

**ADDIS ABABA UNIVERSITY**  
**COLLEGE OF BUSINESS & ECONOMICS**  
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**SERVICE QUALITY AND CUSTOMER SATISFACTION**  
**IN HOTEL INDUSTRY: THE CASE OF THREE STAR**  
**HOTELS IN ADDIS ABABA, ETHIOPIA**

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### **Declaration/Confirmation**

I, ABREHAM G/EGZIBHER, hereby declare that the thesis work entitled, “SERVICE QUALITY AND CUSTOMER SATISFACTION IN THE HOTEL INDUSTRY: THE CASE OF THREE STAR HOTELS IN ADDIS ABABA”, is outcome of my own effort and study and 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 Business Administration (MBA) in management of Addis Ababa University at Addis Ababa Ethiopia, is original work and it hasn't been presented for the award of any other Degree, Diploma, Fellowship or other similar titles of any other university or institution.

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This is to certify that the thesis prepared by ABRHAM G/EGIZIBHER, “SERVICE QUALITY AND CUSTOMER SATISFACTION IN THE HOTEL INDUSTRY: THE CASE OF THREE STAR HOTELS IN ADDIS ABABA” and submitted in partial fulfillment of the requirement for the Degree of Master of Business Administration (MBA in Management) complies with the regulations of the university and meets the accepted standard with respect to originality and quality.

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## **Abstract**

*As the number of arrivals of international tourists gradually increases in Ethiopia, the service quality asserted by the Addis Ababa hotel need to be studied. The main objective of this research is to evaluate the service quality and customer satisfaction of three star hotels in Addis Ababa from the point of view of expectations of the service quality and perceptions of the service delivered by the three star hotels in Addis Ababa. To achieve this objective, descriptive study design were used to analyze the data collected through questionnaire from a sample of 300 international and local guests. These respondents were selected using simple random sampling method and hotels were selected purposively. The data collected through a questionnaire were analyzed using statistical tools such as mean, standard deviation, correlation and regression analysis by applying a modified version of the LQI (LODGING QUALITY INDEX) model comparisons between domestic hotel guests and hotel guests from various international countries were undertaken. The major finding of the study indicates, the hotel guests' perceptions of service quality provided by the hotel industry were lower than their expectations, The lowest expectations and perceptions were given by Ethiopian guests towards the hotels in Ethiopia and Between domestic hotel guests and hotel guests from International countries the overall customer satisfaction levels towards the hotel stay is not satisfactory. Based on the findings of the study, the researcher recommended that The top management needs to improve quality services so as to satisfy customer's needs and should hire self-motivated, enthusiastic employees who will like to deal with customer and will try to solve customer complaints and other issues in an effective manner, should provide continuous training to the employees on issues like Responsiveness, Confidence and communication skills while dealing with customers is of immense importance.*

**Key words:** *Customer Expectation, Customer Perception, Customer Satisfaction, lodging quality index, Service quality dimension, Service quality.*

## **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 *et al.*, 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.

According to Wilson *et al.*, (2008) depicts 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.

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 helps 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 earning 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 measure and evaluate the level of service quality and customer satisfaction in the hotel industry targeting the three star hotels found in Addis Ababa and to determine 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.

## **1.2 Statement of the Problem**

Following the Ethiopian millennium in 2007 every sector of the country goes high particularly in tourism attraction and hotel accommodations. Though a great emphasis is given for the expansion of hotel industry since the early time, many service related problems are still visible. Collecting money with no progress in service quality is fact of today's Addis Ababa hotels. 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 was seen when the employees were 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. The other major problems often observed were lack of Hotel service ethics.

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 service Quality and customer Satisfaction in hotel industry in Ethiopia. Therefore going through the very specific idea, the purpose of this study is to assessthe service quality and customer satisfaction in three star hotels found in Addis Ababa, Ethiopia.

According to Buze ye (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 foreigners to visit Ethiopia. One is presence of sites of different tourist attraction; second Addis Ababa resides continental and international 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 Kenya. Due to this fact growth in Ethiopia’s tourism industry continues to be steadily even despite the effect of the global financial crisis. International visitors’ arrival in Ethiopia reached 596,341 in 2012 from 523,438 in 2011, with average growth of 13.92 percent in 2012, (Ministry of Culture and Tourism 2013). With the growth of visitors how are 3 star Hotels in Addis Ababa serve their customers are still encompassed by issues of debates and controversies.

The presences of a number of international organizations in Addis Ababa such as the African Union (AU), the European Union (EU) and the Economic Commission for Africa (ECA), demands the hotel sector to be highly organized and at most delivery of services. Therefore,hotels in Addis Ababa 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) and Alelign(2013) assessed hotel related services in Ethiopia, however deep investigation of those research lacks analysis of customer service delivery and customer satisfaction of three star hotels in Addis Ababa, Ethiopia. Therefore this research duly investigates service quality and customer satisfaction of three star hotels in Addis Ababa to forward visible and scientific solution to improve service delivery of hotels. Using the modified form of SERVQUAL,which is LODGING QUALITY INDEX that was customized specifically for the hotel industry.

### **1.3 Research Questions**

- What are the service quality expectations of customers in three star hotels?
- What are the service quality perceptions of customers in three star hotels?

- Which of the service quality dimensions has significant effect in 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 star hotels in Addis Ababa, Ethiopia.

### **1.4.2 Specific Objectives**

- To identify the Expectations of customers toward the services of three star hotels.
- To identify the Perceptions of customers toward the services of three star hotels.
- To examine the effect of major service Quality dimensions on Customer Satisfaction in three star hotels.
- To examine the correlation between Service Quality and Customer Satisfaction.

## **1.5 Hypothesis**

H1 Reliability has significant effect in customer satisfaction.

H2 Responsiveness has a significant effect in customer satisfaction.

H3 confidence has a significant effect in customer satisfaction.

H4 communication has a significant effect on customer satisfaction.

H5 Tangibility has significant effect on customer satisfaction.

## **1.6 Scope of the Study**

Because of the broad nature of the study, accessing all the literature concerning customer satisfaction and service quality is very voluminous. Thus, the study hovered in a limited aspect within the literature, thereby this research focuses on the relationship between customer satisfaction and service quality dimensions of the SERVQUAL/LQI model. Although this topic concerns many stakeholders, the researcher focused on customer perspective and customers who consume services. Also the topic can be viewed from a manufacturing and/or service sector; but it was limited to study it with the hotel sectors since service quality is best evaluated from the

service sectors. There are different kinds of star standardized hotels in Addis Ababa but due to interest and eagerness to explore, the study focused on three star hotels found in Addis Ababa. This is due to its number effect and impact in serving a lot number of customers. Moreover including all three star hotels found outside of the capital is not manageable to the student researcher. Therefore the study is limited to ten (10) three star hotels found in Addis Ababa.

### **1.7 Significance of the study**

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

### **1.8 Limitations of the Study**

There was different bottle necks that hampers the smooth flow of the research such as hotel owners 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 researcher to show extraordinary patience and commitment that put its own negative impact to accomplish the research as needed. Moreover the research is geographically limited to three star hotels in Addis Ababa; the capital of the nation and Africa to have huge impact rather than other areas of the country. 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 limitations of this study are given below:

- The data and information related with the topic was not easily available.
- The hotel confidentially keeps the data. Even sometimes filled questionnaires were kept 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 could be very much useful.

### **1.9 Operational Definition of Terms**

A **'hotel customer'** was defined in this study as an individual who was a temporary 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 customers to customers, as every customer has different beliefs towards certain services and products that play an important role in determining customer satisfaction(Reichhelid,1996)

### **1.10 Organization of the Study**

This study is organized in to five chapters. Accordingly, the first chapter commences with the introduction part; the second chapter discusses the related literature of the study; the third chapter focus on research methodology and the fourth chapter discusses data presentation and analysis and finally chapter five stipulates conclusion based on analysis and possible recommendation by the researcher based on investigation.



## **Chapter Two**

### **Review of Related Literature**

This chapter outlines the concept of service quality and customer satisfaction. From the last decade, the service 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 service 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 Conceptualizing Service Quality and Customer Satisfaction**

Someone say that service quality and customer satisfaction is critical for the service survival. So what are they? Both of them are intangible but the exact definition is still a controversial issue. Customer satisfaction is a psychological concept that involves the feeling of well-being and pleasure that results from obtaining what one hopes for and expects from an appealing product and/or service (WTO, 1985). To Oliver (1980), customer satisfaction definition is based on the expectation disconfirmation point of view. Before purchasing or using the product or service, customers always have their personal expectation about its performance. After buying or using product or service, if the result is equal or better than expectation, it means the expectation has positive confirmation. In the opposite case, if the result is lower than expectation, we have negative confirmation. Customers are said to be satisfied only if there are positive confirmations of expectation. However, in any case, the level of customer satisfaction is different between different customers because each of them owns their personal needs, demands as well as experiences.

## **2.2 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 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., 2002L). It is factual that, there is no specific definition of customer satisfaction since as the years passes, 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 a 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, et al., (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

### **2.2.1 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 nowadays service companies, which improves organization's performance and translates into more profits.

### **2.3 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 matters 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.

## **2.4 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.

## **2.5. Service quality**

In order for a company's offer to reach the customers there is a need for services. These services depend on the type of product and it differs in the various organizations. Service can be defined in many ways depending on which area the term is being used. 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). In all, service can also be defined as an intangible offer by one party to another in exchange of money for pleasure.

According to Solomon (2009 ) defines quality as is one of the things that consumers look for in an offer, which service happens to be one (Quality can also be defined as the totality of features and characteristics of a product or services that bear on its ability to satisfy stated or implied needs (Kotler et al., 2002). It is evident that quality is also related to the value of an offer, which could evoke satisfaction or dissatisfaction on the part of the user.

Service quality in the management and marketing literature is the extent to which customers' perceptions of service meet and/or exceed their expectations for example as defined by Zeithaml et al. (1990), cited in Bowen & David, 2005) Thus service quality can intend to be the way in which customers are served in an organization which could be good or poor. Parasuraman defines service quality as “the differences between customer expectations and perceptions of service” (Parasuraman, 1988). They argued that measuring service quality as the difference between perceived and expected service was a valid way and could make management to identify gaps to what they offer as services.

Haywood (1988) explains the aim of providing quality services is to satisfy customers. Measuring service quality is a better way to dictate whether the services are good or bad and whether the customers will or are satisfied with it. A researcher listed in his study: “three components of service quality, called the 3 “Ps” of service quality”. In the study, service quality was described as comprising of three elements:

- “Physical facilities, processes and procedures;
- Personal behavior on the part of serving staff, and;
- Professional judgment on the part of serving staff but to get good quality service. “Haywood 1988).

Moreover he stated that “an appropriate, carefully balanced mix of these three elements must be achieved.” (Haywood, 1988,) What constitutes an appropriate mix, according to him will, in part, be determined by the relative degrees of labour intensity, service process customization, and contact and interaction between the customer and the service process. From the look of things, this idea of his could be design to fit with evaluating service quality with the employee perspective.

One of the most useful measurements of service quality is the dimensions from the SERVQUAL model. In the creation of this model for the very first time, “Parasuraman et al. (1985) identified 97 attributes which were condensed into ten dimensions; they were found to have an impact on service quality and were regarded as the criteria that were important to access customer’s expectations and perceptions on delivered service (Kumar et al., 2009).

The SERVQUAL scale which is also known as the gap model by Parasuraman, et al. (1988) has been proven to be one of the best ways to measure the quality of services provided to customers. This service evaluation method has been proven consistent and reliable by some authors (Brown et al., 1993). They held that, when perceived or experienced service is less than the expected service; it implies less than satisfactory service quality; and when perceived service is more than expected service, the obvious inference is that service quality is more than satisfactory (Jain et al., 2004).

From the way this theory is presented, it seems the idea of SERVQUAL best fits the evaluation of service quality from the customer perspective. This is because when it is stated “perceived” and “expected” service, it is very clear that this goes to the person, who is going to or is consuming the service; who definitely is the consumer/customer.

The original study by Parasuraman et al., (1988) presented ten dimensions of service quality.

- Tangibles: the appearance of physical artefacts and staff members connected with the service (accommodation, equipment, staff uniforms, and so on).
- Reliability: the ability to deliver the promised service.
- Responsiveness: the readiness of staff members to help in a pleasant and effective way.
- Competence: the capability of staff members in executing the service.
- Courtesy: the respect, thoughtfulness, and politeness exhibited by staff members who are in contact with the customer.
- Credibility: the trustworthiness and honesty of the service provider.
- Security: the absence of doubt, economic risk, and physical danger.
- Access: the accessibility of the service provider.
- Communication: an understandable manner and use of language by the service provider.
- Understanding the customer: efforts by the service provider to know and understand the customer.

Kuo-YF, (2003) in his first SERVQUAL model that came had 22 pairs of Likert-type items, where one part measured perceived level of service provided by a particular organization and the other part measured expected level of service quality by respondent. Further investigation led to

the finding that, among these 10 dimensions, some were correlated. After refinement, these ten dimensions above were later reduced to five dimensions as below:

**Tangibility:** physical facilities, equipment, and appearance of personnel

**Reliability:** ability to perform the promised service dependably and accurately

**Responsiveness:** willingness to help customers and provide prompt Service

**Assurance:** knowledge and courtesy of employees and their ability to inspire trust and Confidence

**Empathy:** caring individualized attention the firm provides to its customers

The aggregated sum of difference between perceptions and expectations from the five dimensions forms the global perceive quality construct. (Laroche et al., 2004) Following this view, customers' expectations were met through the outcome dimension (reliability) and exceed it by means of the process dimension (tangibility, assurance, responsiveness, and empathy).

To confirm the validity of SERVQUAL model in the evaluation of service quality, Zeithaml et al (2006), stated that "service quality is a focused evaluation that reflects the customer's perception of reliability, assurance, responsiveness, empathy, and tangibles." They added that among these dimensions, "reliability" has been shown consistently to be the most important dimension in service quality.

Other researchers like Grönroos (1983) saw the need of additional components of service expectations that is functional and technical dimensions. (The idea was that, consumers make service evaluations based on the technical dimension that is what is delivered and on the functional dimension that is how, why, who, and when it is delivered.

### **2.5.1 Measuring Service Quality**

According to Johns and Howard (1998), quality measurements only have operational value if they are able to indicate the ways in which service was or was not satisfactory. For service providers, the assessment of service quality is made during the actual delivery of the service. Much current research on service quality is rooted in expectancy–disconfirmation theory, which holds that customers perceive service quality as the difference between when the actual service performances exceeds expectations and negative when the opposite is the case. Parker and Mathews (2001) found that many studies supported the disconfirmation paradigm but others did



not, for example, Churchill and Surprenant (1982) found that neither disconfirmation nor expectations had any effect on customer satisfaction with durable products.

### **2.5.2 Measuring Service Quality Gaps**

Lewis (1987) suggested that what can be measured are the differences between the abstractions. So if we can measure the difference between expectations and perceptions, which was defined as perceived quality, we can therefore determine the level of satisfaction. This concept was quite similar to the conceptual model of service quality suggested by Parasuraman, Zeithaml and Berry (1985), which applied the expectancy– disconfirmation theory. These authors had identified that there were five key discrepancies that can influence customer evaluations of service quality:

- Gap 1 was the gap between customer expectations and management’s perceptions of those expectations.
- Gap 2 was the gap between management’s perception of what the customer wants and specifications of service quality.
- Gap 3 was the gap between service quality specifications and delivery of the service.
- Gap 4 was the gap between service delivery and what the company promises to the customer through external communication.
- Gap 5 was the gap between customers’ service expectations and their perceptions of service performance.

Zeithaml and Bitner (2003) stated that in order to manage service quality, it was important to manage the gaps between expectations and perceptions on the part of management, employers and customers. The most important gap (Gap 5) was that between customers’ expectations of service and their perceptions of the service actually delivered. So by referring to the gap model, it was noted that a service marketer must lessen the customer gap (Gap 5). In order to do so, the service provider must first try to lessen the other four gaps (Gap 1, 2 3, and 4) within the organization that inhibit delivery of quality service, as each of these elements contribute towards the expectations and perceptions of customers. Serious action must be taken because how the customers, in these case hotel customers, perceive the level of service performance that meets their expectations will reflect the quality of service provided by the organization. Subsequent to the gap model, Parasuraman et al. (1985) designed the SERVQUAL instrument to identify and measure the gaps between customers’ expectations and perceptions of service quality.

Parasuraman et al. (1985) defined service quality in 10 major dimensions that consumers use in forming expectations about, and perceptions of, services. In later research, Parasuraman et al. (1988) revised and defined the service quality into five dimensions — reliability, responsiveness, assurance, empathy, and tangibles (see Table 1 for definitions). The instrument suggested service quality as the gap between customer's expectations (E) and their perception of the service provider's performance (P). Hence the service quality scores (Q) can be measured by subtracting the customer's perception score from the customer's expectations score.

The SERVQUAL is popularly used by many studies of service quality. It is a multiple-item scale developed to measure service quality by computing the differences between consumers' desired expectations and their perceptions of a firm's performance. The instrument has been designed to be applicable across a broad spectrum of services. SERVQUAL has served as the basis for measuring service quality in a number of contexts, including higher education institutions (Galloway, 1998), retail apparel specialty stores (Gagliano&Hathcote, 1994), health club (Walker & Baker, 2000), and hospital service (Hwang, Eves, &Desombre, 2003). A number of practitioners and researchers (Atilgan, Akinci, &Aksoy, 2003; Juwaheer& Ross, 2003; Wong, Dean, & White, 1999) have applied modified versions of SERVQUAL to measure service quality in the hospitality industry.

## **2.6 Hotel Attributes**

Lewis (1987) stated that a consumer of a service seeks to satisfy a set of needs and wants, partly related to the essential service and partly to subsidiary attributes. For example, the main purpose might be a hotel stay and the subsidiary attributes may include accessibility, convenience, timing and flexibility and interaction with service providers and other customers. They would have expectations on how all these needs and wants will be met. When presented with actual offering of these multiple variables, they will form impressions, which immediately compared to expectations, and the level of satisfactions were determined by these perceived service quality. There have been a number of studies on the needs and criteria of customers. The need to comprehend the elements resulted in the development of systems, such as SERVQUAL, and LODGEQUAL to map food and beverages as well as accommodation services (Ingram, 1999). Research on hotel attributes has focused on the relationships between customer satisfactions and service quality or services and facilities (Choi & Chu, 2000).

**Table 1: Definition of Service Quality Dimensions**

<b>Service Quality Dimension</b>	<b>Definition</b>
<b>Reliability</b>	The ability to perform the service dependably, consistently and accurately.
<b>Responsiveness</b>	The willingness to help customers and provide prompt service.
<b>Assurance</b>	The knowledge and courtesy of employees and their ability to convey trust and confidence.
<b>Tangibles</b>	The physical evidence of service including physical facilities, appearance of personnel, tools, and equipment used to provide the service
<b>Empathy</b>	Caring, individualized attention to its customers.

Source: Parasuraman, Zeithaml, and Berry (1988).

Tsang and Qu (2000), in the *International Journal of Contemporary Hospitality Management*, used 35 hotel service quality attributes to identify the perceptions gaps of tourists and hotel managers. This study adapted Parasuraman et al.'s (1985) gap analysis. The researchers found that overall service quality provided by the hotel industry in China fell below tourist expectations. The biggest gap between expectations and perceptions of tourists were related to 'physical facilities', 'staff skills and performance' and 'price and value'. On the other hand, Kandampully and Suhartanto (2000) have identified four factors (i.e., reception, housekeeping, food and beverages, and price) that were important in determining customer satisfaction. They concluded that not all aspects of a hotel operation were equally important to a customer.

Customer satisfaction with housekeeping was found to be the only significant factor that determined customer loyalty. Reception, food and beverages, and price were regarded as supporting factors when deciding to return, recommend or demonstrate loyalty to a particular hotel. Min and Min (1997) reported that two major service criteria (i.e., overall room values and front-office services) and 14 attributes were relevant to Korean luxury hotels. The overall room values were sub-classified into seven different categories — cleanliness, atmosphere, comfort,

quality and sufficiency of room fixtures, size of a guest room, availability of complimentary items, and price. Front-office services, on the other hand, were subdivided into seven attributes

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Moreover, Min and Min (1997) reported that two major service criteria (i.e., overall room values and front-office services) and 14 attributes were relevant to Korean luxury hotels. The overall room values were sub-classified into seven different categories — cleanliness, atmosphere, comfort, quality and sufficiency of room fixtures, size of a guest room, availability of complimentary items, and price. Front-office services, on the other hand, were subdivided into seven attributes. complaints); responsiveness, such as convenience of reservation; promptness of check-in/ check-out; hotel/tour guide information; tangibles such as variety/quality of sports/recreational facilities (e.g., swimming pools, and aerobic exercise rooms); and efficiency of a business center (e.g., fax machines, personal computers, and copiers). By employing the analytical hierarchy process (AHP) and competitive gap analysis, they found that both cleanliness of a guest room and courtesy of hotel staff, were among the attributes that were considered most important, particularly in forming impressions of service quality.

On the other hand, Wong et al. (1999) who used the extended version of SERVQUAL scale — referred to as HOLSERV, found that service quality in the hospitality industry was represented by three dimensions: They were dimensions that were related to employees (behavior and appearance), tangibles and reliability. The best predictor of overall service quality was the employees dimension, and the most important attributes in this dimension was employee gives individual attention to the customers. It ought to be highlighted that this study was conducted only in Australia's three to five stars hotels, and the findings differed from that conducted in other countries. By using a modified SERVQUAL model, Juwaheer and Ross (2003) found that an overall evaluation of service quality in Mauritian hotels was determined largely by firstly

‘assurance factors’ — such as security and safety of guests, and effective handling of complaints and problems by hotel staff, and secondly ‘reliability factors’ — such as hotels perform tasks that have been promised to guests and resolving problems encountered by guests. They found that by focusing on only these factors, hotels in Mauritius would be able to achieve high levels of satisfaction and service quality.

Although the elements listed in SERVQUAL model have been proven to be the main method for evaluating service quality from the consumer’s perspective (Brown et al., 1993), drawbacks in using SERVQUAL in measuring service quality has been the reason that the SERVPERF scale was proposed by Cronin & Taylor (1992, cited in Jain et al. (2004) after they called into question the conceptual basis of the SERVQUAL, having found it, led to confusion with service satisfaction (Jain et al., 2004). These researchers discarded the ‘E’ for ‘expectation’ claiming instead that ‘P’ for ‘performance’ alone should be used. They meant that higher perceived performance entails higher quality service. Unfortunately, during this past century, customers have changed their behaviours in ways that do not suit organizational behaviour. Till date, it is unclear as to which of SERVQUAL and SERVPERF is superior in measuring service quality.

Laroche et al., (2004) made an assessment of the dimensionality of should and will service expectations. They used a survey measuring customers’ post encounter expectations and vis-à-vis a well-known airline with a sample of 363 and examined the existence of hypothesized functional and technical dimensions of should and will expectations and determined the casual relationships between two types of expectations and hypothesized dimensions. They tested their dimensions in the context of the turbulent airline industry. This study was proposed by Grönross (1983) to measure service quality with other service quality dimensions such as technical and functional dimensions.

Hence it was proven that the SERVQUAL model must not be used in evaluating service quality in all organizations. This could mean that; different industries might require different measurements **customer satisfaction and service quality**. Since customer satisfaction has been considered to be based on the customer’s experience on a particular service encounter, (Cronin & Taylor, 1992) it is in line with the fact that service quality is a determinant of customer satisfaction, because service quality comes from outcome of the services from service providers in organizations.

Another author Zeithaml et al (2006) stated in his theory that “definitions of consumer satisfaction relate to a specific transaction (the difference between predicted service and perceived service) in contrast with ‘attitudes’, which are more enduring and less situational-oriented,”

Regarding the relationship between customer satisfaction and service quality, Oliver (1993) first suggested that service quality would be antecedent to customer satisfaction regardless of whether these constructs were cumulative or transaction-specific. Some researchers have found empirical supports for the view of the point mentioned above (Anderson & Sullivan, 1993; Fornell et al 1996; Spreng&Macky 1996); where customer satisfaction came as a result of service quality.

In relating customer satisfaction and service quality, researchers have been more precise about the meaning and measurements of satisfaction and service quality. Satisfaction and service quality have certain things in common, but satisfaction generally is a broader concept, whereas service quality focuses specifically on dimensions of service. (Wilson et al., 2008). Although it is stated that other factors such as price and product quality can affect customer satisfaction, perceived service quality is a component of customer satisfaction (Zeithaml et al. 2006). This theory complies with the idea of Wilson et al. (2008) and has been confirmed by the definition of customer satisfaction presented by other researchers.

Some authors have agreed to the fact that service quality determines customer satisfaction. Parasuraman et al., (1985) in their study, proposed that when perceived service quality is high, then it will lead to increase in customer satisfaction. Some other authors did comprehend with the idea brought up by Parasuraman (1995) and they acknowledged that “Customer satisfaction is based upon the level of service quality that is provided by the service providers” (Saravana&Rao, 2007, Lee et al., 2000). Looking into (figure 1), relating it to these authors’ views, it is evident that definition of customer satisfaction involves predicted and perceived service; since service quality acted as one of the factors that influence satisfaction. More evidence of this relationship has been proven by past researches.

As a result of the definition of customer satisfaction presented by Lewis, (1993,), Sivadas& Baker-Prewitt (2000) used a national random telephone survey of 542 shoppers to examine the relationship between service quality, customer satisfaction, and store loyalty within the retail

department store context. One of the results was that service quality influences relative attitude and satisfaction with department stores. They found out that there is a relationship between customer satisfaction and service quality.

In line with the findings of Sivadas & Baker-Prewitt (2000), Su et al., (2002,) in their study of customer satisfaction and service quality, found out that; these two variables are related, confirming the definitions of both variables which have always been linked. They also dictated that service quality is more abstract because it may be affected by perceptions of value or by the experiences of others that may not be so good, than customer satisfaction which reflects the customer's feelings about many encounters and experiences with service firm (Su et al., 2002).

In addition to what the other researchers have found out from customer satisfaction and service quality, some other authors Wang & Hing-Po (2002), went into details to bring in customer value in the study of the relationship between customer satisfaction and service quality. Their study used SERVQUAL model in measuring service quality in China's mobile phone market, but with modification on the basis of focus group discussions and expert opinions to reflect the specific industry attributes and the special culture of China. Emphasis was then paid to the study of the dynamic relationships among service quality, customer value, customer satisfaction and their influences on future behaviors after the key drivers of customer value and customer satisfaction were identified. All of them were based on the development of structural equation models by using PLS-GRAPH Package. (Wang & Hing-Po, 2002) This study blended the study of customer satisfaction and service quality with customer value which added more weight to the linkage between customer satisfaction and service quality because value is what customers look in an offer.

Kuo (2003) conducted a research on service quality of virtual community websites with the purpose of constructing an instrument to evaluate service quality of virtual community websites and to have a further discussion of the relationship between service quality dimensions and overall service quality, customer satisfaction and loyalty. The researcher used Factor analysis, t-test, and Pearson correlation analysis to analyse the data collected from college students of three major universities in Taiwan. One of the results was that "on-line quality and information safety is positively related to the overall service quality, customer satisfaction, and loyalty, but the service quality level of this dimension was the poorest." (Kuo, 2003).

In contrast to the above studies; Bennett & Barkensjo (2005) studied relationship quality, relationship marketing, and client perceptions of the levels of service quality of charitable organisations. Questions were asked to 100 people on their perceptions of service quality of the organisations that had given them assistance, their satisfaction with a charity service etc. they constructed a model and estimated using the method of partial least square. Also, perceived service quality was measured via adaptations of the SERVQUAL instrument but without any assessments of the respondents' prior expectations concerning the services they would receive from an organisation. In their results, relationship marketing was found to represent an effective weapon for improving both relationship quality and beneficiaries' satisfaction with service provision. They stated that “relationship quality and actual service quality induced beneficiaries to want to recommend a charity to other people and to engage in positive word-of-mouth.” (Bennett & Barkensjo, 2005). Meaning the beneficiaries who stood as the customers were satisfied since recommendation is signal of satisfaction, confirming the idea that service quality is related to customer satisfaction.

They were not directly conducting a research on the relationship between customer satisfaction and service quality, but because when talking about client perceptions, one must think of their satisfaction, and when talking about service quality there is a link between these two as has been proven by many researchers ( Baker-Prewitt, 2000; Kuo-YF, 2003,; Gera, 2011) This means it could be useful to test these three variables (Customer satisfaction, service quality and Service quality dimensions). The study of Bennett & Barkensjo (2005) stated that “the hypothesis elements of SERVQUAL model (Tangible, assurance etc.) were scientifically associated with the service quality construct”. It could be interesting to test SERVQUAL model with the five dimensions and service quality assuming that expectations is included to see if it will be significantly associated.

In support of the use of SERVQUAL in the relationship between customer satisfaction and service quality, Ahmed et al., (2010) conducted a mediation of customer satisfaction relationship between service quality and repurchase intentions for the telecom sector among university students, with SERVQUAL model's 5 dimension (tangibles, responsiveness, empathy, assurance and reliability) by Parasuraman et al. to measure service quality.



To crown the fact that customer satisfaction and service quality are important variables in business research on customers, Gera (2011) investigated the link between service quality, value, satisfaction and behavioral intentions in a public sector bank in India and one of their results states that “Service quality was found to significantly impact on customer satisfaction and value perceptions” (Gera, 2011) The literature review shows latest researches up to 2011 on the relationship between customer satisfaction and service quality. The researches in this area have been covered so far as below;

- It has been researched that there is a relationship between customer satisfaction and service quality.
- It has been researched that service quality could be evaluated with the use of SERVQUAL model.
- It has been researched that service quality could be evaluated by other dimensions of service quality that is, functional and technical and not necessarily SERVQUAL model
- Some researchers even tested service quality and service quality dimensions.

What is lacking is the relationship between customer satisfaction and service quality dimensions. Among all the recent articles that I could reach, none of the studies had tested the five dimensions of SERVQUAL and customer satisfaction and service quality at the same time to confirm this relationship between customer satisfaction and service quality.

## **2.7. 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 ten factors 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.

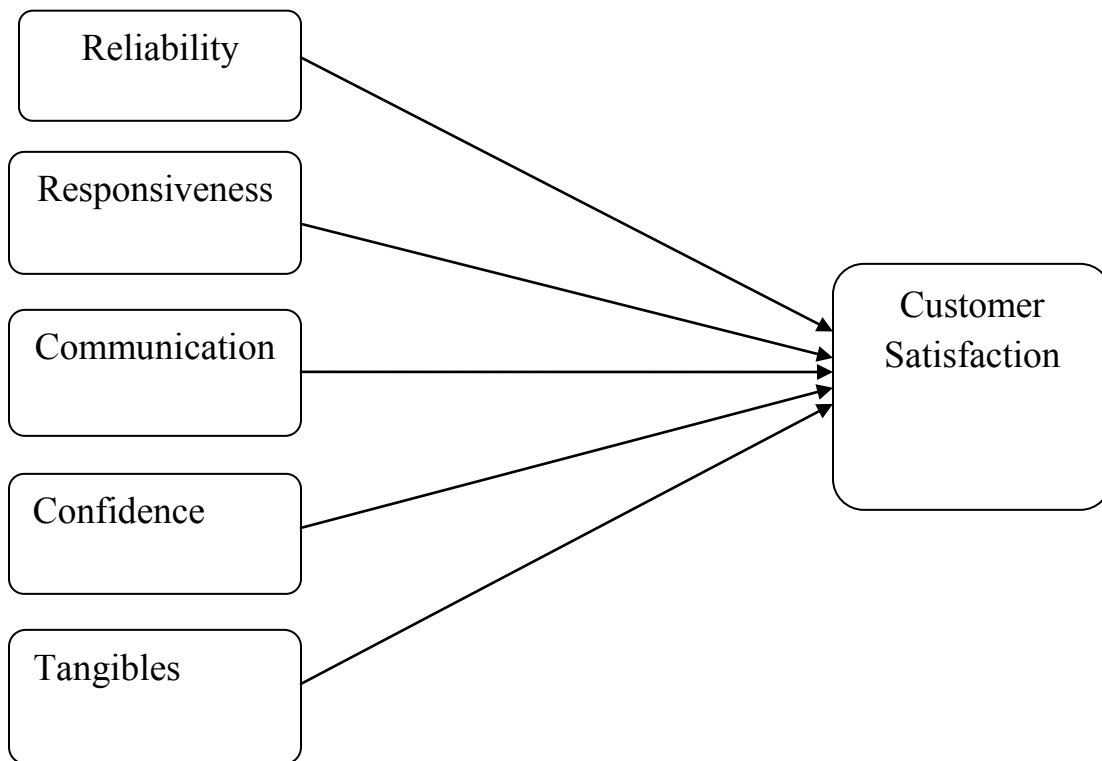
Following the two clarifications about the different views of customer satisfaction of a customer of either being transaction-specific or cumulative (Boulding et al., 1993; Andreassen, 2000). My theoretical frame work treats customer satisfaction as transaction-specific. Thus, customers in this paper are 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 customers 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” (Ziethaml et al. 2006).

Other researchers had proven also that there is a relationship between customer satisfaction and service quality (Sivadas&Baker-Prewitt, 2000; Wang et al., 2002; Kuo-YF, 2003, Liang & Zhang, 2009 Gera, 2011; Sureshchandar, et al., 2002).

Moreover, currently the LQI model has been proven to be the best model to measure service quality in service sectors especially with the customer perspective. This idea generates an assumption that the five dimensions of LQI model could have a direct relationship with customer satisfaction. (Figure 1) The questions that arouse from this assumption is that ‘Is there a significant relationship between customer satisfaction and service quality dimensions? ‘; ‘Is there a significant relationship between customer satisfaction and service quality?’

Also, it has been stated that service quality is the overall assessment of a service by the customers, (Eshghi et al., 2008). Also, the five dimension of LQI model has been proven to be the main yardstick used by most of the researchers in the evaluation of service quality (Wilson et al., 2008; Bennett &Barkensjo, 2005 Negi, 2009; Wang &Hing-Po, 2002). This idea generates an assumption that each of the five dimensions of LQI model could have a direct relationship with service quality. (Figure 1) The question that arouse from this assumption is that: 'Is there a significant relationship between Service quality and the five dimensions of LQI model? '



**Figure 1: extracted from review of related literature review**

### **2.8 History 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 in to the western world. Development of modern hotels in Ethiopia traces back to the 19<sup>th</sup> century. Itegue 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.

## **Chapter Three**

### **Research Methodology**

#### **3.1 Research Design**

The objective of this research was to evaluate the service quality and customer satisfaction in the selected three star hotels in Addis Ababa. It is considered the most suitable research design to be descriptive by its nature, because of its high degree of representativeness and the ease in which a researcher could obtain the participants' opinion (Polit & Beck 2004).

Moreover, the research followed a cross-sectional descriptive study because the researcher used more than one case in the research (Bryman & Bell, 2003) and in cross-sectional studies variables of interest in a sample of subjects are tested once and the relationships between them are determined (Hopkins, 2001). Furthermore, survey strategy as this kind of descriptive study is being addressed by other authors (Bryman & Bell, 2003). By implication, survey strategy allows one to collect quantitative data, which one can analyze quantitatively using descriptive and inferential statistics (Saunders et al., 2009). The main data collection instruments were Questionnaires and it has been developed based on the components of the service quality in the hotel industry classified in the LODGING QUALITY INDEX. Rather than using SERQUAL (Parasuraman, 1988) because it is quite complete measure for all the service industry. Even 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, LODGING QUALITY INDEX (Getty and Thompson, 1994) has been chosen to develop the questionnaire. LODGING QUALITY INDEX not only solved some weakness of SERQUAL but also very specific for the hotel industry. The questionnaire is a complete survey of 26 questions covering mostly hotel services (Appendix A). More over as supportive data collection instrument qualitative interview were carried on to cross check what has been collected by quantitative questionnaires data collection (Appendix B).

#### **3.2. Sampling Technique and Stratification**

##### **3.2.1 The Sampling Procedure**

Sampling techniques provide a range of methods that enable one to reduce the amount of data needed for a study by considering only data from a sub-group rather than all possible elements. Accordingly data from Ministry of Culture and Tourism of Ethiopia in year 2015 depicts that

there were a total of 32 three star hotels in Addis Ababa (Quarterly Report, 2015). Ten (10) three star hotels were selected purposively based on their time impact and the influence they had on hosting a lot of numbers of customers rather than newly incorporated hotels. The selected hotels were listed below in table 1. Thus, this study were eager to know how far these hotels are satisfies their customers with the newly influx of foreigners for either conference or personal reasons were the driving forces behind to select these hotels.

**Table 1; List of selected hotels**

S.N	Name of Hotels	City	No.of Rooms	No.of Beds
1	Axum Hotel	Addis Ababa	63	73
2	Desalegne Hotel No.2	“	25	28
3	Ethiopia Hotel	“	110	151
4	National Hotel	“	34	61
5	Queen of Sheba Hotel	“	32	56
6	RasAmba Hotel	"	25	25
7	Semien Hotel	“	60	65
8	TDS	"	25	29
9	Wabi Shebelle Hotel	“	108	185
10	Yordanos Hotel	“	36	42

In this research the sample was customers of three star hotels. There are three traditional approaches to determining sample size. The size of the sample may be determined through personal judgment; budget and the cost of the research may be the good determinant of the sample size (Green et al., 1988). The fact that this research attracted all potential participants may determine sample size. In this research, all of these factors were considered when determining sample size. Sample size of this research is 385 guests from population of approximately 4,985 guests in the specified days. The sample size of the study is determined by using the formula developed by Cochran (1963). Sample size from the guests is calculated as follows;

$$n_0 = \frac{Z^2 pq}{e^2}$$

$$e^2$$

where  $n_0$ =the sample size

$Z^2$ =the abscissa of the normal curve that cuts off an area

$e$ =the desired level of precision

$p$  = the estimated proportion (standard deviation) of an attribute that is present in the population, and  $q$  is  $1-p$  the value of  $Z$  is found in statistical tables which contain the area under the normal curve

$$n_0 = \frac{(1.96)^2 (0.5)(0.5)}{(0.05)^2}$$

The above sample size is the representative sample proportion at 95% confidence level and  $\pm 5\%$  precession when population is large and unknown. If the population is small, then the sample size can be reduced slightly. This is because a given sample provides proportionately more information for small population than for a large population. As result, the sample size ( $n_0$ ) can be adjusted (Cochran 1963). Since the population for this study is infinite, the sample size ( $n_0$ ) can be adjusted as follows

$$n = \frac{n_0}{1 + \frac{n_0 - 1}{N}}$$

Where  $n$  is the sample size and  $N$  is population of the of the study

$$n = 384.8236384 \sim 385$$

These sample selections were also applied by researchers in analysis of service quality by Osman, Rahim and Rahayma (2010)&Hao Chen (2009);Brodie, R. J., Whittome, J. R. M., & Brush, G. J. (2009) & Ismail Mensah(2009). Customers were selected in their seven days stay in the month of January 26 to February 2, 2015. These days were selected for two basic reasons; first, African Union had international meeting in Addis Ababa in this days; so getting international customers view were believed to be easy to fetch their international perspectives in their satisfaction level of the service quality of hotels rendered. second; guests are stayed more days relative to other normal days to make the sampling technique safer as taking hotels guests in the research sample is very tire some and complex. Moreover local guests were also part of the sample that was stayed in the hotels in those specified days. Within these seven days if all beds were occupied, in simple arithmetic the population will be 4,985 customers. From all this guests 384 of them were selected using the above formula and respondents who fill in the questionnaire were selected using simple random sampling and 45 questionnaires for each of the selected 10 hotels were distributed to assess their level of satisfaction render by the hotel service. Besides 8

customers (five local and 3 international business guests) give their consent and were interviewed to assess five objectives listed in the next portion.

### **3.3 Data collection Instruments**

#### **3.3.1 Quantitative Data collection**

A comprehensive review of literature assisted the researcher in creating the instrument by locating an existing customer satisfaction survey that was utilized in similar studies. Descriptive survey research can be structured or unstructured. A structured survey is conducted using questionnaire forms and is called structured because all the respondents are asked in the same way. An unstructured survey is presented by interview, because respondents are possibly asked in different ways (Kotler, Bower & Makens, 2005). In hospitality industry customers are more willing to fill in questionnaire forms, due to easiness and absence of long open-questions (Brace 2004). The form of questionnaire questions asked from respondent and structure may affect customers' answers, so for collecting accurate data it is highly important to think out exactly what questions should be asked. (Brotherson, 2008)

In order to collect accurate and appropriate information from the customers, two research tools were used: questionnaire forms delivered to the customers of the hotel. The questionnaire consisted of close-ended questions. Close-questions started from gender, age, purpose of the trip. While filling in the list of questions concerning reception, hotel rooms, restaurant, signs, breakfast, and other facilities, respondents were asked to rate them from 1 (strongly disagree) to 5 (strongly agree). Also the respondents had a chance to choose "neutral" variant, meaning that the customer might not have an experience of this feature. The scale used in the quantitative research form was made on the bases of Likert scale, which has five levels: from strongly disagree to strongly agree, including answer "Neutral". (Changing Minds org., 2010) In this research the scale from 1 (Strongly Disagree) to 5 (Strongly Agree) seemed to be more appropriate and more accurate in order to simplify the understanding of feedback if there is something in need of change in the hotels.

#### **3.3.2 Qualitative data collection**

##### **Interview**

Kahn and Cannell (1957) describe interviewing as "a conversation with a purpose". Interviews provide a way of collecting information on and finding out about things that the researcher cannot



directly observe (Patton, 1990). Each of the items were raised to the interviewee orally and probe questions. The interviews were semi-structured. It includes questions like relation of service quality and customer satisfaction in the selected hotels. Data from the interview were recorded on audio-taped based on the informed consent of the interviewee. The content were carefully transcribed and analysed . The interview guide lines had 5 objectives, these are

1. To know customers' perception of the target hotels, let them give an overall and personal appraisal of the hotel which they have been living in. Meanwhile, the appraisal was about the service components of the hotel.
2. To understand the customers degree of satisfaction at the hotels, and gain a greater knowledge of their expectations in order to satisfy them. This will also help to indicate which service areas need to be improved.
3. To understand a customer's attraction to a particular hotel (will they choose this hotel again when they come to this city the next time), and try to discover what are the key points that attract them to the hotel.
4. To know whether the customer will change (decrease or increase) their level of satisfaction, if the hotel changed their service quality.
5. To know if the hotel increased their service quality, will the customer's level of satisfaction be influenced.

### **3. 4. Pilot Study**

This study carried out the pilot testing study to see whether the questionnaires can obtain the results which the study required for meeting objectives and hypotheses of the research. Accordingly 25 Questionnaires were dispatched to different rated hotels in Addis Ababa to check its reliability.

Internal consistency or reliability of the instrument was calculated by finding Cronbach alpha coefficient. Cronbach's alpha is an index of reliability associated with calculating the reliability of items that are not scored right versus wrong (Fraenkel&Wallen, 2003). Alpha coefficient ranges in value from 0 to 1 and may be used to describe the reliability of factors obtained from multi-point formatted questionnaires or scales (i.e., rating scale: 1 = very disagree, 5 = very agree) (Fraenkel&Wallen, 2003). The higher the score, the more reliable the scale is. Nunnally

(1978) has indicated 0.7 to be an acceptable reliability coefficient. The alpha for this instrument was computed at 0.914.

When Cronbach's was from 0.35 to 0.70, the reliability of the instrument was medium. When it was above 0.70, the reliability of the instrument was high. If it was below 0.35, it shows low reliability and the instrument should not be used. According to the researcher's results of completed questionnaires and using 0.70 Cronbach's alpha value as the cut-off, the results of the reliability test show that all variables are reliable.

### **3.5 Data Cleaning**

With the methods the researcher used to collect the primary data, there was a risk of getting back uncompleted questionnaires, either because of the language and that the respondent ignored or did not see the question. From 385 disturbed questionnaires 300 were returned back with complete answer. Regarding the sampling, although 300 questionnaires were collected and 8 volunteers were interviewed (5 local and 3 international business). The samples only represented a part of the population of all of the guests, because of limited sources and personal ability. Thus the study lacks universalism and is not large enough to cover the whole hotel industry. With regards to language initially it was wrote the questions in English kept it as it is for international customers, and some questionnaires were also translated into Amharic for local customers. Because the problem of uncompleted questionnaires is very common in questionnaire answering, it is always good to see how to sort this out to avoid problem in analysis uncompleted questionnaires. To handle this, after the researcher collected the responses the researcher went through them and selected only the questionnaires that were filled out in full and threw away the uncompleted questionnaires.

### **3.6 Methods of Data Analysis**

Data collected from the questionnaire were then analyzed. In depicting the respondents' profile, descriptive statistics of the mean and Standard deviation of the satisfaction levels of the respondents towards the hotel stay were also calculated. Besides using descriptive statistics of means and standard deviations, gap analysis and paired *t* test were used in comparing means between expectations score and perceptions score of the respondents. Gap analysis was carried out to find out the service quality gaps. On the other hand the paired *t* test was carried out to

compare the means of expectations and perceptions. It computed the differences between the values of these two means and tested whether the mean differences were significant.

Before analysis procedure to follow it will be good to look at the data type that the researchers used. When using quantitative analysis, data could be classified under categorical or quantitative variables. When the measuring scales of data are numerical values, then they are classified under quantitative variables. When the measurement scale of data is a set of categories then they are classified under categorical variables (Agresti& Finlay, 2009).

In order to analyze the data of this study using quantitative analysis, the researcher used both descriptive and inferential statistics. The reason for using descriptive statistics was because the researcher wanted to summarize the data collected in tables and graphs for better understanding for the reader to easily examine the results. (Agresti& Finlay, 2009) To present a descriptive statistics for this study bar and pie charts and cross tabulation were used. Bar and Pie charts were to present the individual information, while cross tabulation was used to present the variables and sample characteristics. The reason for this choice of presentations graphs was because the data were categorical by nature and bar and pie charts were the main graphical presentational tools for such nature of data. Moreover, the researcher used cross-tabulation because he wanted to link the variables and the sampled population.

Also the reason to use inferential statistics was because he wanted to generalize and make predictions from the results of the data. (Agresti& Finlay, 2009) Among the many statistical tests that one can use for inferential statistics simple linear regression analysis or bivariate correlation for analyses because hypotheses were to test relationships. But because the variables to be tested were set as categorical data, logistic regression was the statistical tests to follow with this kind of variables (Agresti& Finlay, 2008).

### **3.8 Ethical Considerations**

Researched in hotel industry were found to be very tire some. In the country where the importance of research was still unidentified, the researcher suffered a lot to convince the importance of this research to improve their hotels quality. Even in some hotels mangers were not quite positive to handle questionnaires. However it was research ethics to gather necessary information with patience till the researcher concluded everything that he needs from

respondents. All information gotten from the respondents were treated with confidentiality without disclosure of the respondents' identity. Moreover, no information was modified or changed, hence information gotten was presented as collected and all the literatures collected for the purpose of this study were appreciated in the reference list.

## Chapter Four

### Data Presentation, Analysis and Interpretation

The purpose of this research is to evaluate service quality and customer satisfaction in three star hotels in Addis Ababa. Data Analysis of the findings is generated from the results of survey which conducted in person or through the questionnaires. This chapter will present a discussion of the final results and the process through which the results were obtained. In addition to this, background information of respondents will be presented. Finally, the statistical methods of analysis were discussed, which included a descriptive analysis, a correlation analysis, and a multiple regression analysis through SPSS version 20.

#### 4.1 Data Reliability

Cronbach's alpha reliability test was run on the data collected to determine the reliability of the data. Results showed that all the values were above 0.85 indicating acceptable reliability (Table 4.1). Nunally (1978) suggested that the minimum of 0.70 would be an acceptable level.

Dimension of the Service Quality (Expectations)	Cronbach's Alph	Dimension of the Service Quality (Perceptions)	Cronbach's Alpha
Reliability	0.92	Reliability	0.86
Responsiveness	0.90	Responsiveness	0.90
Confidence	0.92	Confidence	0.90
Communication	0.87	Communication	0.86
Tangibility	0.97	Tangibility	0.94

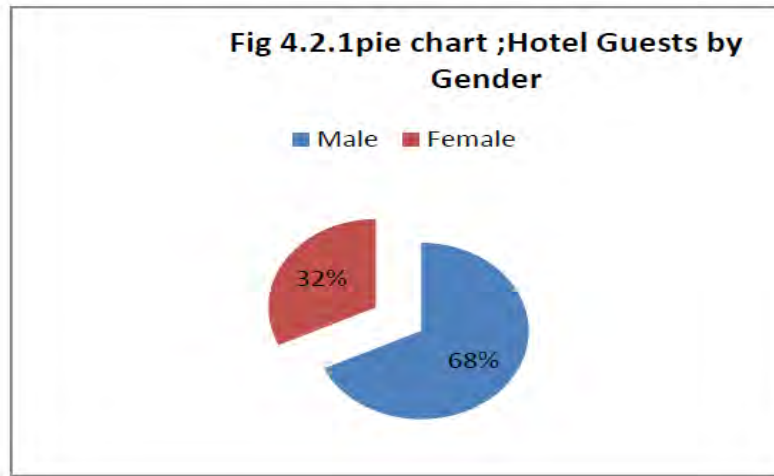
Source: own survey, 2015.

#### 4.2 Demographic Data

##### 4.2.1 Hotel guests by genders

The sample of respondents contained more males (68%) than females (32%). In the research, the female hotel guests account for is the portion of the female guests. Because 100% of both the

respondents have experiences of staying in the hotel, this ratio cannot lead to the conclusion that only men are staying in the hotels than women.



Source: own survey, 2015

#### 4.2.2 Hotel guests by occupation

Table 4.2.1

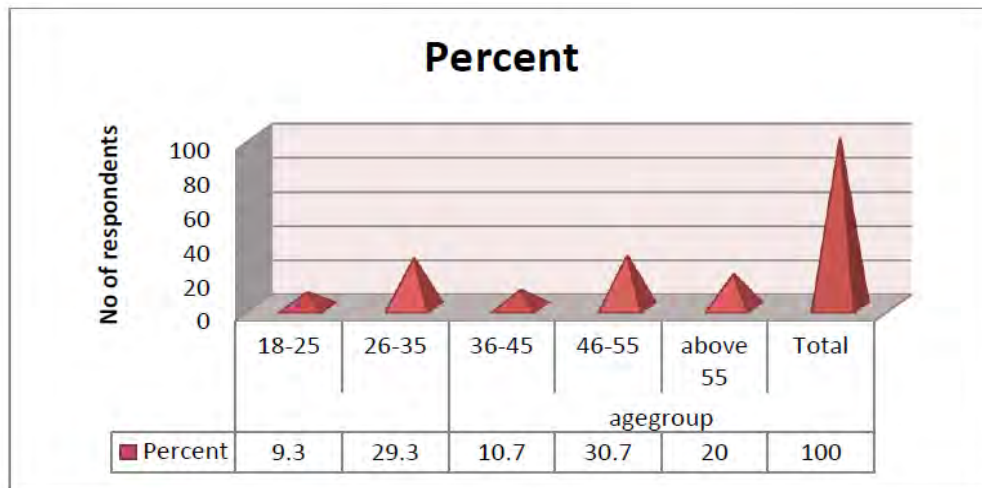
Occupation					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Student	16	5.3	5.3	5.3	
Retire	75	25.0	25.0	30.3	
business owner	30	10.0	10.0	40.3	
Employed	149	49.7	49.7	90.0	
Others	30	10.0	10.0	100.0	
Total	300	100.0	100.0		

Source: own survey, 2015

According table 4.1, more than 49.7% of guests are employed -full time, 25% of them are retired,10% business owners, 5.3% of the guests are student and the remaining 10% are others. Due to the preconditions taken by the researcher it seems to be that the employed have more time compared to other people so they take advantage to travel more for conference reason they had

an advantage to see different experience in different parts of the world. For this reason, most of guests who stay in hotels are employed. The guests who have full-time jobs also spend their time in hotels but for both conference and business reasons. Consequently, they are account for 1/2 of all guests in hotels.

**Fig 4.2.2 bar graph on ages of guests**



**Source: own survey, 2015**

Most of the guests are 46 years old or elder, accounts for 50.7%. Among them, 29.3% are from 26 to 35 years old and 10.7% of guests are from 36 to 45 years old. Only 9.3% of guests' ages are in the range of 18 to 25. This is correlative with their occupation.

**4.2.4 Hotel staying purpose**

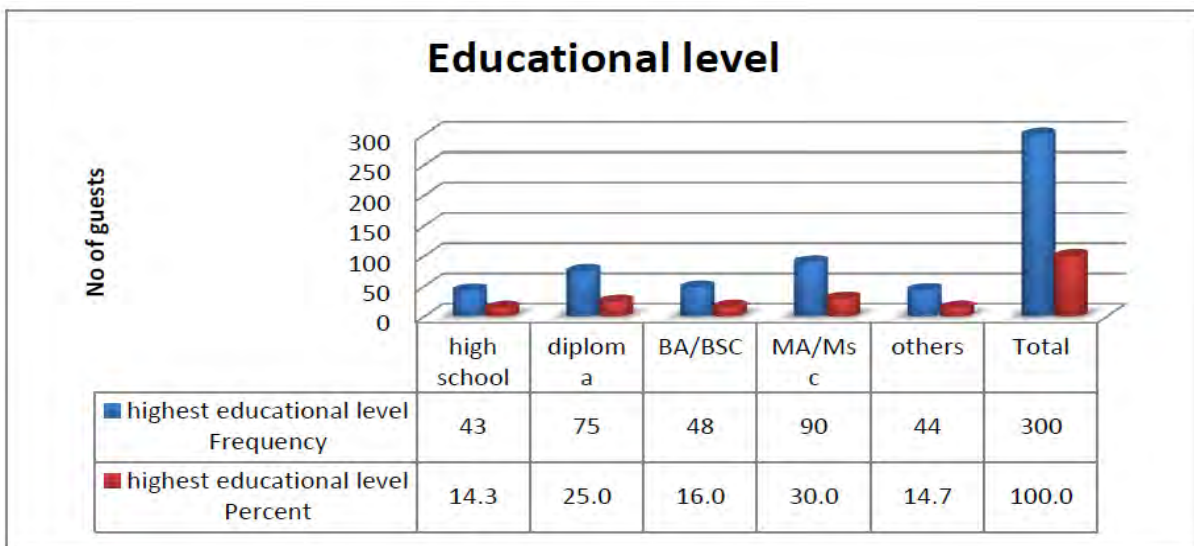
**Fig 4.2.3 bar graph; Hotel staying purpose**



**Source: own survey, 2015**

Around 26.0% of reasons that people stay in the hotel is for conference, among them 91% are male and the remaining 9% are female guests. The second one is business purpose and pleasure. In this sector, the male guests are 63.8% and the rest are female. In line with this hoteliers should pay attention on this high ratio to have more proper orients when building the business plan so that they can gain more customer satisfaction. Only 10% of guests stay in the hotels for research purpose.

**Fig.4.2.4 Educational level Chart**



**Source: own survey, 2015**

The majority 30% of the respondents had undergraduate education and 16% are degree holders where as 25% and 14.3% of the respondent had diploma holders and high school certificates respectively. About 36.62% respondents were professional, managers and traders/proprietors and rest (63.38%) of the respondents were from different occupations. About 76.5% respondents were from Ethiopia/local and rest (23.5%) form other countries (International). In general 19.5% hotel guest stayed in Hotels. About 28% respondents stayed in the particular hotel for one night, 21% of the respondent stayed for two nights, and the remaining respondents stayed for more than two nights. With a larger proportion of the respondents who stayed more than one night in the hotels, they would have experienced the service provided by the hotels and able to comment on the quality of the services.

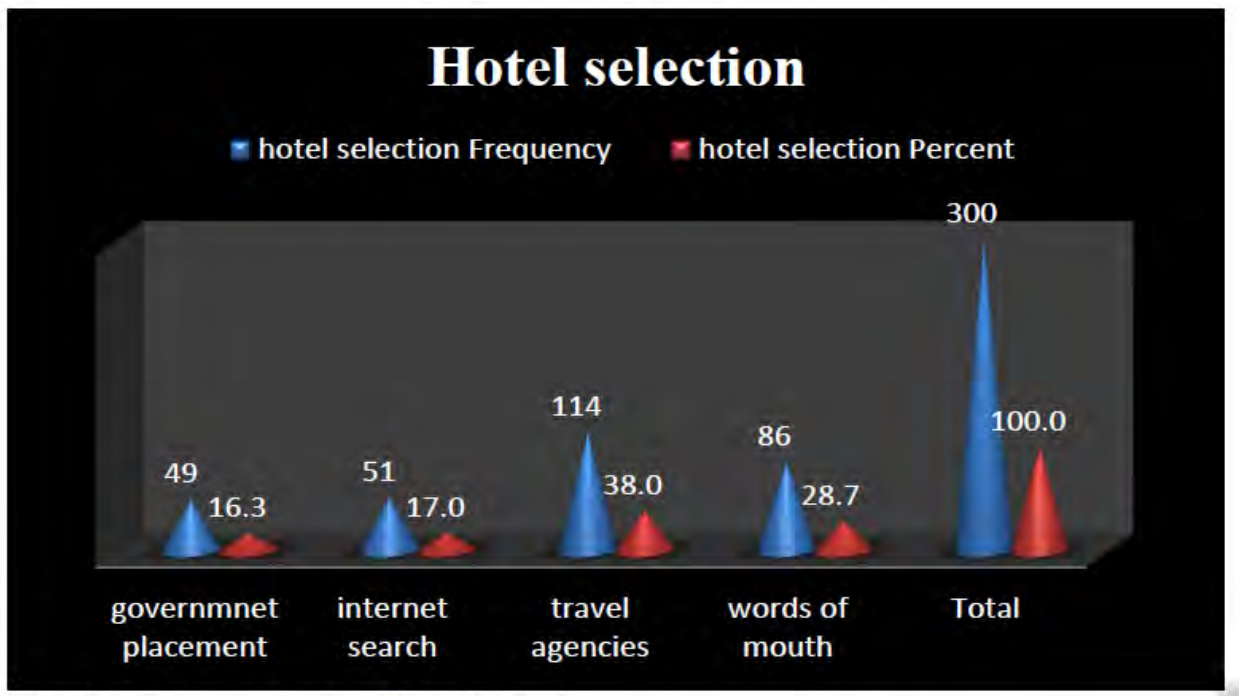


#### 4.2.6 Hotel selection/promotion

##### Sources of choice

Around 38% of people use travel agencies to find the hotels, 28.7% of them find out the hotels they want to book from word of mouth and the remaining 17% and 16.3% of the guests used internet and government placements respectively.

Fig 4.2.5 Bar graph of hotel choice



Source: own survey, 2015

#### 4.3 Comparison of Expectation and Perceptions of Local and International Hotel Guests

In this section, the difference between the expectation and perceptions of Ethiopia hotel customers with the hotel customers from other countries will be presented. From the demographic profile, data collected from Ethiopia respondents were categorized into 'Ethiopia/local' Customers'; data collected from other countries respondents were categorized into 'International Customers'. A comparison between Ethiopia customers and international customers was made.

### 4.3.1 Customer Expectation

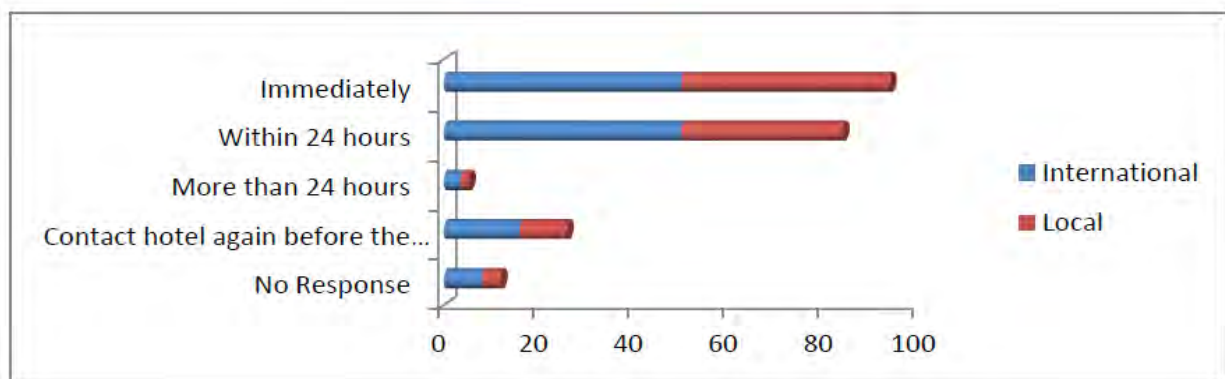
Service Quality Dimension	Hotel Guests			
	Local		International	
	Mean	SD	Mean	SD
Reliability	4.36	0.873	4.40	0.782
Responsiveness	2.09	0.609	4.41	0.635
Confidence	2.16	0.618	4.48	0.722
Communication	2.20	0.659	4.40	0.645
Tangibility	4.07	1.054	4.49	0.625

**Source: own survey, 2015**

Table 4.3.1 showed that, in general, Ethiopian customers tend to have lower expectations than customers who came from the different countries.

According to the table below, 33% of Ethiopian said that their problem was solved immediately, while this ratio is even higher to international guests, with 44%. Moreover 50% of Ethiopia and 34% of international received the responses within 24hours and only 4% of Ethiopia was responded more than 24 hours. However, in the bad cases, 13% of guests had to contact to the hotel again to talk about their problem and 6% of guests was not responded to their issues. If within 24 hour response time is acceptable, the international service provider seems to respond customers faster than Ethiopia ones do.

**Fig 4.3.2 bar graph on time of response**



**Source: own survey, 2015**

#### **4.4 Customer Perceptions**

Table 5 showed that, in general, Ethiopia customers have lower perceptions, while international customers had the highest perceptions score. There were higher perceptions in Reliability and confidence dimensions of the international customers compare to local customers. When a comparison was made between Ethiopia customers and international customers, the differences in mean perceptions clearly visible and indicates that international customers perceive higher than local customers.

Service Quality Dimension	Hotel Guests			
	Local		International	
	Mean	SD	Mean	SD
Reliability	2.11	0.655	4.26	0.858
Responsiveness	1.99	0.510	3.99	0.732
Confidence	2.08	0.627	4.50	0.606
Communication	2.14	0.58	4.13	0.701
Tangibility	2.31	0.575	3.93	0.878

**Source: own survey, 2015**

#### **4.5 Comparison of Satisfaction Levels of Hotel Guests**

Table 6 showed that the mean scores of hotel guest form other countries (international) were marginally lower than the means scores of Ethiopia hotel guests, for the sample as a whole. This implied that hotel guests from Ethiopia were more satisfies that the hotel guest from other countries (international).

	Local		International	
	Mean	SD	Mean	SD
Overall Satisfaction Level	4.95	1.34	4.23	1.52

**Source: own survey, 2015**

#### 4.6 Correlation Result of Service quality and Customer satisfaction

Correlation analysis determines the strength of the relationship as well as the extent of association between variables.

##### 4.6.7 Results of correlation analysis

**Table 4.6: correlation Analysis**

		Customer satisfaction
Customer satisfaction	Pearson Correlation	1
	Sig. (2-tailed)	
	N	300
Responsiveness	Pearson Correlation	.248
	Sig. (2-tailed)	.010
	N	300
Reliability	Pearson Correlation	.246
	Sig. (2-tailed)	.029
	N	300
Communication	Pearson Correlation	.382
	Sig. (2-tailed)	.006
	N	300
Confidence	Pearson Correlation	.411
	Sig. (2-tailed)	.015
	N	300
Tangibility	Pearson Correlation	.343*
	Sig. (2-tailed)	.013
	N	300

Correlation is significant at the 0.05 level (2-tailed).

Table 4.6 shows that Correlation value between service quality dimensions and customer satisfaction. The results are slightly different from earlier studies due to different social and economic environment of different communities. The results of correlation analysis supported the hypothesis H1, H2,H3& H4 and proved that there is a positive relationship between the “service quality dimensions and customer satisfaction”

#### 4.8 Multiple Regression Analysis:

In this part of the analysis includes a regression model to test the hypotheses. Five extracted dimensions were taken as independent variables against overall satisfaction of the customers as

dependent variable in a multiple regression model. For all the hypotheses of the study below hypothesis test was used at 95% confidence interval.

#### 4.8.1 Impact of Service Quality on Overall Customer Satisfaction:

To know about the impact of the individual dimensions of hotel service quality on overall customer satisfaction, multiple regressions using the following model was run: **Overall Customer Satisfaction =  $\alpha + \beta_1$  (TAN) +  $\beta_2$  (REL) +  $\beta_3$ (RES) +  $\beta_4$ (CON) +  $\beta_5$ (COM) + e**

**Table 7 over of result of service quality with customer satisfaction**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.752	0.566	0.545	0.14770

From as observed in table-7, it has been seen that **R** value is 0.752. Therefore, **R value (.752)** for the overall service quality dimensions namely tangibility, reliability, responsiveness, confidence and Communication suggested that there is a strong effect of these five independent variables on customer satisfaction. From the table-2 it can also observed that the **coefficient of determination** i.e. the **R-square (R2)** value is **0.566**, which representing that **56.6%** variation of the dependent variable (Average Customer Satisfaction) is due to the independent variables (Service quality), which in fact, is a strong explanatory power of regression.

Table 8 regression result of service quality and customer satisfaction

Model	Sum of Square	Df	Mean square	F	Sig
Regression	2.957	5	0.591	27.112	.000(a)
Residual	2.269	195	0.22		
Total	5.226	200			

A Predictors: (Constant), REL, TAN, RES, REL, CON,COM

b Dependent Variable: Avg. Satisfaction

From the table-9, it is identified that the value of F-stat is 27.112 and is significant as the level of significance is less than 5% ( $p < 0.05$ ). This indicates that the overall model was reasonable fit and there was a statistically significant association between service quality dimension and customer satisfaction. Additionally, this also indicated that the null hypothesis is accepted and alternative hypothesis is rejected. Hence it can be concluded that service quality dimensions have significant impact on customer satisfaction of the selected three star hotels in Addis Ababa.

Table 9 t value of service quality dimension

Model	Unstandardized coefficients		Standardized coefficients	T	Sig
	B	Std. error	B		
Constant	0.622	.323		1.92	
TAN	0.202	.38	.358	5.352	0.007
REL	0.75	.033	.149	2.246	.027
RES	0.28	.36	.382	5.752	.000
CON	.178	.042	.284	4.226	.000
COM	.184	.38	.34	4.835	.000

a. Dependent Variable: Avg. Satisfaction

b. constant (predictor) variables: TAN, REL, RES, CON and COM

In the table-4, unstandardized coefficients indicated how much the dependent variable varies with an independent variable, when all other independent variables are held constant. The beta coefficients indicated that how and to what extent LQI dimensions such as tangibility, reliability, responsiveness, confidence and communication influence customer's satisfaction of the selected three star hotels. It has been found that, responsiveness (beta =.382,  $t=5.572$ ,  $p<0.001$ ) and tangibility (beta=.358,  $t=5.352$ ,  $p<0.001$ ) have the highest significant impact on customer's satisfaction, whereas, confidence (beta =.284,  $t=4.226$ ,  $p<0.001$ ), as communication (beta=.34,  $t=4.835$ ,  $p<0.001$ ) and reliability (beta =.149,  $t=2.246$ ,  $p<0.05$ ), have a relatively lower impact on customers satisfaction of a Hotel.

#### **4.9 Qualitative analysis of the interview data**

The qualitative research response of the respondents through face to face interview were Presented below in generalized terms. Data collected from the respondents claimed that, customers were unsatisfied with the hotel.

The key point for the hotels that want high levels of customer satisfaction is the volunteers' primary focus on level of service quality. If hotel could give higher level service to customers then the customer will be satisfied. Moreover ,most customers' personal experience points to the following factors when deciding whether to return or not, service quality was the most important point to affect their decision to return withsome interviewees describing service as the soul of the hotel. The other factor is the environment both internal and external and customers are mostly concerned with noise levels. People also like convenient traffic connections and location is important, closeness to supermarkets and entertainment being of primary importance. The last factor is sanitation levels, customers like the hotel to have a clean environment.

According to the respondents, the primary factors that determine the customers' satisfaction was good standard of service forwarded by the corresponding hotels. Also the hotel needs some kind of special service to give guests different experiences. The second point is the hotel needs to have beautiful decorations, if they have that it will give the guests a sense of security, and they will think it is clean and has good sanitation. Thirdly the hotel needs to have a good environment, they hope that the hotels entertainment facilities will not be too noisy and disturb them.

All the interviewees agree that if the quality of service was increased their level of satisfaction would do so also. Moreover if the quality of service was improved then the first thing to be influenced would be their satisfaction; besides most of them agreed that satisfaction is like a benchmark to evaluate a particular hotel.

#### **Hotel services and customer expectations**

When being asked about the important level of hotel services, both men and women agree that “the atmosphere in the room”, “discipline and the cleanness of hotel staff” and “quality of service, food& beverage in restaurant/ bar” are very important factors; the other factors such as service completion, “a quick check in/check-out procedure” and “new & modern facilities of the room” are only somewhat important. More than 40% of female guests consider room services

and friendly staff very important while to male guest they are only somewhat important. To “a friendly welcome on arrival” factor, 40% of female consider it somewhat important while with 39% of male guests, it is neutral factor.

It is coincident with the comment of different research, women care about others emotion than men, so they pay attention to friendly staff, warmly welcome and atmosphere in the room more than men. Women also pay attention on “discipline and the cleanness of hotel staff” and “quality of service, food& beverage in restaurant/ bar” more than men because to them, they are very essential service and need to be done well. On the other hand, about technology, men pay more attention than women. 56% men want “new & modern facilities of the room” while with women, it is 44%.

#### **4.10 Discussion Results.**

Overall, both Ethiopia and international hotel guests had the highest expectations in communication dimensions as well as highest perceptions in communication dimension. From the point of view of international hotel guests, they had lowest mean score in Confidence dimension in case of expectations as well perceptions. On the other hand, for the Ethiopia hotel guests, the lowest mean score in Responsiveness dimension in case of both expectations and perceptions.

There was no surprise in overall satisfaction level, though there is no significant difference between Ethiopia and international hotel guests, the overall satisfaction level of international hotel guests is lower than the Ethiopia hotel guests. This result supported by Zeithaml and Bitner (2003), surprises and delights can act as satisfiers, which were features that have the potential to further satisfaction beyond the basic function of the product. These were things that were unexpected and surprisingly enjoyable when they received them. That is, there were no such surprises and delighting factors in the hotel industry of Ethiopia which can increase the level of satisfactions of the international hotel guest in Ethiopia moreover, they are receiving lesser from the hotel than they are expecting.

The confidence and tangibility factor had received lowest mean scores from both the groups of respondents; more resources should be spent on not just improving confidence and tangible elements, but also to promote quality of the facilities as well as the room services to potential



customers. This result supported by (Gundersen, Heide, & Olsson, 1996), the importance of being able to offer hotel customers a high quality experience was unquestionable.

In addition, aspects such as well-equipped and well-maintained health care facilities, comfortable and clean rooms and lobby should be provided. The availability of these tangible facilities is important to attract potential customers.

The other hotel service quality dimensions, such as communication, reliability, and responsiveness should not be ignored. Although the findings indicated that these attributes appeared to be less significant, hotel operators ought to take them into consideration and continue to maintain the quality standard in order to meet the basic needs of the customers. Supported by Juwaheer & Ross (2003) and Pizam and Ellis (1999) pointed out, satisfaction of customers can be the cheapest means of promotion, and therefore it was obvious that these attributes can be deemed of equal importance. Hotel managers and employees ought to always ensure that all moments of contact with customers should result in a positive experience for the customers.

As it can be seen from the regression table the five service quality dimensions has statistically significant and positive effect on customer satisfaction with local and international guests. This result supported by Mey, Akbar & Fie (2006), Kessler (1996) and Juwaheer & Ross (2003). To be successful, an organization ought to place emphasis on the service quality as one of their strategies, i.e., giving customers what they want, when they want it, and how they want it. In addition, they should train their frontline employees well and constantly measure customers' satisfaction. As whole, once customers' requirements are clearly identified and understood, hotel managers are more likely to be able to anticipate and fulfill their customers' needs and wants, rather than merely reacting to their dissatisfaction. The satisfied the customers are, the more likely the customers would return or prolong their hotel stay.

## Chapter Five

### Summary, Conclusion and Recommendations

This section shows the overall summary of the findings found in this study were summarized and presented below:

- The mean value of service quality is 3.43 which clearly portrays that majority of the respondents were agreed by the questions relating to service quality.
- The sample of respondents contained more males (68%) than females (32%). Moreover in the research, more than 49.7% of guests are employed, -full time 25% of them are retired, 10% business owners, 5.3% of the guests are student and the remaining 10% are others. The guests who have full-time jobs also spend their time in hotels but for both conference and business reasons.
- Regarding to age Most of the guests are 46 years old or elder, accounts for 50.7%. Among them, 29.3% are from 26 to 35 years old and 10.7% of guests are from 36 to 45 years old. Only 9.3% of guests' ages are in the range of 18 to 25. This is correlative with their occupation.
- Around 26.0% of reasons that people stay in the hotel is for conference, among them 91% are male and the remaining 9% are female guests. The second one is business purpose and pleasure. In this sector, the male guests are 63.8% and the rest are female. In line with this hoteliers should pay attention on this high ratio to have more proper orients when building the business plan so that they can gain more customer satisfaction. Only 10% of guests stay in the hotels for research purpose.
- In Ethiopia and international, more than 50% customers suggest that hotel service providers should improve the speed of response to problems and provide more details about the services. 59% of International expects the availability of hotel staffs increase, while 33% of Ethiopian wants it. Except “attention of staff when making the relation with guest” and “speed of response to problems of hotel services” suggestions, the international expect more the improvement of service quality than Ethiopia. In other

words, it seems that Ethiopian is more satisfied with the service quality in the hotel industry than international.

- Refer to time for responses, 33% of Ethiopian said that their problem was solved immediately, while this ratio is even higher to international guests, with 44%. Moreover 50% of Ethiopia and 34% of international received the responses within 24hours and only 4% of Ethiopia was responded more than 24 hours. However, in the bad cases, 13% of guests had to contact to the hotel again to talk about their problem and 6% of guests was not responded to their issues. If within 24 hour response time is acceptable, the international service provider seems to respond customers faster than Ethiopia ones do.
- Correlation Results of correlation analysis show that Correlation value between service quality dimensions and customer satisfaction indicates statistically significant and positive relationship. The results are slightly different from earlier studies due to different social and economic environment of different communities.
- The results of correlation analysis supported the hypothesis H1, H2, H3 & H4 and proved that there is a positive relationship between the “service quality dimensions and customer satisfaction”

In general, Ethiopian customers have lower perceptions, while international customers had the highest perceptions score. There were higher perceptions in reliability and confidence dimensions of the international customers compare to local customers. When a comparison was made between Ethiopian customers and international customers, the differences in mean perceptions clearly visible and indicates that gusts from abroad countries perceive high than local.

## 5.1 Conclusion

The intent of this study was to evaluate service quality and customer satisfaction in three star hotels in Addis Ababa, Ethiopia. In this study, hotel guests from different countries having different expectations and perceptions were analyzed. Comparisons between Ethiopian (local) hotel guests and hotel guests from other countries were undertaken. The results revealed that, in general, the lowest expectations and also lowest perceptions of their hotel stay was if those Ethiopians than international hotel guests.

- Overall, both Ethiopian and international hotel guests had the highest expectations in reliability dimensions as well as highest perceptions in confidence dimension.
- From the finding of study international hotel guests has lowest mean score in communication dimension in case of expectations as well as perceptions. On the other hand, an Ethiopian hotel guests have lowest mean score in responsiveness dimension in case of both expectations and perceptions.
- The overall satisfaction level of international hotel guests is lower than the Ethiopia hotel guests.
- From the finding of the study, it can be concluded that, out of five service quality dimensions, Tangible has the highest mean whereas Responsiveness has the lowest mean score.
- The combination of tangibility, reliability, responsiveness, confidence and communication together has significant and positive effect on customer satisfaction..
- Quality service found out to be an important factor to satisfied customer satisfaction. In the world of global economy, hotel sector needs has become more diverse and exotic than ever before. So, hotel should focus in service quality to satisfy their customers in every dimension of service quality.

### 5.3 RECOMMENDATIONS

In this section, a list of recommendations has been presented based on the findings of the survey conducted on customers of three star hotels in Addis Ababa. In relation to the findings, the study came up with following recommendations:

- Hotels should provide continuous training to the employees on issues like Responsiveness, Confidence and communication skills to improve their customers.
- Hotels are customer oriented organizations, so top management should employ/hire potential, self-motivated, enthusiastic employees who are capable to deal with customer and solve customer complaints and other issues in an effective manner.
- To improve quality services to satisfy customer's needs, hotels should pay much attention on the customer complaints, customer's expectation and individual attention should be given to customers in order to better understand their needs and satisfy them.
- Hotels should regularly undertake survey research activities to keep a regular track of customer satisfaction level and find out customer expectations about various service aspects.
- In addition, the customers' service quality expectations and perceptions should always be the main concern of the hotel operators. Due to the ever changing social and economic environment, as well as customers' preferences, hotel operators should be proactive to be abreast with the changes and therefore continuously encourage them to complete the feedback forms.

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# APPENDIXES

# APPENDIX A



## **ADDIS ABABA UNIVERSITY**

### **COLLEGE OF BUSINESS AND ECONOMICS**

#### **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 Abrham, I am a graduate student at Addis Ababa University College of Business and Economics MBA-Program.. Currently, I am conducting a research study on “Service Quality and Customer Satisfaction In Hotel Industry In Ethiopia” in Partial fulfillment of Master of Arts Degree in Business Administration at Addis Ababa University College of Business and Economics (AAUCoBE).

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 to gather information about Service Quality and Customer Satisfaction and other related issues in three star Hotels. The information that you provide in this questionnaire will be kept confidential and be used only for academic purpose.

Please feel free to contact me for further information at any time through;

**Phone: 09 22 86 97 08**

**E-mail: [abrhamdng@gmail.com](mailto:abrhamdng@gmail.com)**

## PART I

### General Information

Please tick (✓) in the boxes applicable to you.

1. Gender

Male       Female

2. Age group

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

3. Highest education level

High School    Diploma    Degree

MA &above       Others

4. Occupation

Student    Retire    Business owner    Employed    Others

5. Nationality

Ethiopian       Foreigner

6. Purpose of visit

Pleasure    Business    Visiting Relatives

Conference    Study       Others

7. Hotel Selection    Gov't Placement    Internet search

Travel agency       Word of Mouth

## PART II

The following statement relates to your feelings about the Hotel. Please show the extent to which you believe the Hotel has the feature described by the statement. Indicating ticking (✓) to ‘1’ means strongly disagree, ‘2’ disagree, ‘3’ neutral, ‘4’ agree and ‘5’ strongly agree. There are no right or wrong answers; all I interested in is a number that best shows your perception about the Hotel.

DIMENSION	QUESTIONNAIRE ITEMS	EXPECTATION					PERCEPTION				
		1	2	3	4	5	1	2	3	4	5
Tangibility	The front desk was visually appealing										
	The employees had clean, neat uniforms										
	The restaurant’s atmosphere was inviting										
	The shops were pleasant and attractive										
	The outdoor surroundings were visually attractive										
	The hotel was bright and well lighted										
	The hotel’s interior and exterior were well maintained										
	The hotel was clean										
Reliability	My reservation was handled efficiently										
	My guest room was ready as promised										
	TV, radio, A/C, lights, and other mechanical equipment worked properly										
	I got what I paid for										
Responsiveness	Employees responded promptly to my requests										
	Informative literature about the hotel was provided										
	Employees were willing to answer my questions										
	Employees responded quickly to solve my problems										
	Room service was prompt										



Confidence	Employees knew about local places of interest																	
	Employees treated me with respect																	
	Employees were polite when answering my questions																	
	The hotel provided a safe environment																	
	The facilities were conveniently located																	
Communication	Charges on my account were clearly explained																	
	I received undivided attention at the front desk																	
	Reservationists tried to find out my particular needs																	
	Employees anticipated my needs																	

**PART III**

1. Would you recommend the Hotel to a friend?  
 YES       NO
2. Did you experience any problem during your stay?  
 YES       NO
3. If yes, was it handled satisfactorily?  
 YES       NO

**Overall Satisfaction**

Please tick (✓) on the overall satisfaction level of the Hotel.

Strongly not satisfied (1)	Not Satisfied (2)	Neutral (3)	Satisfied (4)	Strongly satisfied (5)

***THANK YOU!!!***

# **APPENDIX B**

## **INTERVIEW GUIDELINES**

- Were you satisfied with your decision to visit this hotel?
- Do you like your choice to stay at this hotel was a wise?
- Do you think your choice was right thing to stay in this hotel?
- Would you feel that your experience with this hotel/motel has been enjoyable”?
  
- Do you think that the employee offering the complete service what you asked and no miss?
- Do you think the employee has the knowledge to answer your question?
- Do you think that the employee knows what they are talking about and has responsibility handle to what you are said?
- Do you think that through employees’ working behavior; he/she is tasks competently?

### **Reliability**

- Were the guest room was ready as promised?
- Do you believe that the hotel had New & modern facilities?
- Did the service completion good enough?
- Do you think the hotel staff was fast enough in billing issues?

### **Tangibility**

- Did the Price and position are reliable?
- Were the employee are disciplined & cleanness of hotel staff?
- Is the Atmosphere in the room quite comfortable?
- Did the hotel have attraction of outer building/inner decoration?

### **Responsiveness**

- Did they give detailed information on service about the hotel?
- Whenever you want did the hotel staff were easy to contact

- How are they in quick check-in/ check-out procedure?
- How did you measure the hotel manager's responsibility in solving problem?  
Were you satisfied in speed of response to problem?

### **Confidence**

- Was expertise of the hotel service provider?
- Do the hotel staffs have good accessibility for disable people?
- How do you measure the Emotional expression of hotel staff (polite, respect)?

### **Communication**

- Do you think the staff is friendly enough Friendly staff?
- Do you approve that you are Friendly welcome on arrival?
- How do you measure attention of staff when making relation with guests?
- Do you think the manager is available in request?