



**Faculty of Technology Management
and Technopreneurship**

**ANALYZING SERVQUAL DIMENSIONS IN INCREASING
CUSTOMER SATISFACTION: A COMPARATIVE STUDY
BETWEEN HOTEL AND RESORT IN MELAKA**

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**A project paper submitted in fulfillment of the requirements
for the degree of
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(Advanced Operation Management)**

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DEDICATION

Dedicated to my family for their loving supports throughout the years.

ABSTRACT

The role of service quality in the success of hotel businesses cannot be denied. It is vital for the hotel managers to have a good understanding on what exactly the customers want. Furthermore there also had been concerns that service quality dimensions may differ from one country to another. Hence this study intends to analyze the service quality dimensions in increasing customer satisfaction by conducting comparative study between 3 star hotels and resorts in Melaka to identify which service quality dimensions are significant in both type of establishment, to identify whether there are any differences regarding the perceived dimensions and to find out which dimensions are the best predictor of overall service quality.

Probability sampling techniques were used to collect data from the modified SERVQUAL instruments. SPSS 15.0 for Windows was employed for the data analysis. Descriptive analysis such as means, standard deviation and frequencies are calculated. Reliability issues are tested and dimensionality of the scale is confirmed through an exploratory factor analysis. Finally, regression models were developed and analyzed for both type of establishments.

Factor analysis confirmed the five-dimensional structure of SERVQUAL both in hotel and resort category; however, some of the dimensions found and their components were different from the original SERVQUAL. Results of regression analysis revealed that four dimensions were significant in determining overall service quality in hotel category while only one dimension were significant in determining overall service quality in resort category.

The study concluded that identifying the perceptions of customers, the dimensions of service quality, and their relative importance for customers for each specific segment of the hotel industry would definitely help managers in the challenge of increasing customer satisfaction.

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Bismillahirrahmanirrahim,

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Finally, I would like to thank everybody who was important to the successful realization of this project paper, as well as expressing my apology that I could not mention personally all of them one by one.

DECLARATION

I declare that this project paper entitles Analyzing SERVQUAL Dimensions in Increasing Customer Satisfaction: A Comparative Study between Hotel and Resort in Melaka is the result of my own research except as cited in the references. The project paper has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

Signature : 

Name : Ahmad Hidayat b. Ahmad Ridzuan

Date : 20th November 2009

TABLE OF CONTENTS

	Page
DEDICATION	i
ABSTRACT	ii
ACKNOWLEDGEMENT	iii
DECLARATION	iv
TABLE OF CONTENTS	v
LIST OF FIGURES	viii
LIST OF TABLES	ix
LIST OF APPENDICES	x
CHAPTER	
1 INTRODUCTION	
1.1 Background of Study	1
1.2 Problem Statement	3
1.3 Research Questions	4
1.4 Objectives of the Study	4
1.5 Scope of Study	5
1.6 Significance of Study	5
1.7 Limitation of the Study	5
1.8 Organization of the Project Paper	6
2 LITERATURE REVIEW	
2.1 Introduction	8
2.2 Service	8
2.3 Quality	8
2.4 Characteristics of Service Quality	9
2.5 Service Quality Model	11
2.6 SERVQUAL	13
2.7 Service Quality in the Hospitality Industry	16
2.8 Importance of Service Quality Assessment	17

2.9	Service Quality and Customer Satisfaction	18
2.10	Theoretical Framework	19
2.11	Summary	20
3	RESEARCH METHODOLOGY	
3.1	Introduction	21
3.2	Research Design	21
3.3	Research Strategy	22
3.4	Qualitative and Quantitative Methods	22
3.5	Data Collection	23
3.6	Population	24
3.7	Sampling	24
3.8	Sample Size	24
3.9	Sampling Method	25
3.10	Survey Instrument	25
3.11	Pilot Test	26
3.12	Reliability	26
3.13	Procedure of Data Analysis	27
	3.13.1 Factor Analysis	27
	3.13.2 Regression Analysis	28
3.14	Milestones	30
3.15	Budget	30
3.16	Summary	30
4	DATA ANALYSIS AND FINDINGS	
4.1	Introduction	31
4.2	Response rate	31
4.3	Demographic Frequency Data	31
4.4	Reliability Analysis	34
	4.4.1 Mean & Standard Deviation Item Statistics	34
	4.4.2 Coefficient Alpha	35
	4.4.3 Inter-item Correlations	36

4.4.3	Inter-dimension Correlations	37
4.5	Factor Analysis	38
4.5.1	KMO and Bartlett's Test of Sphericity	38
4.5.2	Principal Component Analysis – Total Variance Explained	38
4.5.3	Principal Component Analysis – Rotated Component Matrix	41
4.6	Perceptions of New Factor	44
4.7	Regression Analysis	46
4.7.1	Model Summary	46
4.7.2	ANOVA	47
4.7.3	Coefficients of Determination	48
4.8	Summary	49
5	CONCLUSION AND RECOMMENDATION	
5.1	Introduction	50
5.2	Conclusion	50
5.2.1	Research Question 1 & 2 – Identified Dimensions and Differences	50
5.2.2	Research Question 3 – The Best Predictor of Service Quality	53
5.3	Recommendation	55

BIBLIOGRAPHY

APPENDICES

LIST OF FIGURES

	Page
Figure 1: GAP Model Illustration	12
Figure 2: Extended Model of Service Quality	14
Figure 3: Theoretical Framework	20
Figure 4: Research Strategy Approach	22
Figure 5: Dimensions Properties (Hotel)	51
Figure 6: Dimension Properties (Resort)	52

LIST OF TABLES

	Page
Table 1: Demographic Profile of Respondents	32
Table 2: Item Statistics	34
Table 3: Reliability Statistics	35
Table 4: Item Total Statistics	36
Table 5: Summary Item Statistics	37
Table 6: Reliability of the SERVQUAL scale	37
Table 7: KMO and Bartlett's Test of Sphericity	38
Table 8: Total Variance Explained (Hotel)	39
Table 9: Total Variance Explained (Resort)	40
Table 10: Rotated Component Matrix (Hotel)	41
Table 11: Rotated Component Matrix (Resort)	42
Table 12: Dimensions of service quality in the hospitality industry (Hotel)	43
Table 13: Dimensions of service quality in the hospitality industry (Resort)	43
Table 14: Dimensions Statistics (Hotel)	44
Table 15: Dimensions Statistics (Resort)	45
Table 16: Model Summary (Hotel)	46
Table 17: Model Summary (Resort)	46
Table 18: ANOVA (Hotel)	47
Table 19: ANOVA (Resort)	47
Table 20: Coefficients (Hotel)	48
Table 21: Coefficients (Resort)	48
Table 22: Identified Predictors of Service Quality (Hotel)	54
Table 23: Identified Predictors of Service Quality (Resort)	55

LIST OF APPENDICES

Appendix A: The SERVQUAL instrument (Parasuraman *et al.*, 1988)

Appendix B: Survey Questionnaire

Appendix C: Project Paper Budget Estimation

Appendix D: Project Paper Milestone

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Tourism is a major revenue earner for the Malaysian government, which has also invested significantly in the sector. The government has allocated RM1.8 billion in the Ninth Malaysian Plan for the 2006 to 2010 period. The allocation in the previous plan period (2001-2005) has been 700 million. The Malaysian government had set a target of 24.6 million tourist arrivals in 2010, while tourist receipts to reach RM59.4 billion that year.

The State of Melaka is currently on the course of rapid economic growth and development. The tourism industry in Melaka holds huge potential and has generated employment opportunities, more income for businesses and helped improve the livelihood of locals. And why not, when more than six million people visited the historical state in 2008 and spent RM3 billion during their stays. With the present tagline in Melaka's tourism campaign being "Visiting Historical Melaka Means Visiting Malaysia, Melaka is highly optimistic of the tourist numbers and extrapolations indicate the number will reach 8.2 million by 2010.

Accommodation is of no problem because there are 5,096 hotel rooms, resort hotel rooms (2,458), chalets (484) and homestay rooms (136). Thus Melaka's tourism industry will continue to prosper, bringing greater prosperity to the state and its people. (<http://malaysiahotelnews.blogspot.cpm>).

In the wake of increasing competition and the dramatic changes occurring in the tourism industry in Melaka, there is a need for hotel managers and international investors to recognize the importance of service improvements in establishing a competitive advantage. Hence there is a need for hotel managers and international investors to

recognize the importance of service improvements in establishing a competitive advantage.

Service quality incorporates the concept of meeting and exceeding the expectations of the customer and this has been growing in popularity since its inception in the late 1970s. Service quality has been derived from the field of marketing which values the human interaction between a business and its customers. Service quality is so intangible that objective measurement is impossible; the challenge lies mostly in managing appearances and perceptions (Harvey, 1998). The majority of the literature on service quality in the 1970s and 1980s reveals four main attributes: intangibility, heterogeneity, perishability and inseparability. Intangibility is an attribute often cited as having no tangible quality. Customers cannot evaluate a service prior to consumption, during consumption and cannot be store the service after consumption (Zeithaml, 1981; Shostack, 1984). Heterogeneity relates to the potential variability in the actual performance of services and is supported by Booms and Bitner (1981) and Looy *et al.*, (1998). The third attribute perishability is grounded in the theory that services cannot be saved or inventoried for future use. The last attribute is the inseparability of production and consumption. When services are sold to customers, both production and consumption occur simultaneously.

While technology makes products similar, it is service quality that differentiates them in the market (Denburg & Kleiner, 1993). The importance of service quality is well recognized in the hospitality industry, which is part of the tourism industry since hotels cannot survive intense competition without satisfying their customers with quality service. Garvin (1988) defined perceived quality as the subjective perception of quality through indirect measures of quality comparison. Grootroos (1993) stated that service quality was developed based on confirmation and disconfirmation concept in the perceived service quality model introduced in 1982. The notion of the model explains that perceived service quality is the result of comparing a consumer's real experience with his or her expectation of service.

1.2 Problem Statement

In general, service quality promotes customer satisfaction, stimulates intention to return, and encourages recommendations. Customer satisfaction increases profitability, market share, and return on investment (Hackl and Westlund, 2000; Barsky and Labagh, 1992; LeBlanc, 1992; Stevens *et al.*, 1995; Legohérel, 1998; Fornell, 1992; Halstead and Page, 1992). Hotels with good service quality will therefore improve their market share and profitability (Oh and Parks, 1997). In a highly competitive hotel industry, individual hoteliers must find ways to make their products and services stand out among the others. To achieve this, hoteliers must understand their customers' needs – and then set out to meet (or exceed) these needs. As Fache' (2000) has observed, one of the most important developments in the tourism industry is the growing attention to service quality from the customer's perspective.

Several researchers have sought to define and measure the concept of service quality (Carman, 1990; Cronin and Taylor, 1992; Parasuraman *et al.*, 1985, 1988, 1991; Teas, 1994). It has also been argued that the number of dimensions and the nature of SERVQUAL construct may be industry specific. The fit of five-dimensions of SERVQUAL carried out in different service activities has always been an important question in several studies that these dimensions proposed by SERVQUAL do not replicate. Many times the SERVQUAL scale has been found uni-dimensional (Angur *et al.*, 1999; Babakus and Mangold, 1992; Babakus and Boller, 1992) and sometimes with even ten dimensions (Carman, 1990). In the case of hotel industry, it has been found to be two-dimensional (Karatepe and Avci, 2002; Ekinçi *et al.*, 2003). It has also been argued that performance-only (SERVPERF) measure explains more of the variance in an overall measure of service quality than SERVQUAL instrument (Cronin and Taylor, 1994).

The SERVQUAL scales are multi-dimensional. However, the number of dimensions vary – from a minimum of two (Ekinçi and Riley, 1998) to a maximum of ten (Vaughan and Shiu, 2001). It is apparent that the number of dimensions varied according to the service context and the country. For example, the factor structure for the lodging industry

in Australia (Wilkins *et al.*, 2007) was somewhat different from that in North America (Knutson *et al.*, 1990; Saleh and Ryan, 1991; Getty and Getty, 2003). Moreover, the factor structure varied within a given country. For example, the factor structure for the lodging industry in North America varied from five dimensions (Knutson *et al.*, 1990; Getty and Getty, 2003) to four (Saleh and Ryan, 1991).

Jiju, Freenie and Sid (2004) made a research identifying the dimensions of service quality in the UK hospitality industry based on the SERVQUAL instrument. Their study had its focus on a hotel group however it doesn't mention the type of hotels or the rating of stars given to the establishment. This makes it interesting whether the factor structured proposed in their study is valid in other type of hospitality establishment and also to look whether the perceived service quality dimensions differs by countries.

Hence, the study sets out to analyze the service quality dimensions of hotel guest using the SERVQUAL instrument in the emerging market which is Melaka hotel industry through a comparative study between hotel and resort in Melaka.

1.3 Research Questions

1. What are the dimensions of service quality that are perceived as significant between hotel and resort in Melaka?
2. Is there any difference in the service quality dimensions that are perceived as significant between hotel and resort in Melaka?
3. Which dimensions are the best predictors of overall service quality between hotel and resort in Melaka?

1.4 Objectives of the Study

The specific objectives of this research were to:

1. To identify what are the dimensions of service quality that are perceived as significant between hotel and resort in Melaka.

2. To identify any differences in the service quality dimensions that are perceived as significant between hotel and resort in Melaka.
3. To identify which dimensions are the best predictors of overall service quality between hotel and resort in Melaka.

1.5 Scope of Study

This study will involve hotels and resorts in the three star categories in Melaka. The methodology of the study is via sending of survey questionnaires to guests at selected three star hotels and resorts in Melaka.

1.6 Significance of the Study

The Melaka government through Tourism Malaysia, the Melaka State Tourism Action Committee and relevant agencies are always working out new ideas to turn Melaka into a compelling tourism centre in the region. Even now, Melaka is the choice for many national and international events. This helps establish the state in the tourism map. The state is giving emphasis to tourism events of international stature and Melaka currently received the recognition by the United Nations Education, Scientific and Cultural Organization (UNESCO) as a world heritage site. With the recognition, Melaka will remain as a tourism destination of choice for local and foreign tourists. Hence quality of hotels is a significant strategic issue for increasing the competitiveness of Melaka to the International tourism market; and the study explores service quality in terms of identifying which service quality dimensions are significant in Melaka hotels and resorts, to find out which dimension is the best predictor of overall service quality and examine the relationships between the service quality dimensions and the hotel guest's overall satisfaction

1.7 Limitation of the Study

The study is limited to the Melaka hospitality industry, with focus on hotels and resorts in the three star categories only without assessing other hotels and resorts in a different

categories i.e. four star, five star etc. Hence the results of the study will represent the point of view of guest's from three star hotels and resorts only. The survey will only cover Melaka area because of the limited time available in doing the research.

1.8 Organization of the Project Paper

This study is organized into five chapter, which are preceded by an introductory chapter (Chapter 1), which provides an outline of the study and articulates the research problem, the formulation of the research questions and objectives, and significance of the study. Chapter 1 contextualizes the study and states the overall aims and goals of the study as they crystallized during the researcher's preliminary reading and consideration of the problem.

Chapter 2 reviews the literature covered and shows how the researcher demarcated the scholars to be included in the review of literature. It provides a theoretical basis and framework in understanding the SERVQUAL concept and its' dimensions in increasing customer satisfaction in the context of hospitality industry. Important themes addressed include: characteristics of service, the SERVQUAL model, service quality in the hospitality industry, importance of service quality assessment, and relationship between service quality and customer satisfaction.

Chapter 3 outlines the research design and methodology procedures used to achieve the stated and objectives of the study. The quantitative data collection methods are applied in the fieldwork discussed. The adoption and modification of the SERVQUAL instrument in order to identify the key dimensions were explained. Included are also details of sample design, data collection techniques and methods of analysis used.

In chapter 4, analysis, interpretation and full description of the main results relating to the identification of the SERVQUAL key dimensions perceived by guest's staying at Melaka 3 star hotels and resorts are presented and discussed.

Chapter 5, the concluding chapter, answers the research questions pertaining to the study. The main findings that have been obtained are discussed by drawing together the results from previous chapters. The researcher indicates the larger relevance and value of the study, also specifying the gaps and uncertainties that may require further research. The chapter concludes by recommending to Melaka hospitality managers on how they could increase their guest's satisfaction.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter presents the overview of current literature in the frame of the presented research problem. Each of the bodies of literature is discussed which is focus on the specific nature of the relevant literatures that relates to this study.

2.2 Service

It is important to distinguish between service and goods. Goods are most tangible (an object) while services are more of an act (a deed, performance or an effort). There are many definitions of services in the literature may depend on the author and focus of the research (Gronroos, 2001). However, one of the most important and unique characteristics of services is that services are processes, not things, which mean that a service firm has no product, only interactive process. Gronroos (2001) offer a comprehensive definition of services where services is “an activity or series of activities of a more or less intangible nature than normal, but not necessarily, take place in the interaction between the customer and the service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems”.

2.3 Quality

There are definitions of quality derived from uncountable authors. Juran’s definition “fitness for intended use” basically says that quality is “meeting or exceeding customer expectations” (Juran, 1988). Demming on the other hand states that the customer’s definition of quality is the only definition that matters. However, from reviewing articles on quality, it has been found that early research has been focusing on defining and measuring the quality of tangible goods and products (Garvin, 1988, Juran 1988) while

the more challenging service sector was disregarded. Crosby (1979) defined quality of goods as “conformance to requirements”; Garvin (1988) identified internal (those observed before a product left a factory) and external (those incurred in the field after a product had been delivered and installed) failures and measured quality by counting the malfunctions. Parasuraman, Zeithaml and Berry (1985) stated that it may inappropriate to use a product-based definition of quality when studying the service sector and therefore developed the expression of “service quality”.

For this particular study, only one definition was chosen and used for it to fit the purpose. Considering the research questions and branch studied, Parasuraman *et al.*, (1985) definition of quality has been used.

2.4 Characteristics of Service Quality

It is well known that service quality is based on multiple dimensions (Parasuraman *et al.*, 1985). In 1982, Gronroos identified two service quality dimensions, the functional aspect and the technical aspect. The functional aspect concern on “how” service is provided while the technical aspect concern “what” service is provided. The “what” is received by the customer as the outcome of the process in which the resources are used i.e. the technical or outcome of the quality of the process. However the customer also perceives how the process itself functions, i.e. the functional or process quality dimensions. (Gronroos, 1982).

Jarmo Lehtinen views service quality in terms of physical quality (corporate image), quality and interactive quality. Physical quality refers to the tangible aspects of the service. Corporate quality refers to how current and potential customers, as well as other publics, views (image) of the service provider. Interactive quality, concerns the interactive nature of the service and refers to a two-way flows that occurs between service provider and the customer, or his/her representative, including both animated and automated interactions (Lehtinen & Lehtinen, 1982).

Gronroos (2001) has also presented, similar to what Lehtinen and Lehtinen (1982) proposed on service quality, the importance of corporate image and the experience of service quality. Customers often have contact with the same service firm, which implies that they bring their earlier experiences and overall perceptions of a service firm to each encounter. Hence the image concept was introduced as yet another important attribute. Image has an impact on customer perceptions of the firm's communication and operations in many aspects, which makes it favorable to have a well known positive image. If for example, a hotel's image is negative, the impact of any mistake will often be magnified in the guest's mind. On the other hand, a positive will probably make the guest neglect minor mistakes and oversee them. However if minor mistakes occur often, the image will be damaged. Gronroos (2001) express that image can be viewed as a filter in terms of a customer's perception of service quality.

Parasuraman *et al.*, (1985) derived ten dimensions that influence service quality from what they suggested that quality evaluations are not made exclusively on the outcome of service. Moreover they also involved evaluations of the service delivery process. The first dimension, when evaluation happens after service performance, focuses on "what" service is delivered and called outcome quality. The second dimension, process quality is when the evaluations occur while the service is being performed. In 1988 they presented a definition of service quality which is "the degree of discrepancy between customers' normative expectations for the service and their perceptions of the service performance" (Parasuraman *et al.*, 1988).

Brady and Cronin (2001) presented three factor model describing service quality, ambient conditions, facility design and social factors. They define that service environments are elements of the service delivery process and it seems best to include them as components of the functional dimension.

These are some of the dimensions that have been in focus, however, there is no general agreement on the content or nature of quality (Parasuraman *et al.*, 1985: Gronroos, 2001).

2.5 Service Quality Model

An organization can gain competitive advantage by the use of technology for the purpose of enhancing the service quality by gathering information on market demand. Conceptual models in service quality enable management to identify quality problems. By presenting the identified problems enables the possibility of improving the profitability, efficiency and overall performance (Parasuraman *et al.*, 1988).

2.5.1 The Gap Model

Service quality is a function of the differences between expectation and performance along the quality dimension. Unlike goods quality, which can be easily measured objectively in terms of number of defects and durability, service quality is an elusive construct that may be difficult to measure (Parasuraman *et al.*, 1988). Parasuraman *et al.*, (1985) research revealed that service quality stems from a comparison of the customers expectations or desire from the services provider with their perceptions of actual service performance.

Ten dimensions (tangibles, reliability, responsiveness, communication, credibility, security, competence, courtesy, understanding/knowing the customer, and access) were extracted from their research in terms of customer perceived quality. Based on their findings they developed a service quality model based on gap analysis which is illustrated in Figure 1 – GAP Model Illustration (Parasuraman *et al.*, 1985)

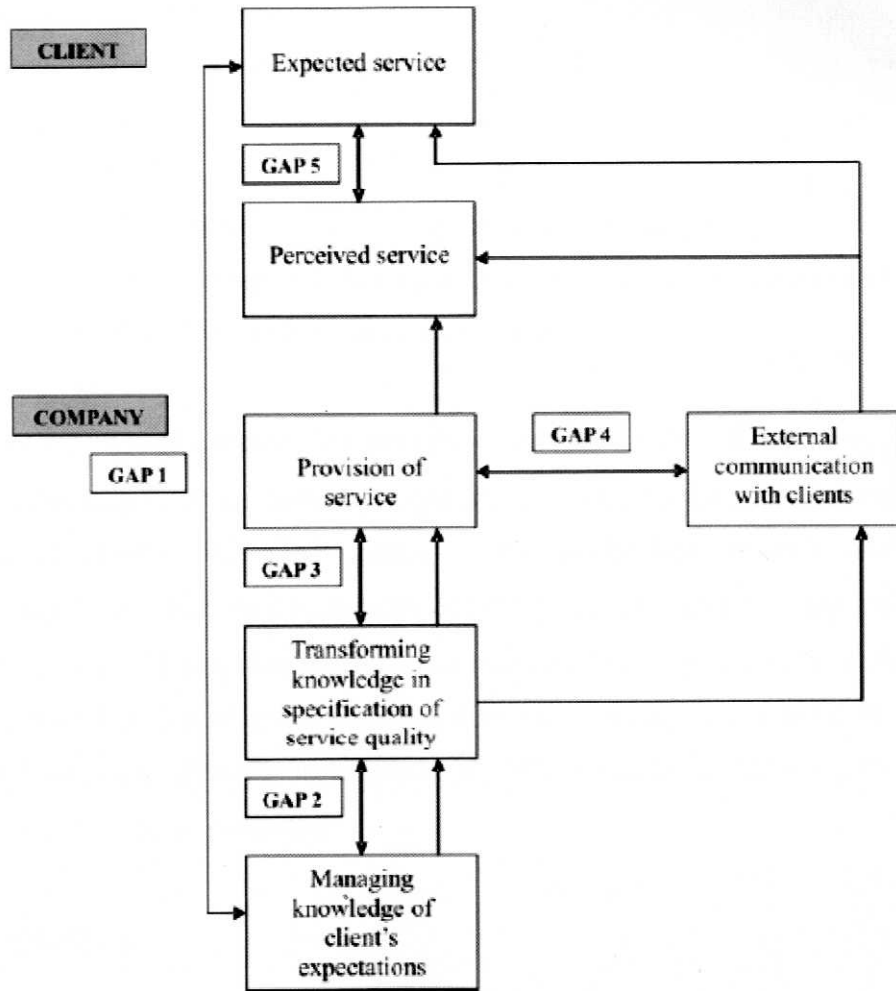


Figure 1: GAP Model Illustration (Parasuraman *et al.*, 1985)

- GAP 1: (Consumer Expectation – Management Perception Gap):**
 In formulating its service delivery policy, management does not correctly perceive or interpret consumer expectation.
- GAP 2: (Management Perception – Service Quality Specification Gap):**
 Management does not correctly translate the service policy into rules and guidelines for employees.
- GAP 3: (Service Quality specification – Service Delivery Gap):** Employees do not correctly translate rules and guidelines into action.