Service Quality and Hotel's Customer Satisfaction: An Empirical Evidence from Ethiopia

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Abstract

*The objective of this study is to investigate the impact of service quality on customer satisfaction in the hotel industry of Ethiopia. The **SERVQUAL** model served as a guide in the study to ascertain the findings. A total of 130 questionnaires were distributed to hotel guests who made use of the facilities rendered by it. Primary data was collected using the drop-off and pick-up method of self-administered questionnaire through sampling method of snow-ball sampling technique. The type of analysis conducted was descriptive, frequency, Pearson correlation and multiple regression analysis. Findings from the analysis revealed that out of the five dimensions of the **SERVQUAL** three i.e., tangibles, responsiveness and empathy had high significant impact on customer satisfaction in hotel industry of Ethiopia.*

Keywords: Service quality, customer satisfaction, SERVQUAL model

1. Introduction

The present day business environment is becoming competitive and challenging now more than ever. The research of service quality is an essential means for prosperity and existence in today's challenging business setting and plays a part in the long-lasting earnings of a business (Fynes, Voss & De Burca, 2005). Intensified competition among service givers has pressurized companies to be more attentive to the service quality rendered to customers (Li & Lu, 2010). Although numerous amount of research have been conducted in the field of service quality (Mohammad & Alhamadani, 2011; Chavan & Ahmad, 2013) very few has been done in the hotel industry (Khan & Fash, 2014) and even fewer in the context of developing countries (Ramsaran-Fowdar, 2007). This study therefore attempts to fill the gap by investigating the impact service quality has on customer satisfaction in the hotel industry of a developing country Ethiopia.

The study will assist hotels to improve the overall level of customer satisfaction and it will also be useful to governments and commercial sectors to which the hotel and tourism industry is of much significance.

2. Literature Review

2.1 Service Quality

Service quality has been regarded as a major factor for the achievement of organizations due to the close relation it has with customer satisfaction particularly in the service industry (Gilbert & Veloutsou, 2006). In addition to it being a preceding factor to acquire positive buying behaviors, it is also viewed as a vital component to the hotel industry's achievement and success (Min, Min & Chung, 2002). Service quality has been believed to have direct impact on customer satisfaction, recurrence of buying behavior and security of a company's profit in the long-run (Wilkins, Meerilees & Herington, 2007). For the quality of service to be better, it is important to continuously communicate with employees and analyze their service encounter (Prayuhda & Harsanto, 2014). According to Parasuraman et al. (1988), service quality can be defined as the capacity of the company to conform with or outdo customer expectations. It is the deviation between the customer's expectation of service and perceived service (Zeithaml, Parasuraman, Berry, 1990). Good quality of service will have a positive influence on profitability by elevating the customer base of a firm (Rauch et al., 2015).

2.2 Customer Satisfaction

Customer satisfaction is a crucial element in service quality assessment because the higher the customer satisfaction the higher the performance of a business (Morgan, Anderson & Mittal, 2005). It can be guaranteed via a product or service that is of good quality (Gunarathne, 2014). Clients' prior encounter of content or discontent is essential due to its impact on the anticipation of a person's purchase behavior the next time (Gutierrez & Uribe, 2011). Thus, most literatures in the hotel sector consider customer satisfaction as an essential constituent of the hotel sector's value position to customer (Maghzi et al., 2011). Customer satisfaction is defined as "the individual's perception of the performance of the product or service in relation to his or her expectations" (Schiffman & Kanuk, 2004). It is a business doctrine that is inclined towards generating worth to customers, predicting and governing their assumption, and indicating capability and authority to fulfil their demands and requirements (Delgado-Ballester, 2004). Customer satisfaction is an after use assessment regarding a given product or service (Gundersen, Heide & Olsson, 1996). It is the doctrine that emphasizes the significance of making worth for customers, predicting and handling their presumptions and manifesting the capability and duty to meet their requirements (Dominici & Guzzo, 2010).

2.3 The SERVQUAL Model

Parasuraman et al. (1988) released a widely distinguished five set of service quality dimension (**SERVQUAL).** This service quality dimension is amongst the frequently applied and quoted elements in the writing works of service quality (Othman & Owen, 2001). These dimensions namely tangibility,

reliability, responsiveness, assurance and empathy have been applied in many service firms to measure quality performance. Tangibles relate to material characteristics like gadgets, equipment and how staffs carry themselves (Seo, 2012).This component deals with the existence of the physical facilities and the perceived quality of the materials, personnel and equipment used by the service giver (Kandampully, 2007). Reliability is defined as the dependability, consistency and accuracy with which the service is performed by the provider (Kandampully, 2007). It is about the business keeping its word. It is "the ability to perform the promised service dependably and accurately" or delivering its promises" (Zeithaml et al., 2006 p.117).

Responsiveness relates to the zeal in the service personnel to serve customers in a well-timed, effective fashion and it incorporates elements like cooperativeness, kindliness and tenderness of the service stuff (Kandampully, 2007). It is the desire of the service giver to be supportive and quick in rendering the service (Prayuhda & Harsanto, 2014). Assurance is the extent to which the service personnel stimulates faith and credence among the customers of the firm (Kandampully, 2007). It is the "employees" knowledge and courtesy and the service provider's ability to inspire trust and confidence" (Zeithaml et al., 2006 p.119). If the customers don't find the service and staff of the company pleasant, the chances of them returning back will be slim (Delgado-Ballester, 2004).

Empathy has to do with the "caring and individualized attention" granted to customers besides the degree of understanding personnel manifests in relation to customer needs (Kandampully, 2007). It has been ascertained to be more desirable and significant in magnifying the quality of service in industries where establishing relationships with customers and clients guarantees survival (Andaleeb & Conway, 2006). The likelihood of clients returning back to a company provided they were given special care and attention is very high (Delgado-Ballester, 2004).

2.4 The hotel industry in Ethiopia

Ethiopia is amongst the African countries that is endowed with the biggest amount of UNESCO World Heritage Sites in Africa. There are a total of 8 sites dispersed throughout the country. This gives it the advantage of building up itself as a home for tourists. Ethiopia's government has emphasized on the expansion of tourism in its development program, PASDEP (Plan for Accelerated and Sustained Development to End Poverty) to hone the prevailing tourism capital as an impelling cause of financial expansion for the entire country. In addition, the late Prime Minister, Meles Zenawi, has stated how big a part tourism expansion plays in lessening penury (Embassy of Japan in Ethiopia, 2008).

Ethiopia is strategically regarded as an essential country in the Horn of Africa for a lot of countries. It is a place where most of the international meetings, conventions and gatherings takes place. This calls for housings and lodgings at a universal quality; and this will continue to grow in the future because huge number of global companies have been endlessly fortifying their establishments and expanding their workforce in Ethiopia (Embassy of Japan in Ethiopia, 2008). New international, franchised and local hotels, restaurants, nightclubs and bars have been inaugurated and functional. International brands and franchises from America, Europe and China and locally standardized hotels are considered to promote the hospitality industry (Aschale, 2013).

The hotel industry has recently become a fast growing industry. The sector incorporates a number of services like accommodation, restaurants, cafes, conference halls and gyms. Records validate that the growth of the hotel sector is directly associated with touring. Likewise, the expansion of the hotel industry in Ethiopia is linked to the growing number of both native and nonnative tourists and travelers (G/Egziabher, 2015). The demand for the industry particularly in a developing country like Ethiopia is related to the tourism sector since the customers of hotels mostly originate from tourists worldwide (Mitiku, 2015). A significant effect has been observed in the growth of the country's foreign relations especially at the time when Menelik II was ruling; by instilling the idea of modernization and bringing in foreign technology and organizations among which hotel is one of them. Expansion of up to date hotels in Ethiopia dates back to the 19th century (G/Egziabher, 2015). Etege Taitu Hotel which was inaugurated in 1898 (E.C.) at the hub of the city, Piazza was the first hotel.

Proceeding 142 new hotel developmental projects in Sub-Saharan Africa (SSA) in 2014, Ethiopia is rated amongst the top 10 largest markets for international hotel chain developments. The hotel industry has been creating a direct economic impact towards countries. In Ethiopia, the industry's contribution to GDP was 4.2% in 2013 and it has rose by 4.5% in 2014 and this figure is predicted to rise by 5% in 2024 (Africa Business, 2015).

3. Methodology

The objective of the study is to determine the impact of service quality on customer satisfaction in the hotel industry of Ethiopia. Primary data was gathered primarily through the use of survey questionnaire. A total of 150 questionnaires were distributed to various hotels on order to be filled out by hotel guests, and out of the total 150 questionnaires 130 were positive and complete which resulted in 86.87% response rate. The selected sample represented a balanced mix of various demographic factors- Gender, age, marital status, nationality, educational qualification, occupation and visit purpose.

In order to ensure the confidentiality of the hotel customers the drop-off and pick-up method of self-administered questionnaire was used. The independent variable in this study was service quality while the dependent variable was customer satisfaction. The **SERVQUAL** Model was used in order to measure service quality which incorporates 5 dimensions namely tangibility, reliability, responsiveness, assurance and empathy. 5 items for each independent variable and 8 items for the dependent variable were used. A 5 point interval Likert scale was used for all the variables with 1 denoting strongly disagree and 5 strongly agree. The data collected was analyzed by making use of SPSS and descriptive analysis like frequency, mean, standard deviation and inferential statistics like the Pearson's correlation and multiple regression were used.

4. Findings

Demographically, out of a total of 130 respondents 50% were male and 50% were female. Regarding the distribution of the age range of respondents, majority of the respondents (31.5%) fall under the category of 36-45 years of age followed by 26.9% of the respondents being under the category of 26-35 years of age. With regards to nationality, while 50.8% of the respondents were foreigners 49.2% were Ethiopians. In addition to that, majority of the respondents (53.8%) were married while 39.2% were currently single. Further, while 40.8% of the respondents have acquired their Bachelor's degree 27.7% of the respondents are with Master's degree and above. Due to the good educational qualification that most

of the respondents have acquired majority of them (56.2%) are also employed and 28.5% are self-employed.

Table 1: Result of descriptive analysis of the dependent variable and independent variables

Variables	Mean	Standard Deviation
Customer satisfaction	3.57	1.05
Tangibles	3.56	1.08
Reliability	3.61	1.11
Responsiveness	3.72	0.98
Assurance	3.52	1.09
Empathy	3.60	1.1

Reliability test was then conducted to ensure the goodness of the variables. The results obtained from the reliability test showed that all the variables had a Cronbach value of greater than 0.9 which according to a research conducted by George & Mallrey (2003) proves that the data are commendable and deemed to be good. Furthermore, Pearson's correlation analysis was conducted in order to examine significant relationship between two quantitative and continuous variables. From the results obtained it can be observed that all the independent variables are commendably correlated with the dependent variable as all of the independent variables are above 80% able to explain the dependent variable customer satisfaction. Of all the independent variables, Assurance had the highest correlation (0.863) with the dependent variable. Table 2 shows result obtained from the Pearson's Correlation analysis.

Table 2: Pearson's Correlation Analysis

		DV_CS	IV1_T	IV2_Rel	IV3_Res	IV4_Asu	IV5_Emp
DV_CS	Pearson Correlation	1	.843**	.850**	.861**	.863**	.832**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	130	130	130	130	130	130
IV1_T	Pearson Correlation	.843**	1	.839**	.780**	.781**	.789**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	130	130	130	130	130	130
IV2_Rel	Pearson Correlation	.850**	.839**	1	.907**	.877**	.816**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	130	130	130	130	130	130
IV3_Res	Pearson Correlation	.861**	.780**	.907**	1	.911**	.828**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	130	130	130	130	130	130
IV4_Asu	Pearson Correlation	.863**	.781**	.877**	.911**	1	.865**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	130	130	130	130	130	130
IV5_Emp	Pearson Correlation	.832**	.789**	.816**	.828**	.865**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	130	130	130	130	130	130

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.914[a]	.835	.829	.45472

a. Predictors: (Constant), IV5_Emp, IV1_T, IV3_Res, IV2_Rel, IV4_Asu

Model summary shows the predicted variances of the variables. From the above model summary, it can be observed that R represents multiple correlation coefficient which has a value of 0.914 stating a high correlation among all the variables. On the other hand, Adjusted R Square shows the value of 0.829 which predicts the variables with over 82.9% variance. It implies that the variables have high impact among each other.

5. Discussion

The results from the study indicated that 3 out of the 5 independent variables have significant impact on the dependent variable customer satisfaction, i.e., tangibility, responsiveness and assurance. Tangibility is about creating a good image in the hearts and minds of customers the first time. A good first impression will result in customers wanting to use the other facilities of the hotels. In contrary, if they are not pleased with what they see the first time, it is unlikely that they will want to stay at the hotel to make use of the other facilities that the hotel provides. So, tangibility plays an important role in satisfying customers. This study proves that the Ethiopian customers feel the same about the tangibility component being important in the way they measure their satisfaction. Responsiveness is the other dimension that customers deem important. The findings from the study revealed that the reason is because guests in Ethiopia emphasized value to the employees of the hotel providing prompt help, being able to cater to guests needs, rendering quick check-in and check-out facilities, their ability to quickly correct mistakes and give special attention to their guests (any citation to support the statement). This indicates that employees' taking action and giving immediate response to any kind of problem the customer faces plays an important role in satisfying the customer because clients praise easy and hurdle free stay by all means.

Assurance was found to have the highest impact on customer satisfaction. The Ethiopian customers get satisfaction from employees' behavior instilling confidence towards them, their knowledge and skills and their polite behavior. The hotel creating a safe and secured feeling is another factor they deem important. Assurance relates to the staff of the hotel. It is whether or not they are skilled and can obtain the trust and credence of clients and also about their problem solving skills. If clients are not in content with the employees, there is a high probability that they will not come back to do more business with the company (Delgado & Ballester, 2004). Guests get delighted when they get solutions to their problems easily. Employees' problem solving skills fall under the assurance dimension. Hence, the high correlation between assurance and customer satisfaction could also be explained by this fact.

Based on the study conducted by Torres & Kline (2013), employees being well educated and the right implementation of their duties is yet another factor guests deem crucial. This relates to the skills and competency they possess and proficiency in the implementation of important work duties. Employees' professionalism is one of the most frequently stated factors in what customers consider important when they measure their satisfaction. These factors have led to the high correlation between assurance and customer satisfaction.

6. Conclusion

The intent of any hotel is to create a customer. By constantly delivering high levels of service quality, customer retention will take place which will in turn result in a loyal customer in the long haul. Overlooking the power of customer satisfaction especially their needs and requirements could wreck the power of customer retention and loyalty. Therefore, hotel managements' biggest challenge lies not just behind attracting customers but also on recognizing customer satisfaction individually. Customers have different expectations and they are different in the way they perceive things. No two customers perceive the same service in the same way and nor do they have the same needs. Thus, there is no one best way of improving service quality in the hotel industry. It all depends on the country where the hotel is located and the culture of the people. Because culture influences the way people perceive things, it is best to study the culture of the people prior to commencing a hotel business and render the service exactly in the way they find it fit and satisfying.

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