Concepts of service quality measurement in hotel industry
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ABSTRACT
All businesses whose service depends on building long term relationship need to concentrate on maintaining customer’s loyalty. In this respect, loyalty is greatly influenced by service quality. As such, hotels often invest in managing their relationships with customers and maintaining quality to ensure that customers whose loyalty is in the short term will continue to be loyal in the long term. The growth in hotels is well anticipated as evident in the researches and analyses conducted by experts and relevant organizations in this industry. In this paper the author trying to sort out the impact of service quality on customer loyalty in the Hotel Industry.

Key words: Service Quality, Customer loyalty, Customer satisfaction, Service mix

1. Introduction

The study of service quality is a crucial strategy for success and survival in today’s competitive environment (Fynes and Voss 2001), and contributes to the long-term profits of a business (Scheneider and Chung 1996). Service quality and customer loyalty have also been of great interest to hotel researchers the main responsibility of hoteliers is the delivery of quality service to customers (Su 2004). Choi and Chu (2001) suggesting that to be successful in the industry hoteliers must provide customers with service satisfaction.

The hotel industry recognizes that superior quality in services is one of the crucial factors within its control that can add value to its service, and increase customer loyalty. Enhancing the quality of services at all levels of service delivery therefore has therefore become mandatory for organizational survival, irrespective of the changes that might occur inside of outside the firm. Together with customer’s loyalty, quality is an equally important factor and may lead to the success of the hotel business. Kandampully has emphasized that quality will steer hotel firms to successfully encounter the competitive challenges of the future.

1.1 Service quality

Recent studies suggested that organizations should identify targeted customers and develop skills and commitment in order to meet customer expectation and requirements (e.g. see Edvardsson et al., 1994; Stuart and Tax, 1996; Wong et al., 1999). Those who provide customers with quality services can have a stronger competitive position in\today's dynamic marketplace. The hotel and restaurant industry is a demanding sector that stresses the provision of high-level customer service and continuous quality improvement.
1.2 Quality service attributes in hotel industry

Terziovski and Dean (1998) define quality as the fitness to use and the conformance to specifications and requirements. Performance, features, conformance, aesthetics, reliability, durability, serviceability, and perceived quality are regarded as the common attributes of service quality (Garvin, 1987). Parasuraman et al. (1990) suggest a five-dimension framework of service quality that encompasses tangibles, reliability, responsiveness, assurance and empathy to analyze service quality. Besides, GroEnroos (1990) also argues there are six elements in recognizing the perceived value of customer services.

<table>
<thead>
<tr>
<th>Five dimensions of service quality</th>
<th>Six elements of customer services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Tangibles- The provision of physical facilities, equipment and appearance</td>
<td>1. Professionalism and Skills- the service provider should have the knowledge and skills to solve the customers problem.</td>
</tr>
<tr>
<td>2. Reliability-The ability to perform promised service dependably and accurately.</td>
<td>2. Attitudes and behavior – the service provider solves customer’s problem in a friendly way.</td>
</tr>
<tr>
<td>3. Responsiveness – The willingness to help customers and to provide prompt service.</td>
<td>3. Accessibility &amp; flexibility –the service system is easy to access to the demands of the customer in a friendly way.</td>
</tr>
<tr>
<td>4. Assurance – The knowledge and courtesy of employees and their ability to inspire trust and confidence.</td>
<td>4. Reliability and Trustworthiness – the service provider can keep promise in the service</td>
</tr>
<tr>
<td>5. Empathy – The caring and attention provided to customers.</td>
<td>5. Recovery – the service provider can take immediate action to control anything that goes wrong.</td>
</tr>
<tr>
<td>6. Reputations and Creditability – The customer can trust the service providers.</td>
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</tbody>
</table>

* Sources Paruraman et al (1990) & Gronroos (1990)

An excerpt of these dimensions and elements is given in Table 1. The expectation of prices, value and satisfaction would often determine a customer's decisions of a product or service (Scheuing and Christopher, 1993; Stuart and Tax, 1996). Edvardsson et al. (1994) argue that a service itself should fulfill the requirements of both internal and external customers and through continuous improvement of the process to achieve productivity and quality excellence. Wilkerson (1997) adds that the performance of the process characteristics will drive the quality characteristics. Whether a service meets customer expectation is often subjectively judged (Ingram and Daskalakis, 1999). It is thus important for service providers to integrate customer expectations into a quality improvement process, and to consider the cause-and-effect relationship among the results of these measures.
The delivery of quality services is not only concerned with the nature of services, but also with the organizational wide commitment and involvement. The determinants of service quality are complicated with the dynamic business environments. Despite the governance of laws and regulations (e.g. truth-in-menu laws, laws requiring non-smoking sections in public dining areas, sanitary regulations, third-party liability, liquor and other relevant laws), there are several other factors that may determine the modes of operation and the quality management practices in restaurants. For instance, people not only buy meals, but also buy their experiences (e.g. fun, service, ambience, entertainment and memories) in restaurants. Shock and Stefanelli (1992) advocate the marketing-mix concepts for the design and planning of restaurant services.

The concepts address the place, the products and services offered, the prices charged, and the promotion policies and procedures of the restaurant operations (see Table 2).

### Table 2: Marketing mix decisions of restaurant operators

<table>
<thead>
<tr>
<th>Marketing Mix Decisions</th>
<th>characteristics of Restaurant operators</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Place consideration</td>
<td>This refer to the location and the type of environment such as sanitation, decoration, cleanliness, decoration &amp; view.</td>
</tr>
<tr>
<td>2. Product / Service considerations</td>
<td>The hospitality and service products are more versatile than other industries. They serve as a competitive edge by providing number of menus, meal service, styles and other ancillary services</td>
</tr>
<tr>
<td>3. Pricing considerations</td>
<td>It is important to ensure the competitive and profitable prices. Food costs fluctuate and undergo seasonal changes. Appropriate pricing must be charged to cover both fixed and variable costs, and leave a fair profit.</td>
</tr>
<tr>
<td>4. Promotion considerations</td>
<td>There are several promotion methods and systems to attract potential customers. Sales brouchers act as an invitation to the potential clients. Direct mail can be personalized to target audiences. In addition, word of mouth advertising is another effective means.</td>
</tr>
</tbody>
</table>

### 1.3 Hotel industry – customer loyalty

Hotels get nearly half of their revenues from the small segment of travelers who spend about a month each year on the road: frequent visitors make up only 10 percent of all hotel guests but account for 44 percent of hotel nights. In the early 1980s, hotel chains began to recognize the value of such customers by introducing loyalty programs patterned on the airlines' frequent-flier model. These programs have succeeded in maintaining the loyalty of people who travel moderately often (spending 6 to 22 nights a year in hotels) but are not as effective
as they might be with other segments, our research suggests. In general, frequent travelers belong to more than one program, spend less than half of their nights on the road in their favorite chains, and spread the rest around to other establishments

1.4 Customer loyalty

There are three distinctive approaches to measure customer loyalty:

1. Behavioral measurement;
2. Attitudinal measurement; and
3. Composite measurements.

The behavioral measurements consider consistent, repetitious purchase behavior as an indicator of loyalty. One problem with the behavioral approach is that repeat purchases are not always the result of a psychological commitment toward the brand (TePeci, 1999). For example, a traveler may stay at a hotel because it is the most convenient location. When a new hotel opens across the street, they switch because the new hotel offers better value. Thus, repeat purchase does not always mean commitment. Attitudinal measurements use attitudinal data to reflect the emotional and psychological attachment inherent in loyalty.

The attitudinal measurements are concerned with the sense of loyalty, engagement and allegiance. There are instances when a customer holds a favorable attitude toward a hotel, but he/she does not stay at the hotel (Toh et al., 1993). A guest could hold a hotel in high regard, recommend the hotel to others, but feel the hotel was too expensive for him/her to use on a regular basis. The above approaches measure loyalty uni-dimensionally.

The third approach, composite measurements of loyalty, combine the first two dimensions and measure loyalty by customers’ product preferences, propensity of brand-switching, frequency of purchase, recency of purchase and total amount of purchase (Pritchard and Howard, 1997; Hunter, 1998; Wong et al., 1999). The use of both attitude and behavior in a loyalty definition substantially increases the predictive power of loyalty (Pritchard and Howard, 1997). The two-dimensional composite measurement approach has been applied and supported as a valuable tool to understand customer loyalty in several fields, such as retailing, recreation, upscale hotels and airlines (Day, 1969; Jacoby and Kyner, 1973; Backman and Crompton, 1991; Pritchard et al., 1992; Pritchard and Howard, 1997).

1.5 Impact of service quality

Through the use of the SERVQUAL has led on to suggest the existence of specific and considerable service quality gaps which unless redressed would have serious consequences for the future Success of the hotel industry

1.5.1 Gap 1 – The positioning gap

This gap may be defined as the difference between what customers expect and what management perceives they expect. This is critical as such failure by management to interpret customer desires accurately can result in loss of business and possible bankruptcy for some.

1.5.2 Gap 2 – The specification gap
Gap 2 is acknowledged as the difference between what management believes customers want and what they ask the organization to deliver. Even if management ascertain customer expectations correctly, they face the challenge of trying to convert this information into appropriate service standards, which often involves re-training, re-vamping delivery techniques and/or purchasing new labor saving equipment.

1.5.3 Gap 3 – The delivery gap

A service-performance mismatch often occurs when the service delivered by employees does not comply with specifications set by management. The hospitality industry is particularly susceptible to a broad Gap 3. Being highly labor intensive there is great mercurially in all human interactions, thus quality of service lies at the door of the providers and the amount of effort they assert in willingness to deliver service excellence. Gap 3 alleges that retaining service quality does not only hinge on establishing appropriate service standards but also depends on maintaining a workforce of people both willing and able to perform the service at the specified levels.

1.5.4 Gap 4 – The communication gap

The fourth service quality discrepancy emerges when externally communicated promises from advertising campaigns, public relations exercises or marketing promotions are exaggerated. Customers experience disappointment when the actual service delivery does not meet their expectations based on what they had been led to believe.

1.6 Prescriptions for closing Service GAPS and enhancing loyalty

1.6.1 Gap 1 Prescription: Learn what customer Expect

1. Increase direct interactions between managers and customers to improve understanding
2. Improve upward communication from contact personnel to management and reduce number of levels between the two
3. Turn information and insights into action

1.6.2 Gap 2 Prescription: Establish the right service quality standards

1. Ensure that top management displays ongoing commitment to quality as defined from the customer's point of view
2. Get middle management to set, communicate, and reinforce customer-oriented service standards for their work units
3. Train managers in the skills needed to lead employees to deliver quality service
4. Establish clear service quality goals that are challenging, realistic, and explicitly designed to meet customer expectations.
5. Clarify to employees which tasks have the biggest impact on quality and should receive the highest priority.
6. Ensure that employees understand and accept goals and priorities
7. Measure performance and provide regular feedback
8. Reward managers and employees for attaining quality goals.

1.6.3 Gap 3 Prescription: Ensure that service performance meets standards - Clarify employee roles

1. Ensure that all employees understand how their jobs contribute to customer satisfaction
2. Match employees to jobs by selecting for the abilities and skills needed to perform each job well
3. Provide employees with the technical training needed to perform their assigned tasks effectively
4. Develop innovative recruitment and retention methods to attract the best people and build loyalty
5. Enhance employee performance by selecting the most appropriate and reliable technology and equipment
6. Teach employees about customer expectations, perceptions, and problems
7. Train employees interpersonal skills, especially for dealing with customers under stressful conditions

1.6.4 Gap 4 Prescription: Ensure that delivery matches promises

1. Seek inputs from operations personnel when new advertising programmes are being created
2. Develop advertising that features real employees performing their jobs
3. Allow service providers to preview advertisements before customers are exposed to them Get sales staff to involve operations staff in face-to-face meetings with customers Develop internal education, motivational, and advertising campaigns to strengthen links between marketing, operations, and human resource departments
4. Ensure that consistent standards of service are delivered across multiple locations
5. Ensure that advertising content accurately reflects those service characteristics that are most important to customers in their encounters with the organization
6. Manage customers' expectations by letting them know what is and is not possible - and the reasons why
7. Identify and explain uncontrollable reasons for shortcomings in service performance
8. Offer customers different levels of service at different prices, explaining the differences between these levels.

2. Research methodology

A pre-test of the questionnaire was conducted prior to the actual survey to enable the alteration of the measurement scales and the checking for any unclear questions. The pre-test was conducted among 20 consumers a hotel in Madurai District. Based on the pretest, necessary modifications were done in the questionnaire and distributed to five hotels of Madurai District. Survey questionnaires were in local language (Tamil). The questionnaires were used to collect the respondent’s geographic details, Socio economic conditions and
service quality of the hotels. The data were collected from 272 respondents in the five hotels (Hotel Northgate-1, Hotel Sangam-2, Royal Court-3, Madurai Residency-4, The Golden Park-5). Before starting the interview, the purpose of the study was explained and their fullest cooperation is requested to fill up the questionnaire.

Table 1: SERVQUAL gap of five Hotels

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Expectation (SERVEXP scale)</th>
<th>Perception (SERVPERC scale)</th>
<th>SERVQUAL Gap= Perception-Expectation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibles</td>
<td>4.12</td>
<td>4.23</td>
<td>-0.11</td>
</tr>
<tr>
<td>Reliability</td>
<td>4.18</td>
<td>4.47</td>
<td>-0.29</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>4.08</td>
<td>4.70</td>
<td>-0.62</td>
</tr>
<tr>
<td>Assurance</td>
<td>4.10</td>
<td>4.24</td>
<td>-0.14</td>
</tr>
<tr>
<td>Empathy</td>
<td>4.01</td>
<td>4.71</td>
<td>-0.70</td>
</tr>
<tr>
<td><strong>Total Servqual Gap</strong></td>
<td>4.098</td>
<td>4.470</td>
<td><strong>-0.372</strong></td>
</tr>
</tbody>
</table>

The SERVQUAL gap was calculated. The wider the gap, the greater the difference between expectations and perception. Rating scale from 5 to 1, where 5 represents the highest rating and 1 the lowest. The higher the rating, the greater the expectation and the perception. Table 1. Shows that the average ratings for expectations are higher than the average perception ratings in all dimensions of service quality. This results in a negative total SERVQUAL gap. The widest gaps are those in the dimensions of “Empathy” (-0.70) and “Responsiveness” (-0.62). Hotel guests are more satisfied with the response of the hotel personnel, therefore the gap in the dimension of Tangibles and assurance are (-0.11) and (-0.14) respectively. The results of the quantitative application of the SERVQUAL model in Madurai hotel industry show that the expectations of hotel guests are higher than their perception. This proves the existence of a negative SERVQUAL gap.

Table 2: Expectations in Five hotel industry

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Hotel 1</th>
<th>Hotel 2</th>
<th>Hotel 3</th>
<th>Hotel 4</th>
<th>Hotel 5</th>
<th>ALL Hotels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample Size</td>
<td>55</td>
<td>64</td>
<td>41</td>
<td>52</td>
<td>60</td>
<td>272</td>
</tr>
<tr>
<td>Tangibles</td>
<td>4.23</td>
<td>4.36</td>
<td>3.89</td>
<td>4.6</td>
<td>4.51</td>
<td>4.32</td>
</tr>
<tr>
<td>Reliability</td>
<td>4.15</td>
<td>4.54</td>
<td>4.31</td>
<td>4.44</td>
<td>4.61</td>
<td>4.41</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>3.98</td>
<td>3.87</td>
<td>4.16</td>
<td>4.24</td>
<td>4.3</td>
<td>4.11</td>
</tr>
<tr>
<td>Assurance</td>
<td>4.4</td>
<td>4.46</td>
<td>3.9</td>
<td>4.1</td>
<td>4.27</td>
<td>4.23</td>
</tr>
<tr>
<td>Empathy</td>
<td>4.22</td>
<td>4.36</td>
<td>3.9</td>
<td>4.63</td>
<td>3.67</td>
<td>4.15</td>
</tr>
</tbody>
</table>

Table 2 shows the results of the expectation of service quality in the Madurai hotel Industry. It is visible that guests from different places have the highest total expectations. Research shows that the expectations of hotel guests, in the observed period, were much higher than the results of research shown in table 1. Compared to clients in other services, “reliability”
and “Tangible” service is important to all hotel guests. So hotel managers and staff in Madurai hotels should understand that the expectations of the guests are high in all aspects.

3. Conclusion

The goal of any hotel is to “create a customer” and by consistently delivering high levels of service quality, customer retention will occur leading to the long term goal of customer loyalty. Monitoring customer loyalty has become an important focus for all managers in the hotel industry. Failure to recognize the power of customer satisfaction, especially their emotions, could destroy the power of customer retention and loyalty. Therefore, the hotel management’s greatest challenge lies not only on attracting customers but specifically on identifying customer satisfaction individually. Customers may agree that the hotel provides high levels of service quality but not necessarily agree that the hotel ensures high satisfaction. If prices are perceived to be high, this may still have a negative effect on loyalty. Higher levels of quality are only meaningful to the extent that customers believe that value is being enhanced. Therefore, managers must carefully execute price competition and understand the value perceived by different market segments. Customers may sometimes refrain from purchasing when the room tariff is perceived to be too high, while some became suspicious of quality when tariff is too low. In summary, understanding the relationship among service quality and loyalty will help managers make decision and plan their strategies in the competitive hospitality market environment. The results of the quantitative application of SERVQUAL instrument show that this result can provide managers with useful information for the assessment of expectations and perception of hotel guests, with the aim of learning about gaps in individual service quality dimensions.

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