



THE IMPACT OF SERVICE QUALITY ON CUSTOMER SATISFACTION: THE CASE OF FIVE STAR HOTELS IN ADDIS ABABA, ETHIOPIA

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ABSTRACT

With more intense rivalry in the global market without quality and special skills in its obtaining, assessing and continuous improvement, companies cannot fill the increasing needs of consumers.

This study attempts to assess service quality and customer satisfaction of five star hotels in Ethiopia and its impact on overall customer satisfaction. A 26-items Lodging Quality Index scale measuring of five basic dimensions, i.e., tangibility, reliability, responsiveness, confidence and communication of service quality were used to understand the service quality of five star hotels in Ethiopia. Consistent with the above objective, data were collected through questionnaire from a sample of 330 international and local customers. Respondents were selected using simple random sampling technique and hotels were selected purposively. Data collected through questionnaire were analyzed using statistical tools such as standard deviation, one and two paired sample statistics (T-test), correlation and regression analysis by applying a modified version of the LODGING QUALITY INDEX model. The major finding of the study indicates that on average, the performance gaps of the hotels with regard to tangibility, reliability, responsiveness, confidence and communication features are 0.25, 0.26, 0.47, 0.22, and 0.20 respectively. The overall satisfaction of customers in the hotel's service is found to be above a moderate level (3.85) of satisfaction. The gaps in each dimension are negatively correlated with overall satisfaction. This inverse relationship indicates that customers' overall satisfaction tends to increase as the gaps they experience falls, and vice-versa. Simply, the higher the gaps, the lesser the satisfaction will be. The customer overall satisfaction can be influenced by several factors. Among other factors a considerable portion, about 46.5% of their satisfaction are influenced by the five service quality dimensions.

Based on the findings of the study, the researcher recommended that the top management needs to improve quality services so as to meet customer's expectations, and should hire self-motivated, enthusiastic employees who will like to deal with customer and would 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. All stakeholders (government body, customers, employee, hotel owners, suppliers and others) should work together for better service quality and customer satisfaction.

Conclusively, the study proves that all five star hotels in Ethiopia under the present study found are providing their services below their customer expectations. And service quality of five star hotels is significantly correlated with customer satisfaction.

KEYWORDS : Customer Expectation, Customer Perception, Customer Satisfaction, lodging quality index, Service quality dimension, Service quality.

Introduction

Service quality plays a significant role in conventional and service industries. Many studies have shown that quality service increases market shares, customer satisfaction, responsiveness towards customer order; customer loyalty/retention provides greater return on investment and lowers production costs. Thus, organizations regard quality as a source of competitive advantage which they always strive to achieve. Moreover, excellent service increases customer retention and leads to repeat customer purchase behavior (Cronin and Taylor, 1992) which ultimately increases the market share of the companies and generates high revenues.

Providing quality service in the hotel industry improves satisfaction of customers, which results to increased international visitation, repeat purchases of the same tourist products, customer loyalty and relationship commitment. Moreover, highly satisfied tourists spread positive word-of-mouth and in effect become walking, talking advertisements for providers whose service has pleased them, thus lowering the cost of attracting new customers. In service sector, quality and customer satisfaction plays irreplaceable roles. Various researchers such as Knutson, (1988) and Naumann, (1995) succeeded to prove that satisfaction of customers is the cheapest means of promotion.

In addition, highly satisfied customers may be more forgiving. Someone who has enjoyed good service in the past is more likely to believe that a service failure is a deviation from the norm. Hence, it may take more than one unsatisfactory incident for loyal customers to change their perceptions and consider switching to an alternative service provider. This might explain why a large number of scholars and practitioners have given a considerable amount of attention to service quality (Baum, 2007; Collins, 2007; Sinhg *et al.*, 2007). Kandampully *et al.* (2001) believes that the interest is founded on the assumption of increased profits obtained: when customers are satisfied with the service, they will remain loyal; advertise to others with their positive word-of-mouth (Kandampully *et al.*, 2001).

Understanding the customer satisfaction becomes more and more important these days. One hand, it allows the company to know how

customer defines the service and products quality; facilitates the development of customer satisfaction questionnaires (Hayes, 1997). On the other hand, it impacts on the purchase repetition and word of mouth recommendations (Berkman and Gilson, 1986).

Additionally, companies, which command high customer satisfaction ratings, also seem to have the ability to insulate themselves from competitive pressures, particularly price competition. Customers are often willing to pay more to stay with a firm that meets their needs than to take the risk associated with moving to a lower-priced service provider. On the other hand, tourist dissatisfaction and low service quality may lead to unfavorable behavioral intentions, such as spreading negative comments about the service provider or even destination, changing destination for their holidays, complaining and redress seeking.

Therefore, hotel operators have much to gain if they can understand their customers' expectations since this would assist them in serving their customers in a better way. Despite the notable progress in the lodging industry and the substantial demand for research, service quality has remained under researched to date in the area of hotel industry. This study therefore aims to measure a service quality and customer satisfaction in the hotel industry. More specifically, the research examines the attributes of customer use to evaluate the quality of service provided by the hotels. This information would not only be useful to hospitality and marketing strategists, but also to governments and commercial sectors to which the Hotel industry is of much significance.

The research first traces previous service quality research in the area of lodging and hospitality by SERVUQUAL, LQI and other service quality measurement models. This is then would follow a section of the methodology employed to conduct the study, results and discussion of the research.

The study sought to be indispensable for the academia, hotel and tourism planners/policy makers, researcher and consultants, and hotel practitioners, by providing insight for the academics on the issues like

customer care, service quality and customer satisfaction as well as the interactions of these variables. Add to this, it will give general direction for hotel and tourism planners and practitioners of hotel marketing, service delivery, and infrastructure in formulating policies and regulations with respect to hospitality industry. Consequently, the study will serve as a springboard for the coming researchers who want to carry out further studies in trust area of service marketing.

Objective of the study

The general objective of this study is to assess the service quality and customer satisfaction and its impact on overall satisfaction in five star hotels in Addis Ababa, Ethiopia.

Specific Objectives

- The specific objectives of the study are the following:
- To examine the effect of major service Quality dimensions on Customer Satisfaction in five star hotels.
 - To examine the relationship between Service Quality and Customer Satisfaction.
 - Finally, to evolve a possible strategy to the service quality and customer satisfaction in five star hotels based on the finding of the research.

Significance of the study

The study is indispensable for the academia, hotel and tourism planners/policy makers, researcher and consultants, and hotel practitioners. It would contribute to the hospitality industry by identifying the perception and expectations of service quality and customer satisfaction on five star hotels. Hence, the study is offered the some benefits. First, it provides insight for the academics on the issues like customer care, service quality and customersatisfaction as well as the interactions of these variables. Second, it will give general direction for hotel and tourism planners on hotel marketing, service delivery, infrastructure in formulating policies and regulations with respect to hospitality industry. Third, it will benefit practitioners of the sector in public and other private players by providing scientifically approved management of the sector to attract and retain customers. And fourth, it may serve as a springboard for the coming researchers who want to carry out further studies similar to this work.

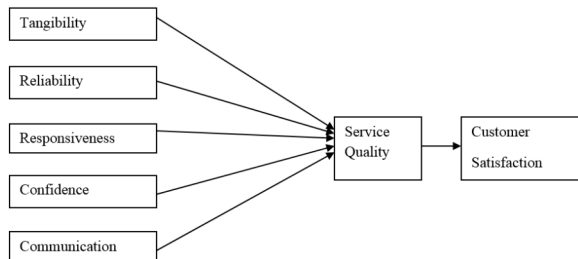


Figure 1: Conceptual Framework

Research Methodology

The study focused on international and domestic customers restricted to three, five star hotels in Addis Ababa, Ethiopia. Thematically, the study is limited to service quality and customer satisfaction in the hospitality industry.

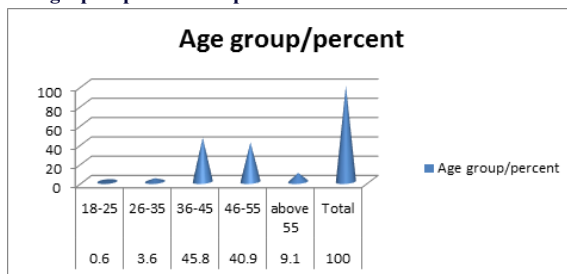
The research focuses on assessing service quality and customer satisfaction and its impact on overall satisfaction in the five star hotels available in Ethiopia. A simple random sampling is used to increase the representativeness of the respondents. Respondents were approached at their hotels through the help of hotel managers and reception desk workers responsible to customer handling. The hotels were selected purposively. Questionnaires were distributed in three, five star hotels, after hotel managers agreed to participate in the study. Reception desk employees were asked to administer the questionnaires to guests during their hotel stay, and to collect them after completion. In each hotel questionnaires were randomly distributed to the guests. A self administered survey questionnaires was distributed to a total sample of 330 international and domestic guests who have visited Addis Ababa, Ethiopia, for conference, business and different purposes. Data were obtained through personally administered questionnaires that would be prepared based on literature review to address research questions. Data were collected by a means of a structured questionnaire that consists of three sections. The first section has seven questions that focus on general background information about the participants/guests. The

second section has 26 questions focusing on the feeling of gusts about the hotel service performance with respect to five dimensions; tangibility, reliability, responsiveness, confidence, communication and overall satisfaction. The third section has three open ended questions relating to the main problem, causes and proposed solution of services of the hotels.

Results and Interpretation

In order to achieve the research objective, correlation and regression analysis, and t-test were performed. The results are presented as follows. First, respondents’ demographic and travelling characteristics are provided. Next, the results of descriptive analysis of customers’ expectations and perceptions of the hotel service are presented. Third, the results of t-test analyses are interpreted. The statistical analysis was conducted on 330 valid questionnaires. The demographic and travelling characteristics of the respondents are presented in table 1.

Demographic profile of respondents’



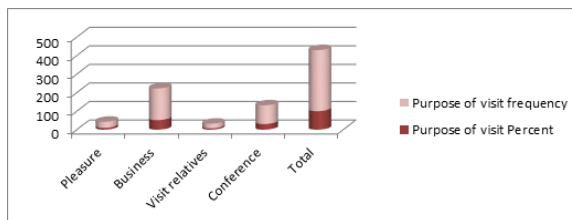
Most of the guests who participated in this study are in between 36-45 years old or elder, accounts for 45.8%. Moreover, 40.9% are from 46 to 55 years old, 9.1% are 55 and above, 3.6% are from 26-35 years old and 0.6% of guests are from 18-25. This is correlative with their occupation

Table1: Correlation Result of Service quality and Customer satisfaction

Correlation of satisfaction with Expectation, Perception and Gaps in Quality Dimensions						
		Tangibilit y	Reliabilit y	Responsi veness	Confiden ce	Commun ication
Satisfacti on	Expectati on	.325**	.247**	.223**	.267**	.386**
	Perceptio n	.663**	.570**	.680**	.632**	.629**
	Gap	-.599**	-.541**	-.575**	-.562**	-.455**

** . Correlation is significant at the 0.01 level.

With regard to the Nationality of the respondents, 90.6% of the customers are foreigners and the rest 9.4% are Ethiopian /local customers. This is because almost all of the five star hotels are targeted to international tourists.



Around 30.6% of the reasons that customers stay in the hotel is for conference, 51.8% of the customers’ business purpose, 10% and 7.6% of the customers are for pleasure and visit relatives respectively. In line with this, hotelier should pay attention on this high ratio to have more proper oriens when building the business plan so that they can gain more customer satisfaction. Only 10% of guests stay in the hotels for research purpose.

The Relationship between Service quality and Customer Satisfaction

It was observed that there exists a significant gap in all five quality dimensions. As the customers experienced these gaps, they obviously can’t enjoy maximum satisfaction. This is because the quality of the services, with respect to each dimensions in the five star hotels, do have related with the satisfaction level of customers. The overall satisfaction of customers in the hotel’s service (3.85) is found to be

above moderate level of satisfaction. This overall satisfaction is expected to have been influenced by the gaps customers had experienced in the five service quality dimensions. In order to reveal the association and effects on overall satisfaction, a linear correlation analysis was performed. The result is presented in the correlation matrix below:

Table 2: Nationality of the respondents

Nationality	Frequency	Percent
Ethiopian	31	9.4
Foreigner	299	90.6
Total	330	100.0

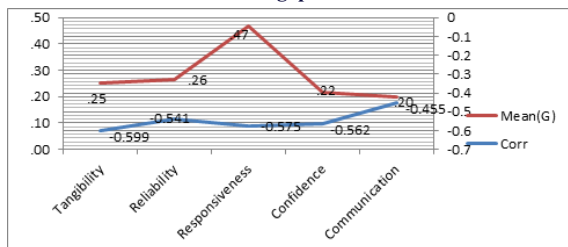
Source : (Survey Questionnaire, 2017)

As indicated in the above table, the overall satisfaction is found to have been significantly correlated with each quality dimension. With respect to expectation, perception and gaps; customers' expectations, perception and gaps are all significantly correlated with overall satisfaction. The correlation with expectations has lesser correlation value compared to the respective correlation with perception for all dimensions. This indicates that it is the actual, perceived, which could have impacted customer satisfaction compared to customer prior expectations. The most important aspect of service quality that impacted overall satisfaction is observed gaps (i.e. Expectation-Perception). The observed gap in each dimension is found to have significantly with overall satisfaction. This implies that each service quality gap has strong relation, and has strong impact on customer satisfaction regarding the hotels' overall services.

Moreover, the gaps in each dimension are negatively correlated with overall satisfaction. Thus, overall satisfaction is strongly negatively correlated with the satisfaction. This inverse relationship indicates that customers' overall satisfaction tends to increase as the gaps they experience falls, and vice-versa. Simply, the higher the gaps, the lesser the satisfaction will be.

Chingang and & Lukong(2010) also asserted the significance of the correlation present between service quality and customer satisfaction. In their study in time services, internet availability, and cleanliness were highly significant. Daniel and Berinyuy (2010) in their study assessed service quality and customer satisfaction in Sweden and found that "superior service quality is seen to have a positive impact on customer loyalty through customer satisfaction, and additionally it leads to higher profitability and reduced costs for the firm".

Chart1: The correlation of each gap with overall satisfaction



Source : (Survey Questionnaire, 2017)

The above chart graphically illustrates the gaps in each dimension, and the correlation of each gap with overall satisfaction. The highest gap, 0.47 experienced with responsiveness where the others have 0.2 to 0.26 gaps in service quality. The observed gap in the tangibility dimension being the most correlated to overall satisfaction with $r = -0.599$ followed by gaps responsiveness with $r = -0.575$, next to responsiveness, confidence with $r = -0.562$. Responsiveness plays a key role in satisfying customer in tourism related services, for instance in the context of room booking system, responsiveness in service delivery induced satisfaction in customer (Parvin *et al.*, 2014).

In addition, Reliability and communication with $r = -0.541$ and $r = -0.455$ respectively. The overall satisfaction correlation with gaps in reliability and communication dimensions being relatively the least, with $r = -0.541$ and $r = -0.455$ respectively. Based on the result in the correlation analysis table, the five dimensions in their decreasing order of impact to customers' overall satisfactions are: Tangibility, responsiveness, confidence, reliability and communication. Tangibility rank high among the top dimensions that bring customer

satisfaction according to many scholars (Rao and Sahu,2013; Bhat and Oadir 2013;Canny,2013;Karunaratne and Jayawardena,2010).

The Impact of Service quality on Customer Satisfaction

It is observed that all service quality dimensions are significantly related with customers' overall satisfaction. In order to assess the impact these dimension on customers' overall satisfaction, a regression analysis was conducted. The regression analysis resulted with multiple- R value of 0.682, which indicates the relationship between satisfaction and service quality in general. Then, the **coefficient of determination** i.e. the **R-square (R²)** value computed to **0.465**, which representing that **46.5%** variation of the dependent variable (Customer overall Satisfaction) is due to the independent variables (the five dimensions of Service quality).

The customer overall satisfaction can be influenced by several factors. Among other factors a considerable portion, about 46.5% of their satisfaction is influenced by the five service quality dimensions. 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.

Table No. 3 Regression result of Service quality and Customer Satisfaction

Dependent Variable: Overall Satisfaction				
Independent Variable :Gaps	R	R-sqr	Adjusted R-sqr	R-sqr Changes
Tangibility	0.599	.359	.357	35.70%
Tangibility, responsiveness	0.659	.434	.431	7.38%
Tangibility, responsiveness and confidence	0.672	.452	.447	1.63%
Tangibility, responsiveness, confidence and reliability	0.682	.465	.458	1.08%

Source : (Survey questionnaire, 2017)

The regression analysis also resulted with the above table of regression coefficient. In the above table, standardized coefficients (Beta) 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 five star hotels. It has been found that, responsiveness (beta =-.245, t=-4.41, p<0.001) , tangibility (beta=-.233, t=-3.63, p<0.001), confidence(beta= -.172, t=-2.75, p<0.001),and reliability (beta =-.146, t=-2.4, p<0.05), have the significant impact on customer's satisfaction, whereas, communication (beta=-.018, t=-0.32, p>0.05) has insignificant beta coefficient.

Table No. 4 Regression coefficients and T- value

	Unstandardized Coefficients	Standardized Coefficients	T-value	p-value	
	B	Std. Error			
(Constant)	4.204	.041	102.36	.000	
tangibility(G)	-.293	.081	-2.33	-3.63	.000
Reliability(G)	-.217	.091	-.146	-2.40	.017
Responsiveness (G)	-.317	.072	-.245	-4.41	.000
Confidence(G)	-.301	.109	-.172	-2.75	.006
Communication(G)	-.038	.116	-.018	-0.32	.746

Source : (Survey questionnaire, 2017)

To add more, the respective impact of each dimension, a step-wise regression was conducted. The R²- computed in four- step regression is shown in the table above. The most explanatory dimension is tangibility that can explains 35.7% of the customer satisfaction.

Responsiveness being the second with 7.38% explanatory power, confidence and reliability each adds 1.63% and 1.08% respectively explanatory to customer overall satisfaction. Communication dimension had significantly correlated to satisfaction, but its impact/influence on overall satisfaction is regarded insignificant.

Service quality improvement areas

The main source of problem raised was absence of service quality policy and guideline also known as Guest Satisfaction Index. The respondents indicated that this has been resulted in failure in determining whether customers are satisfied or not with the service they are provided. What has aggravated this problem is that, according to the respondents, that the hotel managers do not regularly monitor the daily performance of the hotel staff especially in relation to enhancing the satisfaction of customers. The other interesting cause mentioned by the respondents is lack of experience sharing among five star hotels found in Ethiopia and abroad. Had the concerned hotel staff visited other hotels especially the foreign ones, the respondents underscored that, many of the problems noticed in the hotels would be avoided, if not minimized. The following is summary of the solutions forwarded by the respondents to alleviate the shortcomings:

- Undertaking service quality assessment regularly at different levels (among subordinates and management) within the hotels
- Conducting survey of customer service need and preference so that it is possible to act accordingly.
- Availing facilities such as fast internet connectivity and other hotel infrastructure
- Experience sharing from other hotels so as to adopt best practices related to service quality improvement.
- Providing timely training especially to the waiters. Here, the respondents emphasized language skill enhancement efforts.

Conclusion and Recommendation

Based on the findings of the research, the following conclusions are drawn: Firstly, The service quality of the five star hotels in Addis Ababa, Ethiopia is strongly depends on the following important factors; tangibility, reliability, responsiveness and confidence. Among the factors affecting service quality and customer satisfaction of five Star hotels, in Addis Ababa, Ethiopia, tangibility dimension is the strongest factor that affecting customer satisfaction. Whereas responsiveness is the second important factor that affecting customer overall satisfaction.

Secondly, after assessment of service quality in five Star hotels in Addis Ababa, Ethiopia, the following conclusions can be derived. In all the five dimensions, customers experienced short of services as compared to their expectations. On average, the performance gaps of the hotels with regard to tangibility, reliability, responsiveness, confidence and communication features are 0.25, 0.26, 0.47, 0.22, and 0.20 respectively. In addition, the overall satisfaction of customers in the hotel's service (3.85) is found to be above moderate level of satisfaction. This overall satisfaction is expected to have been influenced by the gaps customers had experienced in the five service quality dimensions.

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