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Factors influencing Customer Satisfaction in Hotel Industry: A Case of Pakistan

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Abstract

This study examines the factors influencing the customer satisfaction in the Hotel industry in Pakistan. The study covers big three cities of the Punjab Province. We collected the data through a structured questionnaire. We collected the 2193 respondent data. By employing the regression analysis it is found that Reception Department, Food and Beverage Department and Price have significant influence on the customer satisfaction of the hotel Industry.

Keywords: Customer Satisfaction, Reception Department and Price.

INTRODUCTION

Customer satisfaction remains quite important in all sectors of the economy generally and in service based business where there are no tangible products it gains more importance. In the service based industry, especially in hotels, the customer does care a lot. It's all about the customers behavior and attitudes which is quite different to understand and forecast, (Hill, Roche and Allen 2007), stated "to understand the difference between customers' attitudes and behaviors and how the relationship between them works is crucial for managers involved in any aspect of customer management, since attitudes show the customers' satisfaction and behavior show customers' loyalty."

Currently firms are not only competing on the basis of the product lines and attributes, but also for the customer satisfaction as well. It's the war of the customer satisfaction among the companies as any company can make the same product, the only

difference comes in the service delivery and how they rightly judge the customer satisfaction and how successfully they respond it and gain the customer trust in the form of the customer satisfaction. Wang 2002, documented that today's market competition is all about the service which is based on the customer satisfaction.

As customer satisfaction is the biggest competitive edge for any corporation, but it demands continuous improvement as the customer preferences are changing over the time period. So it is very necessary for the hotels to keep track the customer preferences and maintain the hotels standards as the customers wants to make them more satisfied and delighted (Hill *et al.,* 2007), give a definition of customer satisfaction as follows: "If the product matches customers' expectation, the consumer is satisfied; if it exceeds them, the consumer is highly satisfied; if it falls short, the consumer is dissatisfied."

Pakistan is blessed with lots of natural attraction which is eye-catching for the nature lovers. It is fact that Pakistan cannot get the significant tourists around the world as it suppose to due to more than one reason.

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This is the reason why Pakistani hotel industry did not grow up in the past. But the recent Government response to law and order situation in Pakistan, which was the main hurdle to attract the world tourists, encourages the people to visit Pakistan and visit the natural attraction. Moreover, one belt one road which is a great project in the history of Pakistan boosts the confidence of the people around the world. The billions of dollar project create opportunities for the all the sectors of the economy and the hotel industry is no exception. As china is the founder of this project and the population which is quite famous for the tourism is the biggest opportunity for the Pakistani hotel industry. Now a day's Pakistani industry is growing and earning good profits. Where all the above stated factors give the hope for the better future of the hotel industry meanwhile it's a challenging too. As this sector is getting populated and competition gets up day by day. This increasing competition demands high customer satisfaction not only to earn good profits, but also sustain in this sector.

This study is an effort to help the hotel industry understand the factors that matters to the customer satisfaction. This study contributes in the service based industry literature by adding Pakistani hotels customer satisfaction study. The following section highlights the review of literature and the data. Third section explains the data and methodology. The fourth section reveals the results and discussion. The conclusion is presented in the final section.

LITERATURE REVIEW

Hospitality and tourism got significant growth recently. The changing in the lifestyle like travel needs, eating habits the hospitality services are considered necessities rather than the luxuries. Due to this massive demand the hospitality business grown with the same pace. This competitive situation forces the service provider to offer multiple choices services to satisfy the customers need. Holmund and Kock, 1996, highlighted the importance of the retention of the existing customer by arguing it is five times more expensive to attract a new customer than retain the existing customer. Reichheld and Sasser, 1990, highlighted the importance of the loyal customer by arguing that 5 percent increase in the loyal customer resulted 25-85 percent profit increase. Heskett *et al.,* 1994, document that loyal customer not only the source of the profit for the company, but also compensate the losses of the least loyal customers.

Gronroos, 2000, made the argument that loyal customer not only pay the premium price, but also saves the firm cost as firms do not need to invest more to them as they are very familiar with the company. The stated arguments shed light clearly on the importance of the customer loyalty. Customer satisfaction has key role in the profits of the company. Getting customer satisfaction in the service is quite challenging task due to its nature of intangibility, heterogeneity, and inseparability given by (Parasuraman, Zeithhaml, & Berry, 1988).

Kirwin, 1992 argued that the increasing sophistication in the customers makes the satisfaction bit more challenging. Customers demand premium services and have less tolerance on the quality issue. Customer satisfaction is the key objective of the marketing activity (Churchill & Suprenant, 1982). Barsky, 1992, argued the outcome of satisfying customers realized in the form of higher profits and expansion of the business. Turel *et al.,* (2006) argue that the price is the best measure of customer satisfaction.

It is a common phenomenon that the services a brand offer and the price it charges actually determines the level of satisfaction among its customers, than any other measure (Turel *et al.,* 2006). Customer's involvement is also important as when buyer considers the product important and invests time to seek information then it ultimately enhances the satisfaction level (Russell-Bennett, McCollKennedy and Coote, 2007).

This satisfaction may influence the concerned company by repurchase, purchase of more products, positive word of mouth and willingness of customers to pay more for the particular brand. Any business is likely to lose market share, customers and investors if it fails to satisfy customers as effectively and efficiently as its competitors is doing (Anderson, Fornell, and Mazvancheryl, 2004).

DATA AND METHODOLOGY

This study uses the primary data collected through the well structured questionnaire. The Study covers the Punjab province and In Punjab it targets the big three cities named Lahore (Capital City of Punjab), Faisalabad and Multan. The responses are taken physically by visiting the hotels and requesting them to fill the questionnaire.

We measure the customer satisfaction on the basis of the reception department, food and beverages department and Fair price.
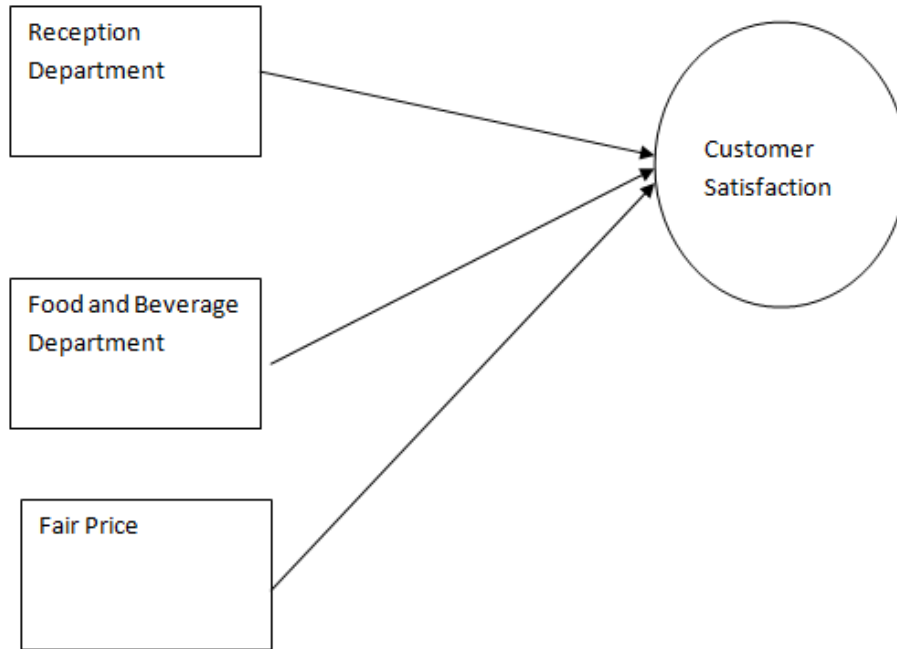
Figure 1. Theoretical Model

Variable Construct

We measure the variables on the following basis

Table 1. Variable Measurement

| Variable	No. of Items	Description
Customer Satisfaction	10	The overall satisfaction of the guest as he/she perceives.
Food and Beverage Department	5	It is measured on the basis of the services in food department, including a variety of food, opening hours and quality of food
Reception Department	6	It includes the service provided at the reception desk and receptionist willingness to provide service.
Price	8	It measures the fairness in the prices of the overall services along with the customer satisfaction.

Descriptive Statistics
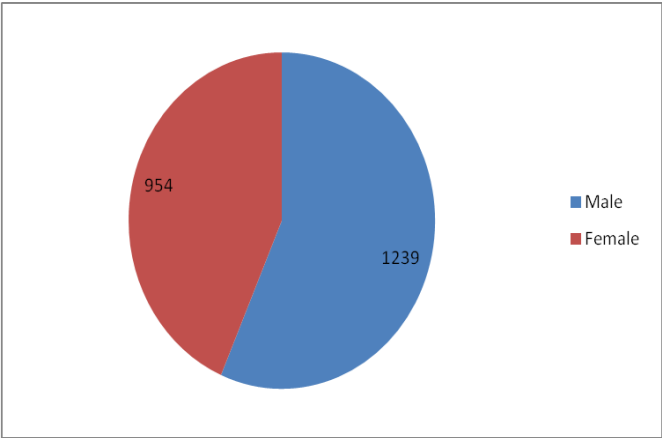
Figure 2. Gender Descriptive

We distributed 2300 questionnaires and we received 2193 fully completed questionnaires. The descriptive statistics show that about 56 % of the respondents were male, which shows that this is a male dominant society. The fact that Pakistan is a male dominant society, and due to a religious point of view few women's came out from the homes, but this ratio is a bit high in the cities.
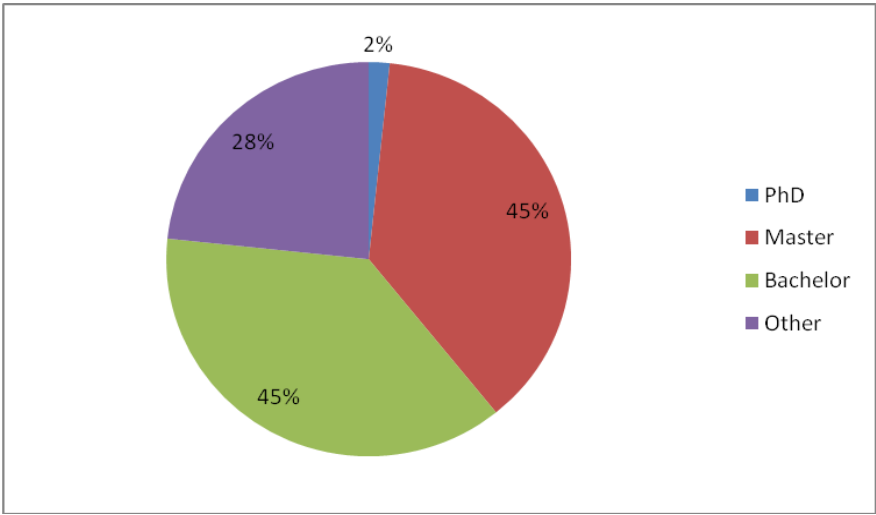

Figure 3. Education Descriptive

The education of the respondents varies from PhD to the others. There are very few PhD respondents which are 2% of the sample; whereas the majority of the respondents are bachelor degree holders and it can be assumed that they are middle level managers. And we also observed that the lower level staff movement around is cities is also significant as evident by the ratio of others which is 28%. And it is quite interesting too that the majority of the firms facilitate their lower level employees with the best hotels to let them feel that they are quite important for the company.
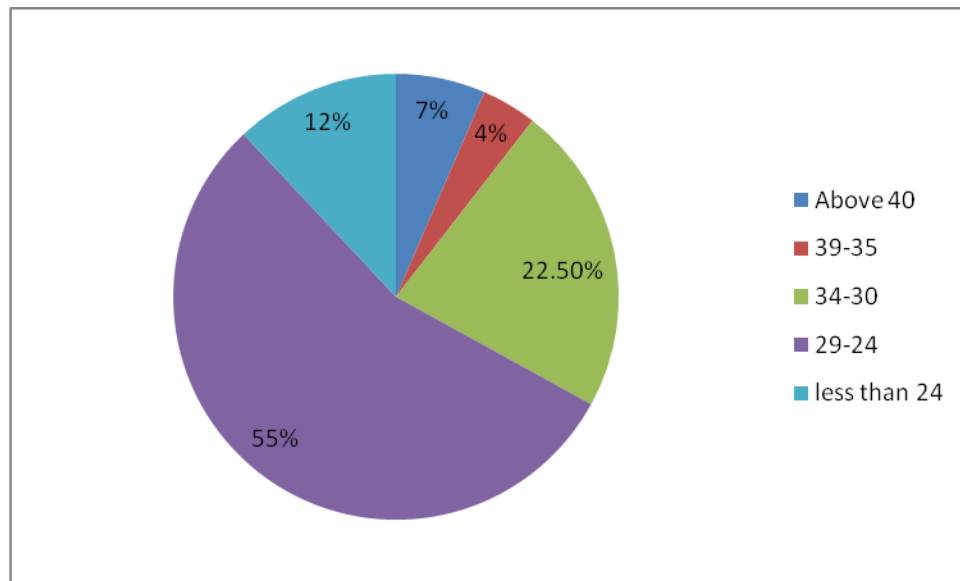
Figure 4. Age Descriptive

Another interesting fact reveals from this graph is that the majority of the respondents are quite young as 55% of the respondents belong to the age bracket of 24-29. The ratio of the middle level managers is also satisfactory that is 22.50%. The young people in the sample are 12% that are quite reasonable. One thing which we realized in this graph is that the people with the age bracket of above 40 is just 7% which shows that either the higher level manager moves less to other cities or they get back to their station within the same day. It makes sense too, as they are very busy people and they suppose to take decisions and they just go out of station for a few hours and get back to the main station.
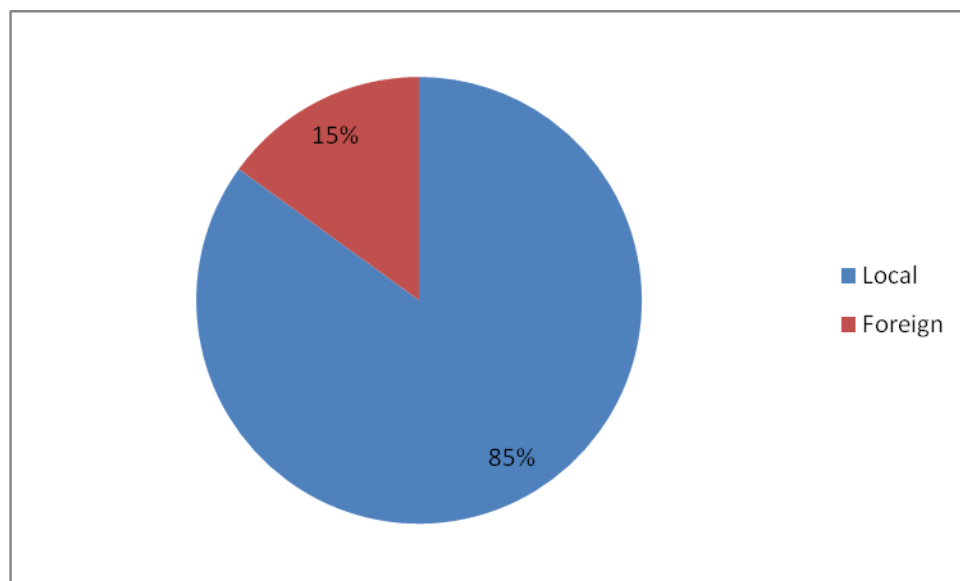
Figure 5. Nationality Descriptive

This graph disseminates very important information regarding the globalization of the firms. We got a satisfactory level of the foreign respondents which is 15% a country like Pakistan. The inclusion of the foreign respondents not only enhances the importance of our study, but would be very helpful for the hotel industry business to improve their services as per the international standards.

Reliability Test

Table 2. Reliability Test

Construct	Number of Items	Cronbach Alpha
Customer Satisfaction	10	0.78
Food and Beverage Department	5	0.81
Reception Department	6	0.72
Price	8	0.86

The reliability test gives us the confidence of the construct used in this study. The satisfaction is measured through 10 items having cronbach alpha 0.78 that is good enough. The highest cronbach alpha belongs to the price 0.86 that is measured through 8 items. All the constructs carry alpha within the acceptable range.

Table 3. Regression Analysis

Variables	Model 1	Model 2	Model 3	Model 4
Reception Department	0.11***			0.12**
Food and Beverage Department		0.43***		0.41**
Price			0.18**	0.23**
Prob>F	0.00	0.00	0.00	0.00
R-Saqure	0.76	0.62	0.36	0.71

We employed the regression analysis firstly by variable to variable. The main reason behind this is to check either the studied variable is significant or not. If the variable is significant we keep it for the final model otherwise we skip it. For this study, we observed that all the variables are quite significant which indicates that all the variables are quite important for the measurement of the customer satisfaction in the hotel industry.

Starting from the Reception department, which is quite important department for the hotel business because the customer get first information from this department and if h/she gets satisfy it creates a good image of the hotel at very initial level. The results reveal that it is quite significant department towards the customer satisfaction.

After getting the hotel people do concern with the food and beverage. Now a day's people are very conscious about their food and the quality of the food. The results reveal that food and beverage department has a vital role towards the customer satisfaction as evident by 0.41 in the model 4 and 0.43 in the model 2.

This shows that if the hotel businesses want to attract more and more customers they must provide not only the quality foods but also the choices in the food.

The final variable which is the price has a significant role in the customer satisfaction in all kinds of the businesses so the hotel is no exception. The variable shows that it has a significant role towards the customer satisfaction.

CONCLUSION

This study sheds light on the most important success factor of any business which is customer satisfaction. Customer satisfaction is equally important for all types of businesses this is why every business wants to keep their customer satisfied and always try to not only satisfy them but also make them delighted. As we know that in the service industry, making customer satisfy is quite complex kind of job as compared to other business.

The study concludes about the hotel industry

customer satisfaction measures identified from the literature. We found that reception department, Food and Beverage department and price are the three most important factors which have very significant influence towards the customer satisfaction. We found that all the studied variables have a significant role in determining the customer satisfaction in the hotel industry of Pakistan.

This study is quite important for the managers who are looking for retaining the customers and attracting more customers. The managers may apply this study and improve their reception department and can satisfy the customer. Once they become successful to satisfy the customer they can not only retain the customer in terms of the customer loyalty but can also get the positive word of mouth from the satisfied customers.

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