

Perceived service quality and customer satisfaction: A study of mid-scale hotel industry in Mysuru

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Abstract

The LODGSERV instrument has been used as an instrument for the estimation of hotel service quality (Knutson, Stevens, Wullaert, and Patton, 1990). This investigation focuses on the dimensionality of the LODGSERV instrument in its application to estimating the service quality of chosen mid-scale hotels located in Mysuru, by the tourists in Mysuru city, Karnataka. This investigation utilized the survey research method to collect data from the guests who have visited chosen mid-scale hotels.

Data collected were analyzed by using statistical techniques such as descriptive analysis, correlation analysis and multiple regression analysis, besides Cronbach's alpha test for reliability.

The study findings have huge implications for hotel managers and administration. This examination can likewise utilize as a tool by the hotel manager to recognise various dimensions of lodging service quality where changes are needed to enhance customers' satisfaction.

Keywords: LODGSERV, Perceived service quality, Customer satisfaction in hotel, Impact analysis.

Introduction

Service quality is a key measure for the accomplishment of a successful hotel business. The higher the impression of service quality, the more likely guests will return to the hotel, spread positive word-of-mouth communication and behavioral intentions (Sim et al., 2006). For a hotel to remain competitive and profitable, it must establish strong customer relationship by proving good service. Service quality is an antecedent to customers' satisfaction, in turn that encourages purchase intentions, builds brand value and can provide hotelier the competitive advantage in the industry (Cronin and Taylor, 1992).

Review of Literature

Perceived Service Quality

Gronroos (1984) defined the perceived quality of a given service as the result of an evaluation process, [in which] the consumer compares his expectations with his perception of the service received and classified these dimensions into two categories:

1. "Functional quality" (service delivery process) and
2. "Technical quality" (what consumers actually receive from the service).

Service Quality Measurement in the Hotel Business

Parasuraman et al. (1988) identified five dimensions in their SERVQUAL model

1. Tangible
2. Reliability
3. Responsiveness
4. Assurance
5. Empathy

Subsequently, several studies reported that the SERVQUAL scale is not universal because the dimensionality of service quality clearly depends on the type of service performed (Carman, 1990;

Babakus and Boller, 1992). Knutson et al. (1990) examined the service quality dimensions and built up a new scale (new set of attributes) of service quality (called "LODGSERV") with five dimensions: Reliability, assurance, responsiveness, tangibles and empathy.

Akan (1995) examined the SERVQUAL models' applicability in the Turkish hospitality industry and recognized seven dimensions namely (1) Courtesy and competence of the personnel (2) communication and transactions (3) Tangibles (4) Knowing and understanding the customer (5) Accuracy and speed of service (6) Solutions to problems (7) Accuracy of hotel reservations.

Customer Satisfaction

In general, satisfaction is a person's feelings of pleasure or disappointment that result from comparing a product or service's perceived performance (or outcome) to their actual expectations (Hoffman and Bateson, 2010).

2.4 Relationship between Perceived Service Quality and Customer Satisfaction

Lately, awareness about spending and value for money has led customers to demand high-quality goods and services which would meet their satisfaction. Hence, when customers visit a mid-scale (3 star) hotel, they are willing to make a lucrative payment in return for high service quality and experience which they can share. Hence, mid-scale hotel must make a continuous effort to ensure that they serve and surpass customer expectations through versatile efforts. Service quality is an important factor and an organization needs to ensure that customers' satisfaction is met at all times (Yee et al., 2010). There are various researchers who found that service quality has a positive relationship with customer satisfaction (Yee et al., 2010). Nonetheless, this relationship is not fully understood and more research in this area from different perspective is

also dessential to develop the current body of knowledge (P antouvakis & Bouranta, 2013).

Research Design

Proposed Research Model: This study is approached with the use of the proposed model. (Refer to Fig. 1).

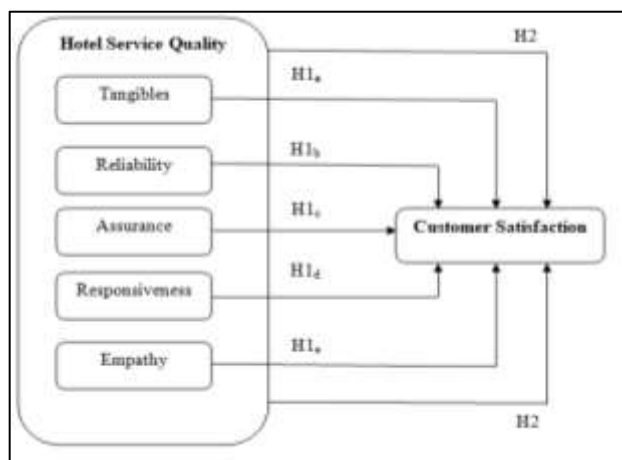


Fig. 1: Proposed research model

Objectives of the Study

Based on the proposed research model, the objectives of the study are:

1. To study the relationship between service quality (LODGSERV) dimensions (*Tangibles, Reliability, Responsiveness, Assurance, Empathy*) and customer satisfaction.
2. To measure the impact of overall perceived service quality on the customer satisfaction.

Methodology

Both primary research and secondary research (literature review) are followed for this study to achieve these objectives. The target group for the primary survey research is the guests visited the mid-scale hotels situated in Mysuru city, Karnataka, India. A total sample of 250 respondents is covered for this study from five major hotels in Mysuru. A structured questionnaire was used to collect the data and it has three sections. The first section of the questionnaire covered the demographic profile of the guests, the second section covered attributes related to the hotels’ service quality (LODGSERV), and the third section is related to customers’ satisfaction. The attributes are of five point Likert Scale type (1 = Strongly Disagree, 5= Strongly Agree).

This study was conducted during the period from January to April 2018. Random sampling technique was used for gathering data from the guests who were above 18 years of age and had stayed for minimum one night at chosen mid-scale hotels. In order to build the rate of co-operation, guests were clarified with the purpose of the study.

Proposed Hypotheses

The following hypotheses were formulated for this study.

Hypothesis 1: There is a significant impact by the dimensions of perceived service quality (LODGSERV) on customers’ satisfaction.

This has been further split into the following sub-hypotheses.

H1a: The perceived Tangible dimension of service quality has a significant impact on customers’ satisfaction.

H1b: The perceived Reliability dimension of service quality has a significant impact on customers’ satisfaction.

H1c: The perceived Responsiveness dimension of service quality has a significant impact on customers’ satisfaction.

H1d: The perceived Assurance dimension of service quality has a significant impact on customers’ satisfaction.

H1e: The perceived Empathy dimension of service quality has a significant impact on customers’ satisfaction.

Hypothesis 2: There is a significant impact by the overall perceived service quality (LODGSERV) on customers’ satisfaction.

Reliability of the Instrument

Data reliability checks were performed using Cronbach’s Alpha Test, which is used to establish internal consistency. For this test, the attributes under service quality assessment and satisfaction were considered. If the Cronbach’s Alpha value is more than 0.60, it is considered as the reliability is good.

Table 1: Cronbach’s alpha test results: all the attributes

Cronbach’s Alpha	N of Items (variables selected)
0.84	32

The Cronbach’s alpha value is high at 0.84, hence it is concluded that the internal consistency and reliability of data are very good.

Data Analysis and Results

Demographics Profile of Guests

A total of 266 guests were approached, where 250 completed the questionnaire showing a response rate of 93%. Amongst these 266 responses, 16 were considered invalid because of missing data or unengaged responses. The remaining 250 responses are used for further data analysis. Out of these 250 respondents 63% were male, whereas 37% female. About 21% were below 25 years of age, 32% were between 26 and 40 years, 38% were between the ages of 41 and 55 years and 9% were older than 55 years. The important levels of educational qualification among the guests were post-graduation and professionals which constituted 45% and 32% of the total respondents, respectively. Around 48% of the respondents earn between Rs. 60,001 and Rs. 75,000 as monthly income.

Descriptive Analysis on Attributes

Across the attributes, except a few, considerable portion of respondents have rated ‘Agree’ or ‘Strongly Agree’, as

the averages are just round 4 here with a standard deviation within 1. The skewness values are within -1 to +1, with less than 0.5 in many cases, explain that the data variables follow the normality assumption approximately. For further analysis and hypothesis testing, five new variables are defined as below. These are the service quality dimension variables.

1. Tangibles: Average value of ratings given for the attributes in ‘Tangibles’ section.
2. Reliability: Average value of ratings given for the attributes in ‘Reliability’ section.
3. Responsiveness: Average value of ratings for the attributes in ‘Responsiveness’ section.
4. Assurance: Average value of ratings given for the attributes in ‘Assurance’ section.
5. Empathy: Average value of ratings given for the attributes under ‘Empathy’ section.

Under, satisfaction, overall level satisfaction experienced has been considered for the analysis.

Objective 1 & Hypothesis Testing 1

Objective 1: To study the relationship between service quality (LODGSERV) dimensions (*Tangibles, reliability, responsiveness, assurance, empathy*) and customers’ satisfaction.

Correlation Analysis Results

The following results indicate that the five dimensions are significantly (at alpha=0.05, 95% CI) and positively related with Overall satisfaction with service experienced.

‘Assurance’ has the large impact (correlation coefficient =0.752) on the overall satisfaction level, ‘Reliability’ has the second largest impact (correlation coefficient=0.731) followed by ‘Tangibles’ with a correlation coefficient 0.612. Responsiveness and Empathy have low impact on the overall satisfaction level.

A multiple correlation analysis (Table 3) results show that there exists a moderate, positive and significant relationship among the five service quality dimensions. It is observed that ‘Assurance’ has correlations i.e. 0.55 with Tangibles and 0.50 with Reliability. Other cases, it is a moderate level of correlation seen.

Table 2: Descriptive analysis results: dimensions

Dimensions	N	Mean	Std. Deviation
Tangible	250	4.049	0.563
Reliability	250	4.042	0.664
Responsiveness	250	3.945	0.778
Assurance	250	4.104	0.611
Empathy	250	4.010	0.570
Overall Satisfaction	250	4.300	0.740

Table 3: Correlation analysis: within service quality dimensions

Dimensions		Tangibles	Reliability	Responsiveness	Assurance	Empathy	Overall, I was satisfied with the service
Tangibles	Pearson Correlation	1	0.501	0.505	0.551	0.501	0.612
	Sig. (2-tailed)		0.0001	0.0001	0.0001	0.0001	0.001
Reliability	Pearson Correlation		1	0.509	0.500	0.345	0.731
	Sig. (2-tailed)			0.0001	0.0001	0.0001	0.001
Responsiveness	Pearson Correlation			1	0.506	0.235	0.490
	Sig. (2-tailed)				0.0001	0.0001	0.001
Assurance	Pearson Correlation				1	0.502	0.752
	Sig. (2-tailed)					0.0001	0.001
Empathy	Pearson Correlation					1	0.317
	Sig. (2-tailed)					-	0.001

It is concluded that there exists a considerable level of relationship among the five service quality dimensions and overall satisfaction level.

Hypothesis 1: Multiple Regression Analysis Results (Individual dimensions)

The correlation showed that the five dimensions have significant and positive impact on the overall satisfaction level. This is further examined using a linear regression analysis, to understand the extent of impact of each dimension.

Hypothesis 1: There is a significant impact by the dimensions of perceived service quality (LODGSERV) on customers' satisfaction.

H1a: The perceived Tangible dimension of service quality has significant impact on customers' satisfaction.

H1b: The perceived Reliability dimension of service quality has significant impact on customers' satisfaction.

H1c: The perceived Responsiveness dimension of service quality has significant impact on customers' satisfaction.

H1d: The perceived Assurance dimension of service quality has significant impact on customers' satisfaction.

H1e: The perceived Empathy dimension of service quality has significant impact on customers' satisfaction.

All these hypotheses are tested with $\alpha=0.05$ and confidence interval=95%. The data set satisfies the assumption on sample requirement for regression ($N=250$) and normality of variables under consideration.

H1a: The perceived Tangible dimension of service quality has significant impact on customers' satisfaction.

R-Square is the proportion of variance in the dependent variable (Overall Satisfaction) which can be predicted from the independent variable (Tangibles). R-Square=0.374 indicates that 37.4% of the variance in 'Overall Satisfaction' can be predicted by 'Tangibles' variable. In ANOVA, the p value= 0.0001 (<0.05) indicates that 'Tangibles' variable really contributes to the overall satisfaction. The Beta coefficient for 'Tangibles' indicates that for every additional unit increase in 'Tangibles' will result in increase in overall satisfaction with 0.807. It is also significant as the significant value is 0.0001, which is less than 0.05. Also, the t -value is comparatively high at 12.17, which implies that 'Tangibles' contributes significantly to the overall satisfaction.

Conclusion: The perceived Tangible dimension of service quality has significant impact on customers' satisfaction.

H1b: The perceived Reliability dimension of service quality has significant impact on customers' satisfaction.

From the analysis it is observed that R-Square=0.534 indicates that 53.4% of the variance in 'Overall Satisfaction' can be predicted by 'Reliability' variable. In ANOVA, the p value = 0.0001 (<0.05) indicates that 'Reliability' variable really contributes to the overall satisfaction. The Beta coefficient for 'Reliability' indicates that for every additional unit increase in 'Reliability' will result in increase in overall satisfaction with 0.819. It is also significant at 5% alpha level. Also, the t -value is

comparatively high at 16.87, which implies that 'Reliability' contributes significantly to the overall satisfaction.

Conclusion: The perceived Reliability dimension of service quality has significant impact on customers' satisfaction.

H1c: The perceived Responsiveness dimension of service quality has significant impact on customers' satisfaction.

From the analysis it is observed that R-Square=0.240 indicates that only 24% of the variance in 'Overall Satisfaction' can be explained by 'Responsiveness' variable. This is not effectively contributing to overall satisfaction. The Beta coefficient for 'Responsiveness' indicates that for every additional unit increase in 'Responsiveness' will result in increase in overall satisfaction with 0.469. It is also significant at $\alpha=0.05$. The t -value is comparatively lower. This indicates that 'Responsiveness' contributes significantly, but at moderate level to the overall satisfaction.

Conclusion: The perceived Responsiveness dimension of service quality has significant but moderate impact on customers' satisfaction.

H1d: The perceived Assurance dimension of service quality has significant impact on customers' satisfaction.

From the analysis, it is observed that R-Square=0.566 indicates that around 57% of the variance in 'Overall Satisfaction' can be predicted by 'Assurance' variable. The Beta coefficient for 'Assurance' indicates that for every additional unit increase in 'Assurance' will result in increase in overall satisfaction with 0.916. It is also significant at $\alpha=0.05$. The t -value is comparatively higher (17.992). This indicates that 'Assurance' contributes significantly to the overall satisfaction.

Conclusion: The perceived Assurance dimension of service quality has significant impact on customers' satisfaction.

H1e: The perceived Empathy dimension of service quality has significant impact on customers' satisfaction.

From the analysis it is observed that R-Square=0.101 indicates that only around 10% of the variance in 'Overall Satisfaction' can be predicted by 'Empathy' variable. The Empathy does not effectively contributing towards overall satisfaction. The Beta coefficient for 'Empathy' indicates that for every additional unit increase in 'Empathy' will result in increase in overall satisfaction with 0.414. It is also significant at $\alpha=0.05$. The t -value is comparatively lower (5.27 <8.307). This indicates that 'Empathy' contributes significantly to the overall satisfaction.

Conclusion: The perceived Empathy dimension of service quality has significant and lesser impact on customers' satisfaction.

Hypothesis 1: Multiple Regression Analysis Results (All 5 dimensions)

It is further examined by considering all the five dimensions together and analyzing their contribution towards overall satisfaction level.

Table 4: Model summary: All 5 service quality dimensions

Model		Unstandardized Coefficients		t	Sig.
1	(Constant)	1.014	0.225	4.516	0.0001
	Tangibles	-0.737	0.155	-4.752	0.0001
	Reliability	0.839	0.131	6.421	0.0001
	Responsiveness	-0.388	0.077	-5.038	0.0001
	Assurance	1.108	0.155	7.167	0.0001
	Empathy	-0.018	0.065	-0.279	0.7805

From the analysis it is observed that R-Square is the proportion of variance in the dependent variable (Overall Satisfaction) which can be predicted from the independent variables (five dimensions). R-Square=0.688 means that 68.8% of the variance in ‘Overall Satisfaction’ can be predicted by these five dimensions. In ANOVA, the p value= 0.0001 (<0.05) indicates that all the five dimensions really contribute to the overall satisfaction. It is observed that all the dimension except ‘Empathy’ have significant (sig value < 0.05) impact on the overall satisfaction. ‘Assurance’ and ‘Reliability’ are the key drivers of overall satisfaction level, with beta coefficients 1.108 and 0.839 respectively. These two have positive higher t-values (7.167 and 6.421) The dimension ‘Tangibles’ also has major contribution towards overall satisfaction, in a negative way, means any tangible attributes will pull down the overall satisfaction level, if not performed well. Responsiveness dimension contributes moderately, however it will also pull down the satisfaction level. Empathy dimension has a very low and insignificant impact on the overall satisfaction. The hotel industries need to improve aspects under Responsiveness and Empathy to ensure higher satisfaction levels in the future.

Conclusion: It is concluded that the dimensions Assurance and Reliability are the major contributors towards the overall satisfaction level.

Overall Conclusion: Objective 1 and Hypothesis 1

Using correlation and regression analyses, it is concluded that ‘Assurance’ has large impact on the overall satisfaction level, ‘Reliability’ has the second largest impact (correlation) followed by ‘Tangibles’. Responsiveness and Empathy have low impact on the overall satisfaction level. It is also further concluded that that ‘Assurance’ and ‘Reliability’ are the major contributors towards the overall satisfaction level.

Objective 2 and Hypothesis 2

Objective 2: To measure the impact of overall perceived service quality on the customers’ satisfaction.

Hypothesis 2: There is a significant impact by the overall perceived service quality (LODGSERV) on customers’ satisfaction

‘Overall perceived service quality’ is arrived by averaging all the individual attributes of those five dimensions. A multiple correlation analysis is used to study the impact of overall perceived service quality on the customer’s satisfaction.

Overall Service Quality		Overall, I was satisfied with the service I experienced.
Overall Service Quality	Pearson Correlation	0.692
	Sig. (2-tailed)	0.0001

The correlation analysis indicates that there exists a strong, positive and significant relationship exists between overall service quality and overall satisfaction level. Any unit of change in overall service quality will impact 69% in overall satisfaction level.

Discussion

It is a well-known fact the customer satisfaction leads to repeated visits and recommendation of service to others. This research concludes that the five dimensions of service quality have significant positive impact on the overall satisfaction of the visitors. It implies that the hotels contacted in this study provides better service, ambience, food etc. to attract the customers and maintain their status quo, as Mysuru is one of major city of tourists’ interest. There are certain elements like ‘Assurance’ and ‘Empathy’ in which the hotels need to understand the gaps and improve them as well to win over the competition in the hotel industry in Mysuru.

Managerial Implications

Continuous efforts related to improving the dimensions of service quality on service performance would create a good platform for the organization in improving their customer service and preserve customers’ satisfaction. The vibrant feature of service quality requires hoteliers to become more flexible and vigilant in meeting customers’ expectations. Although, this strategy is challenging, but if it is properly executed, it will bear fruit and increase profitability of the hotels therefore, hoteliers cannot take their service quality performance lightly and should make continuous efforts to identify ways to improve their service quality through customer feedback and learning from their competitors.

Limitations of the Study and Scope for Future Research

The study made some significant contribution in determining the relationship between perceived service quality and customers’ satisfaction in mid-scale hotels in Mysuru and since the study was based on the selected mid-scale hotels around Mysuru results cannot be generalized for the entire hotel industry in Mysuru. In addition since this was a cross sectional study conducted from January to April

2018 it only illustrates a snapshot of time. This is a correlation study and readers may exercise caution while interpreting its results.

Further research can extend the current body of knowledge through research in different cultures and organizations. Moreover, future research could also look into other factors such as social climate, policies, or brand affiliations that could lead to higher delivery of service quality. Brand affiliation may impact guest expectations relative to service quality (Rauch, Collins, Nale, & Barr, 2015). Also, social climate could have a negative impact on customers' satisfaction (Dedeoglu & Demirer, 2015).

Conflict of Interest: None.

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