THE EFFECT OF SERVICE QUALITY ON CUSTOMER SATISFACTION IN THE HOSPITALITY INDUSTRY IN KENYA –A CASE STUDY OF LAKE BOGORIA SPA RESORT

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DECLARATION

This research project is my original work and has not been presented for Examination in any other University.

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This research project has been submitted for examination with my approval as University Supervisor.

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DEDICATION

This study is dedicated to the management and staff of Lake Bogoria Spa Resort for their tireless effort in ensuring that this project became successful. Special dedication goes to Hillary .

I also dedicate it to my family and God.

ABSTRACT

In the wake of globalization, every sector in the economy is now facing new challenges, the greatest of which is has to contend with new competition emanating from various countries across the globe. The tourism sector, which is strongly linked to hospitality sector, is one of the industries which have been strongly affected by globalization. Thus with the increasing competition rises the need for strategies to create a competitive edge. The objective of this study is to examine the influence of service quality on customer satisfaction. The study utilizes a mixed methods approach where data is collected in two phases: the first phase is qualitative and exploratory in nature and utilizes an interview guide to collect the data. The data collected from phase 1 is then processed and used to create a structured questionnaire for phase two of the data collection. The first phase yielded five key variables for service quality namely: tangibles, reliability, responsiveness, assurance and empathy. These variables were then sent back to the respondents to rate multiple items under each variable on a five point likert scale. The resulting data was analyzed using descriptive statistics and Pearson correlation analysis. From the data analysis, it was found that service quality of the hotel was highly rated by the respondents. Each of the five major variables of service quality had a rating above 4 in the five point likert scale. This showed that the hotel was performing well in terms of quality of services offered. It was also found that service quality (as measured by each of the five variables) had a very strong correlation with customer satisfaction. Thus the study concluded that service quality has a very strong positive relationship with customer satisfaction. The study recommends that the hotel industry should pursue a more rigorous approach to fighting competition. It also recommends that the hotel should pay closer attention to service quality as it has a huge influence on customer satisfaction. The study

was limited in a number of ways. The key limitation was with regard to the population base of the study which was only Lake Bogoria SPA Resort. The fact that the study was based only on a single hotel could make the generalization of findings to the hotel industry in Kenya difficult. The second limitation had to do with the fact that the study did not compare the views of the employees on service quality with those of customers to establish whether there are any gaps. Thus from the limitations, it was recommended that future studies should base their research on a more inclusive population base that covers all hotel segments in Kenya. Additionally, it was recommended that future studies should attempt to establish the gap between employee perceptions and customer perceptions of service quality.

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Abbreviations

GDP – Gross Domestic Product

KNBS – Kenya National Bureau of Statistics

CS – Customer Satisfaction

SQ – Service Quality

JKIA – Jomo Kenyatta International Airport

NHIF – National Hospital Insurance Fund

SERVQUAL – Service Quality model (attributed to Parasuraman et al. (1988)

KAHC – Kenya Association of Hotelkeepers and Caterers

ICTs – Information and Communication Technologies

ILO – International Labor Organization

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Globalization of markets is one of the most fascinating developments of this century. Its impact on economic transactions, processes, institutions, and players is dramatic and wide ranging. It challenges established norms and behavior and requires different mindsets. Yet, it creates opportunities for the well prepared participants who can be proactive and visionary (Neary, 2003).

Globalization of markets involves the growing interdependency among the economies of the world; multinational nature of sourcing, manufacturing, trading, and investment activities; increasing frequency of cross-border transactions and financing; and heightened intensity of competition among a larger number of players. This phenomenon has been fueled by advances in communication and transportation technologies, the spread of economic growth and wealth around the world, the loosening of barriers to trade, and the formation of regional economic blocs. Development of new technologies and the proliferation of new products also contribute to the globalization of markets.

The tourism sector, which is strongly linked to hospitality sector, is one of the industries which have been strongly influenced by globalization. The growth in international tourism generally and, to some extent, domestic tourism presents a great opportunity to Kenya to increase its tourist market share and thus grow its GDP. However, as O'Neil et al. (1994) state in their study, international demand for products and services no longer happens automatically but has to be created.

With the rising importance of tourism as a foreign exchange earner, the Kenyan government and major stakeholders have been on the forefront promoting Kenya as a tourist destination of choice in many countries abroad. According to the Kenya National Bureau of Statistics (KNBS) (2010) the sector contributes over12% to the GDP making it the third most important productive sector. Thus the sector constitutes an important pillar for the achievement of Kenya's vision 2030.

1.1.1 Customer satisfaction

Service quality and customer satisfaction are particularly important in the hospitality industry. This is because the hospitality industry is very sensible to word-of-mouth communications. A non-satisfied consumer tells his/her negative experience to 9 to 20 persons, and this will obviously influence the hotel's image and subsequent efforts to attract new customers. A study conducted by Getty and Thomson (1994) in a hotel, concluded that the intention of recommending is more affected by the service quality level than by the expressed level of consumer satisfaction. A similar conclusion was achieved by Kandampully and Suhartanto (2000), also in a hotel environment, more specifically, that satisfaction is determinant on the consumer's decision of returning and recommending the hotel.

The increasingly competitive marketplace has encouraged companies to expand their business into the global economy. This has spawned the concept of international business which is often used interchangeably with globalization. International business offers both opportunity – through increased markets; and challenges – through increased competition from foreign firms. Globalization of a company's products and services require companies to seek new ways to communicate and market their products differently. A

company's financial success in the global economy greatly depends on their ability to functionally market products and services to a culture that most likely speaks a different language and is rooted in a belief system that may be markedly different.

Even though there are other antecedents to CS, namely, price, situation, and personality of the buyer (Natalisa and Subroto, 1998), SQ receives special attention from the service marketers because it is within the control of the service provider. Thus, delivering quality service is pivotal to drive satisfaction. As production and consumption of the service occur simultaneously, strategies that acknowledge the importance of the consumer must be integrated into the business processes (Craig et al., 2007).

1.1.2 Service Quality

Service Quality has multiple perspectives and has been defined differently under different conditions. Evans (2000) states that some of the best-known proponents of the importance of quality are W. Edward Deming (1950),Philip B. Crosby (1970s), Armand V. Feigenbaum (1961), Kaoru Ishikawa (1962), and Joseph M. Juran (1951). These researchers provided definitions of quality based on different attributes such as "Value", "Excellence" and "Conformance to specifications".

Evans and Lindsay (2004) provide a more comprehensive customer-based definition of quality that is "Quality is meeting or exceeding customer expectations". This definition is quite popular today and based on the phenomenon that customers are the ultimate judge of quality, and no other patrons are involved in determining quality. Customers' perceptions and expectations were acknowledged to be important in defining quality. In order to provide higher quality services users' perceptions should be higher than

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expectations. However, if perceptions are quite lower than expectations a low quality service will be there.

Globally, customers in the hospitality industry are increasingly becoming more sophisticated and demanding (Sharp, 2001).In such an environment the quality of service has become vital (Qu, Ryan, & Chu, 2000). Perry (2003) suggests that facilities and services look increasingly alike and delivery often falls short of the published star ratings. This complicates the problem of competition since competitive advantage may no longer be achieved by product differentiation.

Andaleeb (1998) in his study on customer satisfaction in hospitals notes that firms that fail to understand the importance of delivering customer satisfaction (CS) may be inviting possible extinction. A positive attitude before the brand enhances the probability of repetition and recommendation to other consumers (Reichheld and Sasser, 1990). Concerning the influences of satisfaction and quality on purchase intentions, Taylor and Baker (1994), suggested that satisfaction should be described as a moderator between service quality and purchasing intention. A different perspective is supported by Bitner (1990), according to whom the service quality judgments mediate satisfaction and purchasing intention.

1.1.3 Hospitality industry in Kenya

The hospitality industry is a several billion dollar industry that mostly depends on the availability of leisure time and disposable income. A hospitality unit such as a restaurant, hotel, or even an amusement park consists of multiple groups such as facility maintenance, accounting, procurement, direct operations (such as servers, housekeepers,

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porters, kitchen workers and bartenders), management, marketing, and human resources. The hospitality industry covers a wide range of organizations offering food service and accommodation. Hospitality outlets supplying food and drink range in size from self-employed street vendors to multi-international restaurant chains, like McDonalds. The industry includes hotels, motels, hospitals, nursing homes, prisons, camping sites, restaurants, cafes, take-away shops, public houses, bars, clubs, canteens, coffee shops/bars, sandwich bars and contractors. In fact, included within the definition is any establishment serving food to customers for immediate consumption, normally away from home, as either a commercial or non-commercial venture (People 1st, 2006).

The industry is a large employer. For example, in the UK, there are approximately 1.9 million workers employed in 370,000 premises (Hospitality Training Foundation, 2002) with over 90 per cent working in small independent businesses with less than ten staff. As such, it is still craft based and labor intensive, with a workforce made up from many part-time and casual staff including a significant number of unregistered workers from the black economy. Labor turnover is high with some estimates at over 30 per cent per year (People 1st, 2006), whilst business turnover is so fast that it is almost impossible for local authorities to keep accurate records of registered businesses.

In Kenya, the hotels and restaurants sector exhibited a significant recovery of 59% y/y in the first quarter of 2009, following four consecutive quarters in decline. The sector may constitute only 1-2% of GDP but it is the largest earner of foreign exchange in Kenya. The hospitality sector was significantly affected by the political instability that afflicted the country in the first quarter of 2008 and the global economic slowdown that weakened

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global demand for Kenyan holidays in the second half of 2008. As such, this sector, which prior to 2008 had enjoyed double-digit growth for four consecutive years, contracted by 36.1% in 2008 (Standard Bank, 2009).

The hotels and restaurant activity maintained a positive growth recording a growth of 1.0 percent in year 2010.The apparent low growth could be partly attributed to the cancellation of travels due to the volcanic eruption experienced in Iceland during the month of April. Total bed occupancy, one of the key indicators, increased from 1.33 million to 1.44 million during the 2009 - 2010 periods (KNBS, 2010). The general growth in the Kenyan economy and steady increase in tourism earnings (US$286,000 in 2002 to US$855 million in 2007) have led to expansion and new investments in hotels in Kenya. Hospitality organizations are turning to performance management in order to qualify for the International Organization for Standardization standard certifications, and Company of the Year Awards. The hotel subsector, like tourism on which it is heavily reliant, is characterized by an ever increasing competition. It makes it harder for hospitality service providers to acquire customers, keep them satisfied and thus, gain their loyalty. Therefore, the quality of services provided becomes a necessary element of successful business in tourism (Pepur et al, 2009)

1.1.4 Lake Bogoria Resort

Founded in 1986, Lake Bogoria Spa Resort has come to be known as an oasis in the middle of the African Savannah and is set in the acacia surrounding of the floor of the Great Rift Valley of Kenya. The hotel features modern conference facilities, standard and VIP suites with capacity to accommodate up to 200 guests at a time. Lake Bogoria Spa

Resort boasts the only naturally heated spa pool in Kenya conveniently located within the heart of the hotel (lake Bogoria-hotel, 2012)

Lake Bogoria hotel is located 284 kilometers from Jomo Kenyatta International Airport Nairobi, 266 kms from Nairobi 125 kilometers and from Nakuru Town. Against the backdrop of the dramatic eastern wall of the Tugen Hills in the west, the hotel neighbors also the Lake Bogoria National Game Reserve which is only 5 minutes drive from the hotel. The general area abounds with a large variety of animals and birds making it an ornithologist's paradise. Visitors may also see the shy greater Kudu, the majestic Antelope with its spiraling horns. Other animals' resident there includes the Cheetah, Impala, Grants Gazelle and Waterbuck (Lake Bogoria-hotel, 2012).

Lake Bogoria Spa Resort offers a selection of conference venues, seminar options, workshops ideas and team building pursuits as well as a complete business support service and an integrated conference planning and management system. Lake Bogoria Spa Resort has two swimming pools - the half Olympic size cold water pool and the famous Spa Pool which is the only natural warm water pool in Kenya and East Africa. The Spa pool has been found to have therapeutic values. The eco-friendly design incorporates mature garden wilderness, ambience suitcase and recreational spaces for team building activities, camping and retreats.

The resort offers both local and international cuisines along with an array of exclusive wines served in the covered dining areas and expansive open air terrace. There are several natural attractions within the vicinity such as the hot spring geysers. The Resort boasts 23 furnished cottages, 21 standard rooms and two exquisite VIP suites

1.2   Research problem

The evaluation of customer satisfaction is a primary goal for any service firm that would like to survive in this increasingly competitive market. This has been underscored by world renowned performance excellence models like the MalcomBalridge model and Total Quality Management. These models are centered on the customer as the key to success in business. Thus Keeping tourists, who are the major customers of hotels, satisfied and delighted is even more important for the Kenyan hospitality industry given that the destination faces fierce competition from its neighbors and abroad.

According to the Kenya National Bureau of Statistics (KNBS) (2010) hospitality industry contributes over12% to the GDP making it the third most important productive sector. Thus the sector constitutes an important pillar for the achievement of Kenya's vision 2030. The hotel subsector, like tourism on which it is heavily reliant, is characterized by an ever increasing competition. It makes it ever harder for hospitality service providers to acquire customers, keep them satisfied and thus, gain their loyalty. Therefore, the quality of services provided becomes a necessary element of successful business in hospitality (Pepur et al, 2009).

Past studies carried out in different sectors of the economy have attempted to show the relationship between service quality, customer satisfaction, purchase intentions and firm performance. (Andaleeb, 1998) examined service quality (SQ) and its influence on the satisfaction of customers (patients) in US hospitals. (Ladhari, 2009) tested a conceptual model of the relationships among the constructs of "service quality", "emotional satisfaction", and "behavioral intention" in the hospitality industry based on Canadian travelers. Briggs et al (2007) studied whether Scottish hospitality firms were serving

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quality. In the Kenyan context, Gituanja (2006) examined the perception of service quality using Jomo Kenyatta International Airport (JKIA) as a case study. Gitobu (2006) examined the perception of hospitals on the quality of services rendered by National Hospital Insurance Fund (NHIF). Wambui (2006) undertook a study on the perception of private legal practitioners in Nairobi on the quality of services offered by the Kenyan judiciary. However, none of these studies was carried out in the Kenyan hospitality industry context. Additionally, few of the studies used the SERVQUAL model in measuring quality. Further, few have sought to show the link between service quality and customer satisfaction. It would therefore be interesting to build on the past studies and apply them in the Kenyan context. Thus given the role played by the hospitality industry and the relative dearth of studies that examine service quality and customer satisfaction in the Kenyan context, there is need to fill the knowledge gap. The present study will attempt to establish the customer perception of service quality and link the factors to customer satisfaction in the tourism industry.

1.3   Research Objective

To determine the effect of service quality on customer satisfaction at Lake Bogoria SPA resort.

1.4   Value of the study

The study will be beneficial to the Lake Bogoria Hotel as it will demonstrate the link between service quality and customer satisfaction in a hotel setting. This will in turn enable industry practitioners to define quality-related strategies that will enhance customer satisfaction and their competitiveness.

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Additionally, the study will be of great value to the government, especially the Ministry of tourism as it will help inform policies and the design of incentive schemes towards improving Kenya as a tourist destination of choice. The study will inform industry players on quality-related practices that enhance customer satisfaction, hence the overall destination appeal.

The study will also be beneficial to the Kenya Association of Hotelkeepers and Caterers (KAHC) which is tasked with promoting high quality standards within the hospitality industry. It will provide empirical evidence on the customer perceptions on service quality and how this is linked with customer satisfaction.

Finally, the study will greatly benefit the academia since it will serve to advance the literature on service quality and will suggest areas for further study.

CHAPTER TWO: LITERATURE REVIEW

2.1   Introduction

This chapter presents the theoretical and empirical literature on service quality and customer satisfaction. The chapter is organized as follows: First, it sets off with a brief background of service quality in the hospitality sector. This is followed by a theoretical literature review, then empirical literature review. The chapter ends with a conceptual framework.

2.2   Service Quality

The growth in international tourism generally and, to some extent, domestic tourism presents a great opportunity to Kenya to increase its tourist market share and thus grow its GDP. However, as O'Neil et al. (1994) state in their study, international demand for products and services no longer happens automatically but has to be created. In proposing that businesses typically lose 50 per cent of their customers every five years, Mack et al. (2000) stress the need that businesses should talk to their customers, understand their expectations and make efforts to retain them and sustain profits. Links between service quality and business profits have long been apparent as indicated by Baker and Crompton (2000) and Mohsin and Ryan (2005). It is also suggested that irrespective of efforts positioned into producing quality service, it is the perceptions of customers that really matter (Getty and Getty, 2003).

The survival of hotels in the current competitive environment where most hotels have quite similar luxurious physical facilities much depends on delivery of service quality

aiming to result in customer delight. Pallet et al. (2003) suggests that quality has to be visualized, initiated, planned, delivered, monitored and sustained. They propose that quality problems and key staff issues in hotels often can be solved with a common "People and Quality" strategy which involves placing customer needs in the heart of the whole process; seeking suggestions form staff; developing corporate quality and people philosophy; training and empowering staff; benchmarking and reviewing (Pallet et al., 2003).

Service quality is generally defined as the difference between expected service and perceived service (Parasuraman *et al.*, 1988, 1991). The conceptualization of service quality has its roots in the expectancy disconfirmation theory (Collier and Bienstock, 2006), so the evaluation of service quality results from comparing the perception of service received to prior expectations of what that service should provide (Choi *et al.*, 2004). Today the internet has become a critical channel for the sale of most goods and services (Zeithaml *et al.*, 2002; Teo, 2006), but the traditional service quality dimensions cannot directly be applied to internet retailing, because they represent a different and unique service delivery process.

Examining service quality across small, medium and large hotels in Scotland, (Briggs et al. 2007) notes major inconsistencies in service quality performance across the sector. The study further suggests that most customers are not in fact overly demanding and are satisfied with a personal service that represents value for money and provides accurate information. The main difference between excellent and poor service for them relates to the absence of the personal touch and how staff deal with their complaints (Briggs et al.,

2007). Taking into account the Irish hotel industry, (Keating and Harrington, 2003) suggest in their study that many quality programmers fail from lack of commitment on the part of senior and middle management, and front-line employees. The authors further suggest that the management of quality in contemporary hospitality organizations is lacking in involvement, communication and teamwork dimensions.

Similarly investigating the service quality in China's hotel industry, Tsang and Qu (2000) find that tourists' perceptions of service quality provided in the hotel industry in China were consistently lower than their expectations and those managers overestimated the service delivery, compared to the tourists' perceptions of service quality. Along these lines it is noted that several studies of service quality in hotels continue to be undertaken in different parts of the globe.

Theoretical constructs for measuring service quality have been suggested by Zeithmal *et al.* (1988). Parasuraman*et al.* (1988, 1991, 1994a) further proposed and tested a multi-item instrument, known as SERVQUAL, to evaluate service quality from customers' points of view. According to Parasuraman*et al.* (1988, 1991), five aggregate factors can be identified from SERVQUAL studies. The five factors are discussed in turn below.

The first factor is tangibles. This refers to the appearance of the physical facilities, equipment, personnel and communication materials. According to Brink and Berndt (2005) this dimension refers to organization's physical facilities, their equipments, and material which must reflect positively on the organization. The dimension also includes the appearance of their personnel and appearance of communication materials used to promote their products services. Facilities like well furnished reception desk with trained

personnel have influence customer perceptions of the tangible service qualities. Accessible information on the website may be of added advantage not to mention easy accessible location and able parking lots for customer vehicles. Brochures and other communication materials to inform customers of new developments on the service offered are visually appealing.

The second factor is responsiveness. This refers to the willingness to help and respond to customer need or willingness of organizations staff to help customers and provide them with prompt service" this refers to timeliness and promptness in providing the service. Dale et al., (2007) define responsiveness as the willingness to assist customers and to provide prompt service on a continuous basis. It involves quick problem solving of the service and personnel to create opportunity to impress the customers. A courteous and friendly attitude by the service personnel makes the customer feel respected and definitely enhance customer's appraisal of the service organization. Employees provide service on a timely manner and they are approachable and easy to conduct. This service sometimes may be done out of the normal operating hours. This dimension focuses on attentiveness and willingness in dealing with customer requests, queries and prompt complaint resolution.

The third factor is reliability. This is the ability to perform the promised service dependably and accurately or ability of the organization to perform the promised service dependably and accurately. It means that organization performs the service right the first time and honors all its commitments. Generally customers place emphases on the service and promised collection and delivery times, safety and privacy of their parcels.

The fourth factor is assurance which refers to the knowledge, competence and courtesy of employees and their ability to convey trust and confidence in the customer towards the service firm. A competence refers to the possession of required skills and knowledge to perform the service. Courtesy involves politeness, respect, friendliness, honesty and trust worthiness of contact personnel. This includes convenient ways of providing service such as on-line payments, which increases satisfaction and enhances service quality.

The fifth factor is Empathy. This is defined as caring individualized attention the firm provides to its customers. It includes the approachability, ease of conduct of service providers and making of efforts to understand the customer needs. According to Brink and Berndt (2005), the organization and its employees must try to understand the customers' problems and strive to execute activities with the customers' best interests in mind. Empathy includes special needs to allow the customers with limited budgets to also enjoy the services offered.

2.3   Customer satisfaction

Most authors of existing literature contend customer satisfaction is the result of a customer's perception of the value received in a transaction or relationship – where value equals perceived service quality relative to price and customer acquisition costs (Blanchard and Galloway, 1994) – relative to the value expected from transactions or relationships with competing vendors (Zeithaml et al., 1990). Loyalty behaviours, including relationship continuance, increased scale or scope of relationship, and recommendation (word of mouth advertising) result from customers' beliefs that the

quantity of value received from one supplier is greater than that available from other suppliers.

Yi (1990) contends that there is sufficient evidence to suggest that customer satisfaction can and should be viewed as an attitude. He illustrates this concept using retail banking where there is an ongoing relationship between the service provider and the customer. Here, customer satisfaction is based on an evaluation of multiple interactions. Thus satisfaction is considered as a composite of overall customer attitudes towards the service provider that incorporates a number of measures.

Three frequently used measures are overall service quality, meeting expectations and customer satisfaction (Heskett et al., 1994). Also, typical measures of future intentions are recommending the service to a friend and propensity to switch (Heskett et al., 1994). While there are some problems with using either customer satisfaction or future intention measures to capture future behavior, the inclusion of multiple measures reduces the problems.

Relevant literature found in the marketing domain have focused on the impact of customer satisfaction on customer loyalty. Yi's "Critical review of customer satisfaction" (1990) concludes, "Many studies found that customer satisfaction influences purchase intentions as well as post-purchase attitude". Bitner and Hubert (1994) used four items to measure the customers' overall satisfaction with the service provider. The authors introduced the concept of encounter satisfaction, and devised a nine-item scale to measure the same (i.e. the customers' satisfaction with a discrete service encounter).

Other works have emphasized the multi-faceted nature of customer satisfaction and have used multiple item scales to measure customer satisfaction (Oliva et al., 1992). Price et al. (1995) measured service satisfaction by using a six-item scale, while studying the structural model of the relationships among the service provider performance, affective response and service satisfaction. From the growing body of literature on customer satisfaction, one can easily observe that there has been some research works on specific encounters, known as transaction-specific/encounter-specific customer satisfaction. Researchers have also acknowledged the multi dimensional nature of customer satisfaction and have come out with global

According to Patterson (2010), effective and high-speed ICT infrastructure and software applications now have a huge bearing on customer satisfaction in the hospitality industry. ICTs allow customer–management relations and supply chain management to be combined into a single source that facilitates a variety of operations – product selection, ordering, fulfillment, tracking, payment and reporting – to be performed with one easy-to-use tool. ICTs ultimately cut costs by enabling the provider to be in direct contact with the consumer and also impact employment through the need for required maintenance of ICT equipment.

However, the development of ICTs has also led to changes in demand and supply. A higher demand for flexible, individualized options and quality of information has personalized leisure and tourism behavior; a consequence of increased ICT use. Through new technology and social and economic ratings (e.g. social media platforms like Face book, Twitter, blogs) customers have the ability to share information and research ratings on destinations, quality of service in hotels and restaurants and environmental and social

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conditions. A number of hotels have strengthened their brand image and communicate directly with their customers by posting links to a press release or promoting a new package through Twitter (ILO, 2010).

According to Briggs et al (2006), a global phenomenon increasingly influencing hotel selection, is the development of feedback websites (Tripadvisor.com, igougo.com and hotelchatter.com) where customers post reviews of their experiences. These websites give customers the opportunity to share their experiences of the 23,000 featured destinations and comment on their experience of service delivery. Smith (2006) reasons that the rapid switch to broadband has precipitated this phenomenon to a tipping point, whereby information which was predominantly a one-way 'read only' medium has now become a two-way participatory, collaborative and interconnected medium.

As a result, businesses will have to establish new relationships with their audiences. This increases the customer awareness since they benefit from the experiences of others. Andaleeb (1998) in his study on customer satisfaction in hospitals notes that firms that fail to understand the importance of delivering customer satisfaction (CS) may be inviting possible extinction.

2.4   Service Quality and Customer Satisfaction

A basic agreement emanating from the wide range of literature on service quality and customer satisfaction is that service quality and customer satisfaction are conceptually distinct but closely related constructs (Parasuraman et al. 1994). Although there is a general conformity on the distinctiveness of service quality and customer satisfaction from a conceptual point of view, the operationalization of customer satisfaction is

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somewhat hazy. For instance, Cronin and Taylor (1992) defined and measured customer satisfaction as a one-item scale that asks for the customers' overall feeling towards an organization. By using a single item scale to measure customer satisfaction, Cronin and Taylor's approach undermines the richness of the construct, as it has failed to acknowledge that, like service quality, customer satisfaction is also likely to be multidimensional in nature.

The investigation of the relationship between service quality and customer satisfaction has showed that although there is a strong correlation between service quality and customer satisfaction, the two constructs are indeed different which means that it becomes imperative for the service providers to view the two constructs separately. Previous research has shown that while customer satisfaction reflects the customer's feelings about multiple encounters and experiences with the service organization, service quality may be tempered by perceptions of value or by the experiences of others that may not be as good.

Many researchers have examined service quality (SQ) and its influence on the satisfaction of buyers. The studies note that SQ may have an effect on purchase intentions of customers. However, the exact relationship between SQ and CS has been a subject of contention. Regarding the relationship between quality and satisfaction, there are two opposed perspectives. Satisfaction is an antecedent of service quality, when this last one is seen as a global perception (Bitner, 1990; Bolton and Drew, 1991). On the other side Cronin and Taylor (1992) and Spreng and McCoy (1996) state that service quality is the cause of customer satisfaction.

The behavioral intentions are one of the most important factors that allow managers to increase profits in the services sector. A positive attitude before the brand enhances the probability of repetition and recommendation to other consumers (Reichheld and Sasser, 1990).Concerning the influences of satisfaction and quality on purchase intentions, Taylor and Baker (1994), suggested that satisfaction should be described as a moderator between service quality and purchasing intention. Cronin and Taylor (1992), Woodside, Frey and Dale (1989) also believe that consumer satisfaction is a cause of their purchasing intentions. A different perspective is supported by Bitner (1990), according to whom the service quality judgments mediate satisfaction and purchasing intention. Further, Bitner and Hubert (1994) contend that service quality is more abstract than customer satisfaction and is likely to be influenced by variables such as advertising, other forms of communication and the experience of others.

2.6   Empirical review

According to Lovelock & Wright (2002), after making a purchase, customers compare the service expected to what is actually received. Customers decide how satisfied they are with service delivery and outcomes, and they also make judgments about quality. Managing a business to optimize customer satisfaction is a strategic imperative at many organizations, since the cost of mediocre service quality may be high as forty percent of revenues in some service organizations. Most organizations realize that, by improving performance on service attributes, customer satisfaction should increase. This increase should, in turn, lead to greater customer retention and improved quality (Lovelock &Wright, 2002).

Pettijohn et al. (1997) found that quality, cleanliness and value to be the three most important attributes informing customer satisfaction in fast food restaurants, while atmosphere and menu variety were relatively unimportant. Clark and Wood (1998) commented that the available evidence suggests food quality and value to be the most significant restaurant attributes, and question the assumption of classic texts such as that of (Campbell-Smith, 1967) that the total package of attributes making up the "meal experience" determines consumer behavior. Anderson and Mossberg (2004) found that factors that influenced a guest's dining experience include, service, cuisine, the restaurant's interior and the restaurant itself. Clark and Wood (1998) reported that the order of attribute importance is somewhat different in different styles of restaurants.

Sulek *et al.* (1995) reported an empirical study on the impact of a customer service intervention and facility design on firm performance within a regional food retailing chain. The result of the study indicated, in the research context, that the improvement in the customer experience could leverage positively customer satisfaction and firm performance. Danaher and Mattson (1994) studied customer satisfaction evaluation on a hotel conference service delivery process. The focus is on how underlying quality factors are related to different service encounters (different service experience stages) of the entire service experience and how cumulative customer satisfaction levels impact on each other and over time.

Zeithmal (2000) gives an excellent overview of findings of research on aspects of the relationship between customer satisfaction and organizational performance. Positive evidence on the direct relationship between customer satisfaction and organizational

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performance is found by Koska (1990) and Nelson *et al.* (1992) in hospital settings with higher profitability; Aaker and Jacobson (1994) found better stock return linked to improved quality perceptions; and Ittner and Larckner (1996) found that shareholder value is highly elastic with respect to customer satisfaction.

Thus, the measurement of service quality in specific service industries still remains a challenge (Babakus and Boiler, 1992). Most definitions of service quality are customer-centered (Galloway and Vearn, 1998), with customer satisfaction being seen as a function of perceived quality (Anderson and Sullivan, 1993), or perceived quality being a function of customer satisfaction (Parasuraman*et al.*, 1988). Service quality, as perceived by customers, involves a comparison of what they feel the service should be (expectation) with their judgment of the service they received (perceptions) (Gronroos, 1984; Parasuraman*et al.*, 1985)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section includes a description of chapter presents the methodology used in the study. It is organized as follows: first it presents the research design, then data collection procedures, pilot test and finally data processing and analysis.

3.2 Research design

The study adopted a case study research design using mixed methods approach. According to Creswell and Plano (2006), mixed methods research is defined as processes and procedures for collecting, analyzing, and inferring both quantitative and qualitative data in a single study or in sequential studies, based on priority and sequence of information. Johnson and Christensen (2008) advocated the use of mixed methods research owing to the advantage it confers upon the researcher by enabling him to complement one set of results with another, to expand a set of results, or to discover something that would have been missed if only a quantitative or qualitative approach had been used. The present study used the sequential technique which uses qualitative methods in the first phase followed by quantitative methods in the second phase. The use of qualitative approach in the first phase was meant to identify the items of service quality first hand from the customers as opposed to obtaining the items from prior studies. However, theoretical constructs from prior studies especially Parasuraman et al. (1988) were used as a guide in grouping the items identified in the first phase of data

collection (i.e. for in preparation of the research instrument for the second phase of the data collection).

3.3 Data collection instruments and procedure

Primary data was used in the study. An interview guide was used to collect the data. This was appropriate because it allowed the participants to provide feedback that was slightly more expansive than a simple close-ended questionnaire (Cooper, 2009). The respondents were twelve corporate clients and 20 walk-in customers making a total sample of 32. The interview took a two step approach. The first interview was done to determine the items of service quality that the respondents valued the most. The items identified in the first interview were then collated and grouped into five factors according to Parasuraman et al. (1988) theoretical constructs. The second interview took a more structured approach and sought to have the respondents rate the items identified in the first phase as well as their levels of satisfaction. The second phase focused on key aspects of service quality identified under phase one and sought to establish the link between customer perception of service quality and their level of satisfaction. The interview guide was administered by the researcher directly to selected respondents in person or by phone.

3.4 Pilot test

The interview guide was subjected to a pilot test before final administration to the respondents. A convenient sample of two (2) respondents was selected from among the walk-in customers and interviewed. The test interviews was used to gauge the understandability and comprehensiveness of the questions and used to improve the instrument.

3.5   Data analysis

Data processing was done in two phases. The first phase involved the grouping of service quality items identified in the field according to major themes using Excel. The summarized responses were then counted and frequencies and percentages generated. The items with percentage response greater than 30% were picked and used in the next phase of the study. The second phase of data analysis was done after collecting the final data from the field. The data was analyzed using frequencies and percentages. Correlation analysis was then used to determine the relationship between service quality and customer satisfaction. The findings were presented using tables and charts.

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Appendix 1: Interview Guide used in Phase 1

This interview guide is meant to collect information on the effect of service quality on customer satisfaction in the hospitality industry in Kenya. This information is being sought solely for academic purposes and will be treated with strict confidence. Kindly answer the questions as requested.

SECTION 1: BACKGROUND INFORMATION

1. Name (optional) ....

2. Gender: Male [ ]   Female   [ ]

3. What is your highest level of education?

4. Kindly indicate your age bracket

   18 – 25 years   [ ]   46 – 55 years [ ]

   26 – 35 years   [ ]   Over 55 years [ ]

   36 – 45 years   [ ]

5.   Highlight key items in the hotels offerings that influence you the most

6.   Comment on the following aspects of service quality in Lake Bogoria Hotel?

       i.   Physical facilities

       ii.   Equipment

       iii. Personnel

       iv.   Menu

       v.   Environment

7.   How do you think each of the above factors influence customer satisfaction? Comment on each?

8. How do you feel about each of the following service aspects at Lake Bogoria Hotel?

    i. Fulfillment of promises

    ii. Problem resolution

    iii. Timeliness of service delivery

    iv. Efficiency of services

9. How do each of the above factors influence the satisfaction of customers?

10. Please highlight four (4) key aspects of service delivery that relate to client problem resolution?

11. Comment about the responsiveness of the hotel in handling customer issues?

12. What would you want the resort to do in order to improve Responsiveness?

13. List key features of the hotel's service offerings that contribute towards your assurance of services being provided?

14. Please state any other factors that affect your perception of "Assurance" of the services offered by the resort.

15. Is service provision tailored to suit individual customers?

16. If Yes, how does the individualization of service offerings contribute to customer satisfaction?

17. How do each of the above highlighted aspects of service delivery influence customer satisfaction?

End

Thank you for the time you have spent in completing this interview!

Appendix 2: Questionnaire used in phase 2

This questionnaire is meant to collect data to help answer the question: how does service quality influence customer satisfaction at Lake Bogoria SPA Resort. The information being collected is purely for academic purposes and will be treated with strict confidentiality. Kindly tick on the boxes as appropriate.

SECTION 1: TANGIBLES

1. On a scale of 1 – 5 where 1 = strongly disagree and 5 = Strongly agree, indicate your level of agreement with the following statements.

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Lake Bogoria Resort has modern equipment e.g. furniture, telephones, utensils.					
The physical facilities at Lake Bogoria Resort are visually appealing					
The menu offers a wide variety of foodstuff to choose from					
Value added activities such as live bands, music etc are of great quality					
The hotel has a serene environment with great ambience					

2. On a scale of 1 – 5 where 1 = least important and 5 = Most important, please rate the importance you accord to the following items (indicators of tangibles) in a hotel setting:

	1	2	3	4	5
Lake Bogoria Resort has modern equipment e.g. furniture, telephones, utensils.					
The physical facilities at Lake Bogoria Resort are visually appealing					
The menu offers a wide variety of foodstuff to choose from					
Value added activities such as live bands, music etc are of great quality					
The hotel has a serene environment with great ambience					

SECTION 2: RELIABILTY

3. On a scale of 1 – 5 where 1 = strongly disagree and 5 = Strongly agree, indicate

    your level of agreement with the following statements regarding reliability of the

    hotel.

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Oders are served in a timely manner					
When a customer has a problem, the Hotel shows a sincere interest in solving it.					
Hotel staff respond to customer calls promptly					
The hotel services and menu items are always available when needed					
I can count on the hotel staff to provide all services I require promptly					

4. On a scale of 1 – 5 where 1 = least important and 5 = Most important, please rate

    the importance you accord to the following items (indicators of reliability) in a

    hotel setting:

	1	2	3	4	5
Orders are served in a timely manner					
When a customer has a problem, the Hotel shows a sincere interest in solving it.					
Hotel staff respond to customer calls promptly					
The hotel services and menu items are always available when needed					
I can count on the hotel staff to provide all services I require promptly					

SECTION 3: RESPONSIVENESS

5. On a scale of 1 – 5 where 1 = strongly disagree and 5 = Strongly agree, indicate

   your level of agreement with the following statements regarding responsiveness.

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Personnel at the Hotel tell customers exactly when services will be performed.					
Hotel staff give prompt service to customers.					
Personnel are always willing to help customers.					
Hotel staff are never too busy to respond to customers' requests.					

6. On a scale of 1 – 5 where 1 = least important and 5 = Most important, please rate

   the importance you accord to the following items (indicators of responsiveness) in

   a hotel setting:

	1	2	3	4	5
Personnel at the Hotel tell customers exactly when services will be performed.					
Hotel staff give prompt service to customers.					
Personnel are always willing to help customers.					
Hotel staff are never too busy to respond to customers' requests.					

SECTION 4: ASSURANCE

7. On a scale of 1 – 5 where 1 = strongly disagree and 5 = Strongly agree, indicate

   your level of agreement with the following statements.

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
I find the hotel facilities to be secure					
The foodstuff is well cooked, handled and served in a clean environment					
Hotel staff are consistently courteous with customers.					
The staff are very helpful to customers and are competent in their work					

8. On a scale of 1 – 5 where 1 = least important and 5 = Most important, please rate

   the importance you accord to the following items (indicators of assurance) in a

   hotel setting:

	1	2	3	4	5
I find the hotel facilities to be secure					
The foodstuff is well cooked, handled and served in a clean environment					
Hotel staff are consistently courteous with customers.					
The staff are very helpful to customers and are competent in their work					

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SECTION 5: EMPATHY

9. On a scale of 1 – 5 where 1 = strongly disagree and 5 = strongly agree, indicate your level of agreement with the following statements.

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
The Hotel gives customers individual attention.					
Staff are always available to serve customers at any time					
The hotel treats each customer with respect					
The hotel has the customers' best interests at heart.					
The hotel staff understand the specific needs of their customers.					

10. On a scale of 1 – 5 where 1 = least important and 5 = Most important, please rate the importance you accord to the following items (indicators of assurance) in a hotel setting:

	1	2	3	4	5
The Hotel gives customers individual attention.					
Staff are always available to serve customers at any time					
The hotel treats each customer with respect					
The hotel has the customers' best interests at heart.					
The hotel staff understand the specific needs of their customers.					

SECTION 6: CUSTOMER SATISFACTION

11. On a scale of 1 – 5 where 1 = Very dissatisfied and 5 = Very satisfied, indicate

your level of satisfaction with the following aspects of the hotel offerings.

	1	2	3	4	5
Physical facilities					
Equipment					
Personnel					
Menu					
Environment					
Service					
Value added services e.g live bands					
Overall rating					

UNIVERSITY OF NAIROBI
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DATE.........................

TO WHOM IT MAY CONCERN

The bearer of this letter ..... LYDIA   JEPKOSGEI   YATOR
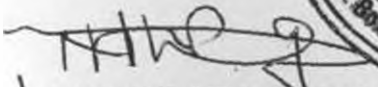
Registration No.......... D 61 61867/2010

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

IMMACULATE OMANO
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE