UNIVERSITI TEKNIKAL MALAYSIA MELAKA

THE GAP ANALYSIS MEASUREMENT OF LINEAR VS NON-LINEAR PARAMETRIC ON CUSTOMER SATISFACTION BASED ON IMPORTANCE-PERFORMANCE ANALYSIS AND KANO METHOD

This report submitted in accordance with the requirement of the Universiti Teknikal Malaysia Melaka (UTeM) for the Bachelor Degree of Manufacturing Engineering (Manufacturing Management) with Honours.

by

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TAJUK: THE GAP ANALYSIS MEASUREMENT OF LINEAR VS NON-LINEAR PARAMETRIC ON CUSTOMER SATISFACTION BASED ON IMPORTANCE-PERFORMANCE ANALYSIS AND KANO METHOD

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ABSTRAK

ABSTRACT

Currently, the hotel service providers face the increasingly higher competition in their business related to the higher customers' demands for quality services. In this perspective, the customer satisfaction is as the challenges on how they can deliver quality of service for their success and survival in today's competitive environment. Based on this reason, this study was carried out to identify and investigate the satisfaction of the five star hotel customers in Melaka by collecting the data and information through the survey using questionnaires. First, the quality attributes of SERVQUAL dimension were used to identify and investigate the hotel customer satisfaction. Second, the concept of IPA (Importance-Performance Analysis) was applied to identify the strengths and weaknesses of quality attributes related to the service given by the hotel from the customers' viewpoints. Third, the integration of the IPA and Kano's model were used to evaluate the priorities of service related what was required by the customer. At this point, the integration of both conceptual approaches would come out with the 'gaps' of satisfaction related to the disconfirmation theory. By using software SPSS, the correlation results of the asymmetric Kano model (related to non-linear satisfaction attributes) towards the linear satisfaction attributes of IPA (based on a Likert scale) was used as the customer satisfaction priorities required against the quality of service provided.
DEDICATION

For my beloved parents who are always supported me:

Adria Syaifoei Bin Malin Sutan
Ida Elisma Binti Hasan

And

For my Supervisor,
Mr Hasloana Haery Ian Pieter

For my Advisor Lecturer,
Mr Saifuuddin Hafiz Yahaya

For my Families, my Special Friend and my Friends

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LIST of ABBREVIATIONS

PSM- Projek Sarjana Muda
Linear parametric- linear parameter of distribution
Non-linear parametric- non linear parameter of distribution
SERVQUAL - Service Quality
IPA- Importance Performance Analysis
SPSS Software- Statistical Package for Social Science
OECD- Organization for Economic Co-operation and Development
UN- United Nation
UNECA- United nation Economic Commission for Africa
TCS- Total Customer Satisfaction
CS-DS- Satisfaction- Dissatisfaction
CHAPTER 1

INTRODUCTION

1.1 Introduction

In the current socioeconomic context, the service sector has increasingly becoming more important agenda in the economic development of countries (MacDonald, 1977). This is due to the roles of business for sustainable development remains indefinitely, since all business enterprise can make the contribution towards its attainment and the ability to make a difference varies by a sector and organization size. With a strong private sector, according to OECD report (2011:2), is as a key to ensure sustainable economic development, employment generation, and competitiveness. Viewing on this issue, UN report (2008:ix) relating to competitive and comparative advantage, explain about the capacity of technological innovation, development, and adaption as the key determinant in giving the countries and enterprises across different sectors related to capital and sources where developing countries participate in the global movement and its contribution to trade. While, MacDonald (1977:8) discussed about the source of growth in many economies that coming from a service sector related to the workers and union. In report of UNECA (2003:1) related to case of the reformation and the changing of government roles, they stated about the creating and enabling environment for the private sector and civil society to flourish, and establishing and effective civil service by increasing its competence, efficiency, fairness, and quality of services. Based on that reason, in order to know and study the operational and the process of service related are,
therefore, become a crucial effort for decision maker, especially on how they institute the specific management methodology that fits to its context and specificity. This is due to in the current situation, according to Stadlander (2006:17), the business environment always change and increasingly unpredictable. In order to ensure their organizations are constantly and properly aligned with the new business realities, the role of leader are therefore required to anticipate the changes in the business environment before they become a threat to their organization.

Related to operational context of service and private sector, Jaakola et al., (2016) discussed about the four key strategic marketing concepts, market orientation, innovation orientation and two marketing capability categories (outside in and inside out capabilities on company performance). In order to understand the service processes, however, it needs to be differentiated with manufacturing process due to their intangible nature and the direct participation of client. On this point, Bitner et al, (2008) stated about the understanding required of how the customers evaluate the service process and how those judgment evolved where they are not just individual interaction with service providers. Specifically, on ways how the customers experience and how to evaluate service processes as the challenges faced of companies to undertake the design, delivery and documentation of a service offering. First, this is due to in the growing economy where the service sectors as a vehicles, require the service improvement related to the quality development that serves as the country key strategic development. Certainly, through quality that is focused on customer satisfaction, the involvements of private sectors are currently becoming main roles to the economic development. However, since the customer satisfaction as a mantra of all effort for business is an ambiguous and abstract concept, then the manifestation of “the state of satisfaction” is varies individually, as well as against the product and service given as their experience and expectations. This is what companies faced against the challenges and competitions in market, especially on how to identify what their customer satisfaction and requirement, as well as how they can develop their market with an improvement made to their business in order to ensure the high of quality service offered.
Second, the customer satisfaction is a major outcome of marketing activities and serves to link the processes culminating in purchasing and consumption with post-purchase phenomena, such as attitude change, repeat purchase, and brand loyalty. Viewing on this perspective, in order to make clients loyal, then every effort made by companies are certainly should be met and exceeds to their needs and expectations. This is why many companies today are aiming for TCS- Total Customer Satisfaction. Based on that reason, Oliver (1981) stated that satisfaction is as a judgment to a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under or over fulfillment. This is means that satisfaction is a major outcome of marketing activity and serves to link processes culminating in purchase and consumption with post-purchase phenomena such as attitude change, repeat purchase and brand loyalty. While, Tse and Wilton (1988) define the satisfaction as the consumer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product as perceived after its consumption. This is means that expectations, according to the disconfirmation paradigm, exert an important influence on customer satisfaction with the service encounter and thus on service quality perceptions (Bitner et al., 1990). In detail, the customer satisfaction is the individual's perception of the performance of the product or service related to his or her expectations. On this, the concept of customer satisfaction is a function of customer expectations where a customer whose experience falls below expectations will be dissatisfied, while customers whose expectations are exceeded will be very satisfied or delighted (Schiffman & Kanuk, 2005). Therefore, service companies must not only change their attitudes towards market, but also have to change their way in providing services with market expected parameters like quality, reliability, tangible evidences, responsiveness, assurance, empathy, price, availability, and accessibility. On this condition, the organizations of service firms must rethink how they do business as customers move from the periphery to center stage, old ways of doing business no longer work.

Since all elements aforementioned must be considered to satisfy the customer in order to gain their satisfaction and exceeds their expectation, Cronin and Taylor (1992) suggested about the conceptualizing and measuring service quality as an
attitude concerned. For that purpose, the SERVQUAL criteria is used as the tools to help the measuring of service given, beside to provide the insights of the dynamics customer preferences and the thoroughness of the needs of the services provided by the companies. While, to scales of response towards the quality of service, Kano Model that referring to a theory of product development and customer satisfaction and IPA Method that address the level of importance-performance toward the competitive service and the requirements for quality attributes, are used to maximizes performances attributes, including as many of “excitement” attributes as possible at the market to the benefits of the companies. Based on the data represents customer service quality (performance) perceptions and satisfaction, they will be used to identify areas of improvement need. They are also used to identify areas which the firm is effective in providing the services.

1.2 Problem Statement

The prospects of service industries in Malaysia, especially in the hospitality business, are still wider open. In general, on such service business, the quality offered is through promoting the customer satisfaction. This is to stimulate the customer intention to return and encourages their recommendations to others, besides for the internal improvement in order to compete in market. Through customer satisfaction, they will increase the profitability, market share, and return on investment (Hackl & Westlund, 2000; Barsky & Labagh, 1992; LeBlanc, 1992; Stevens et al., 1995, Legroherel, 1998; Fornell, 1992; Halstead & Page, 1992). For an instance, Oh and Parks (1997) discussed about hotels with good service quality where they can improve the market share and profitability.

The facts, in a highly competitive hotel industry, individual hoteliers must find the ways to make their products and services standing out among the others. To achieve on this, hoteliers must understand what of their customers’ needs and then set out to meet (or exceed) these needs. First, Fache’ (2000) observed that one of the most important developments in the tourism industry is pertinent to the growing of attentions to service quality from the customer’s perspective. The problem is on
what the service given not enough to what are, actually, customers expected. For that reason, the hoteliers need to understand the service required by customer as the opportunities for their business growth by understanding their customer. By avoiding the misunderstanding towards their customer, will allow the company to get higher profitability and better of future their business prospect due to get the loyalty of customers. This is means the models required is the model that integrate the concept of customer satisfaction in a network of related concepts, such as value, quality, complaining behavior, and loyalty. In this point, Liu and Zhao (2009:360) propose through perceived performance, comparison standards, perceived disconfirmation, satisfaction feeling and outcomes of satisfaction feelings.

Second, according to Edvardsson et al., (2000), in the service industry, especially the hospitality industry, customer satisfaction plays a key role for firm to continuously grow as the competitive advantage that is always required and become more important for companies. In this sense, Reed et al., (2000:6) interpret the resource based model that is proposed by Barney (1991) through customer satisfaction as one of the pillar of competitive advantage in which an outcome of the strategy generates the increased value for a firm, relative to its competition, and sustainability. They emphasized, if the increased value remains then competitors stop trying to imitate that advantage. On this concept, a great strides of companies to define and understand satisfaction from the consumer’s perspective is required and then it have to be emphasized with comprehend on what truly creates the satisfied customers and how they can create the satisfied customers effecting to their profitable business prospect, today and future. Due to customer satisfaction can be affected by a firm’s capability to meet unknown and known customer demands and expectations, Wang et al. (2004:180) stated about the relative importance of each dimension of customer value might change over time. They argued that the companies should therefore to continuously changing the importance of each dimension refers to customer value due to the fact that the improved customer satisfaction may also play a certain role in affecting the perception process of customer value by customers. On this point, due to satisfaction, according to Parker and Mathews (2001:38-39), can be viewed as an outcome of a consumption activity or experience and also is represented as a process, the result of consumers’ perceptions of the difference between their perceptions of
performance and their predictions (or expectations) of performance are, consequently, should be directed at understanding of the cognitive processes involved in satisfaction evaluations. Here, by developing satisfaction that consists of the estimating relationship between the product and the consumer's values, according to Spreng and Olshavsky (1993: 170), the evaluation that takes place should therefore on the conceptualization that is very close to the cognitive comparison suggested.

Third, McQuitty et al., (2000:1) stated that if the gap between expectations and perceptions of performance are occurred since individual’s satisfaction may vary to the amount of product experiences, then its outcome can be a predictable satisfaction level. Brady et al., (2006:91) on this point give an example regarding service industries, i.e. Hotel, that if a hotel does an excellent job of managing their service staff and service environment (through, for example, the ambience and design of the hotel), the outcome of the stay (hotel occupancy) should be in positive outcome that can be controlled largely through the managing of process in effectively. Svensson (2006:249) explicitly stated that the crucial point in this service encounters are largely human interactions, and the outcomes of such service encounters depend upon the interactive processes and relationships between the service providers and the service receivers. Since the focus of most organizations with the continual improvement is actually on how they deliver the service since, even the companies with most customer-oriented culture and the strongest quality program can not entirely avoid and eliminate the possibilities of mistakes during their service delivery (Kelley & Davis,1994:52), on this point, further insights into the relationship between personality and consumer satisfaction, according to Westbrook, (1980:428), would add valuable perspective for companies efforts to assure high levels of buyer satisfaction. By increasing their satisfaction would also to increase customer loyalty (Bloemer & Kasper, 1995), which is a customer's psychological predisposition to repurchase from a particular product or service provider. On this, loyalty is the ultimate dependent variable in the model of its value as a proxy for actual customer retention and subsequent profitability. This is means, in the context of consumption experiences, Westbrook (1980: 429) stated it would similarly be expected the presence of feelings of personal competence which is associated with