. Indicating by encircling the appropriate number of your choice. Where, 1= for strongly disagree,

2=disagree,

3=neutral,

4= agree and

5=strongly agree.

There are no right or wrong answers all interested in is a number that best shows your perception about the hotel.

S/No	Statements	Perception				
		1	2	3	4	5
A	Tangibility					
1.1	The physical facilities of the hotel are visually appeal	1	2	3	4	5
1.2	The employees well-dressed uniforms and, neat	1	2	3	4	5
1.3	The restaurant's atmosphere was inviting	1	2	3	4	5
1.4	The shops were pleasant and attractive	1	2	3	4	5
1.5	The hotel was bright and well lighted	1	2	3	4	5
1.6	The hotels have enough banking area	1	2	3	4	5
1.7	The hotel was clean and enough parking area	1	2	3	4	5
1.8	The hotel has effective sign system	1	2	3	4	5
1.9	Hotel seats are clean and comfortable	1	2	3	4	5
1.10	The Security control is reliable	1	2	3	4	5
1.11	Air conditioning in the hotel are available	1	2	3	4	5

B	Reliability					
2.1	My reservation was handled efficiently	1	2	3	4	5
2.2	guest room was ready properly as promised	1	2	3	4	5
2.3	TV, radio, internet, ATM, lights, shops clinic, newspaper, magazines and other mechanical equipment are available	1	2	3	4	5
2.4	I got what I paid for	1	2	3	4	5
C	Responsiveness					
3.1	Employees responded promptly to my requests	1	2	3	4	5
3.2	Informative literature about the hotel was provided	1	2	3	4	5
3.3	Employees were willing to answer my questions	1	2	3	4	5
3.4	Hotel employees are willing to help customer and to provide quick service	1	2	3	4	5
3.5	Employees make information easily obtainable by customers	1	2	3	4	5
3.6	Room service was prompt	1	2	3	4	5
D	Confidence					
4.1	Employees treated you with respect	1	2	3	4	5
4.2	Employees were polite when answering your questions	1	2	3	4	5
4.3	The facilities were conveniently located	1	2	3	4	5
E	Communication					
5.1	I received undivided attention at the front desk	1	2	3	4	5
5.2	Reservationists tried to find out my particular need	1	2	3	4	5
F	Empathy					
6.1	There is convenient location of the hotel reception	1	2	3	4	5

6.2	The hotel provides compensation schemes in case of loss or customer healthy	1	2	3	4	5
6.3	There is enough facility in the hotel for the customers and guests	1	2	3	4	5

Part III: Customer satisfaction

Instruction: Please indicate your degree of satisfaction/dissatisfaction with the following statements by circling the appropriate number.

Key: 1=Highly dissatisfied; HDS

2=Dissatisfied; (DS)

3=Neutral; (N)

4=Satisfied;(S)and

5=Highly satisfied(HS)

G	Statements	HDS	DS	N	S	HS
		1	2	3	4	5
7.1	I am highly satisfied the tangibility of the hotel	1	2	3	4	5
7.2	I am highly satisfied the reliability of the hotel	1	2	3	4	5
7.3	I am highly satisfied the responsiveness of the hotel	1	2	3	4	5
7.4	I am highly satisfied the confidence of the hotel	1	2	3	4	5
7.5	I am highly satisfied the Communication of the hotel	1	2	3	4	5
7.6	I am highly satisfied the Empathy of the hotel	1	2	3	4	5

Thank you!!