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   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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BOOKS

• Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.

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CONTRIBUTIONS TO BOOKS

• Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

• Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

• Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES

• Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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• Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

MEASURING SERVICE QUALITY AND CUSTOMER SATISFACTION USING SERVQUAL: AN EMPIRICAL STUDY IN HOSPITALITY INDUSTRY OF BANGLADESH

MD. SHARIFUL ALAM
LECTURER, SCHOOL OF BUSINESS, PRESIDENCY UNIVERSITY, DHAKA; &
RESEARCH SCHOLER
SCHOOL OF MANAGEMENT
WUHAN UNIVERSITY OF TECHNOLOGY
WUHAN, P.R CHINA

ABSTRACT

It goes without saying that service quality is one of the most important factors to make the consumers satisfied. But there is a big confusion regarding how this service quality can be measured so that it can be improved to ensure customer satisfaction. This document explains and demonstrates how the latent variables of service quality can be identified and how these factors affect customer satisfaction. These variables have been identified empirically through factor analysis. To find the gap between customer expectation and perception SERVQUAL model has been applied from a different dimension. Finally to measure how these latent factors affect customer satisfaction we have tested the null hypothesis that these latent variables don't have significant impact on customer satisfaction using multiple regression analysis. The empirical findings offer the evidence of a significant relationship between service quality and customer satisfaction in hospitality industry in Bangladesh.

KEYWORDS
Gap analysis, Satisfaction, Service quality, SERVQUAL.

INTRODUCTION

Customer relationship marketing (CRM) enhances the service quality thus providing the sense of increased perceived service quality. The SERVQUAL method has been used in many settings to assess the quality of service. By measuring expectations, perceptions, and satisfaction level on the dimensions of Reliability, Assurance, Tangibles, Empathy and Responsiveness, this paper aims to assess service quality of hotel in Bangladesh in order to facilitate the service providers so that they can provide better service to the customers especially the tourists and successfully integrate CRM with it.

Researchers have paid little attention on service quality in a hospitality industry like hotel where service quality can have a great impact on customer satisfaction and retention. Hence there is a need to investigate whether service quality has a significant impact on hotel industry and whether it can have significant impact on customer satisfaction and retention.

METHODOLOGY

Clients' perceptions seem to be largely ignored by hotel authority. Therefore, this study is a customer-centered one and focuses on examining service quality indicated by differences of clients' expectations and perceptions. It also examines the link between clients' perception and their overall satisfaction with hotel services. Respondents were interviewed using a SERVQUAL (Service quality) questionnaire proposed by Parasuraman (Parasuraman et al., 1985, Parasuraman et al., 1991).

SERVQUAL and hotel service quality dimensions were taken into consideration under the inspiration of previous studies. Even though SERVQUAL presents general quality dimensions for service industries, it does not include specific dimensions for each service branch (Pakdil and Aydn, 2007). Still we have followed the basic as this type of research is relatively new in the country.

The perceived service quality has been measured by the following equation:

Q= Px-Ex. Here Q stands for Perceived quality of service; and Px and Ex are ratings to perceptions and expectations respectively. In addition to this model a regression model has been used to examine significant elements influencing clients' overall satisfaction. The model can be expressed below:

$$S = \beta_0 + \beta_1 E + \beta_2 T + \beta_3 R + \beta_4 A + \beta_5 Res + \epsilon$$

Where,

S=Overall Satisfaction, E=Empathy, T=Tangibles, R=Reliability, A=Assurance, Res=Responsiveness, β_0 =intercept, β_1= regression coefficient, ϵ= stochastic error term

On the basis of literature review, a primary questionnaire was developed. The questionnaire design follows the SERVQUAL (Parasuraman, 1991) instrument (Reliability, Assurance, Tangibles, Empathy and Responsiveness) by using a 5-point Likert scale with "1" being "Strongly Disagree" and "5" being "Strongly Agree". Out of 279 questionnaires 236 have been returned. Finally 197 questionnaires have been selected for analysis after rejecting the incomplete questionnaires. Excel and SPSS have been used for the mathematical computation.

Considering the fishbone (cause and effect) diagram we can develop the following figure.

FIG 1: CONCEPTUAL MODEL: FROM SERVICE QUALITY TO SATISFACTION [EDITED FROM (UDDIN SAJIB MD ET AL., 2011, SHARIFUL ALAM ET AL., 2010)]

Based on the discussion we can test the following null hypothesis:
Hypothesis 1: Empathy has no significant influence on customer satisfaction.
Hypothesis 2: Tangible factor has no significant influence on customer satisfaction.
Hypothesis 3: Reliability factor has no significant influence on customer satisfaction.
Hypothesis 4: Assurance factor has no significant influence on customer satisfaction.
Hypothesis 5: Responsiveness has no significant influence on customer satisfaction.

LITERATURE REVIEW

Service itself is very complex in nature that is very difficult to articulate. Hotels usually provide service that is very difficult to define. According to Kotler, "A service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product" (Kotler, 2001). So, service can be defined as all those economic activities, which are intangible and involve in close interactions in between service provider and the consumer. Like service its perceived quality is difficult to define and measure. According to Parasuraman et al. service quality is a gap between consumers' expectation and perception of service along the quality dimensions (Parasuraman et al., 1985).

Marketing management wants to design strategies that will build profitable relationships with target consumers. But what philosophy should guide these marketing strategies? According to Kotler there are five alternative concepts under which organizations design and carry out their marketing strategies (Kotler and Armstrong, 2012). Product concept which gives importance on quality of goods and services is one of them. So, to build customer relationship service quality has a great impact on consumers' perception about the service.

There is no single universal definition for the service quality (Zineldin, 2006). However, several viewpoints on service quality are shown in table below.

TABLE 1: VIEWPOINTS ON SERVICE QUALITY

Authors	Viewpoints
(Grönroos, 2007)	A result of what consumers receive and how they receive it.
(Lee et al., 2006)	The ability to meet or exceed customer expectations.
(Zineldin, 2006)	The art of doing the right thing, at the right time, in the right way, for the right person and having the best possible results.
(Reid and Bojanic, 2001)	The ability of a service in providing customer satisfaction related to other alternatives
(Evans and Lindsay, 1999)	The total characteristics of service related to its ability to satisfy given needs of customer.
(Bergman and Klefsjö, 1994)	An ability to satisfy the needs and expectations of the customer.
(Cynthia, 1989)	A measure of how well the service level delivered matches customers' expectations on a consistent basis.
(Parasuraman et al., 1984)	A gap between patient's expectation and perception of service along the quality dimensions.
(Berry et al., 1983)	A measure of how well the service level matches customers' expectations.

According to their definitions, the service quality seems to be a disconfirmation paradigm. The outcome of this process might be negative disconfirmation (expectations are higher than perceptions), positive disconfirmation (perceptions are higher than expectations) or confirmation (perceptions are equal to expectations level) (Chisnall, 1979, Surprenant, 1987, Brown and Swartz, 1989, Grönroos, 1990, Parasuraman et al., 1994).

While defining and delivering high-quality service the most important step is to understand what customers expect(Zeithaml et al., 1990, Zeithaml et al., 1996). Expectations are the wants of consumers and their feeling regarding what a service provider should offer. Perceptions refer to the consumers' evaluation of the service and service provider(Parasuraman et al., 1985). In service sector it is a common phenomenon that whether management can correctly perceive customers' need and expectations. It is not exception to hospitality industry. Expectations serve as a major determinant of a consumer's service quality evaluations and satisfaction(O'Connor et al., 2000). So, the ''voice of the customer'' should be taken into consideration while designing service delivery process. And even after delivering the services, service providers should observe to what extent and how well the customers' expectations have been met. SERVQUAL (Parasuraman et al., 1986) is one of the best models to evaluate customers' expectations and perceptions(Parasuraman et al., 1986).

The basic dimensions to measure service quality are derived from the work of Zeithaml et al. They mentioned SERVQUAL has five major dimensions to measure service quality (Zeithaml et al., 1990). They are tangibles, reliability, responsiveness, assurance, and empathy. Customers evaluate the quality of service by determining whether there is any gap between their expectations and perceptions. SERVQUAL is based on the idea that quality is a subjective customer evaluation, as service is not a physical item, but an experience(Parasuraman et al., 1986, Grönroos, 1990). So, customers' perception is a better measure than other performance measures(Akan, 1995).

It is mentionable that in addition to SERVQUAL, many scholars measured service quality through various quality dimensions. Gourdin (1988), Elliott and Roach (1993), Ostrowski et al. (1993), Truitt and Haynes (1994) are notable in this regard(Gourdin, 1988, Elliott and Roach, 1993, Ostrowski et al., 1993, Truitt and Haynes, 1994). From the previous studies it has been observed that quality dimensions used in evaluating services may vary extensively, but can be classified comprehensively within the SERVQUAL dimensions. Most of the previous studies are constructed on respondents' mean scores, and weighted SERVQUAL points can be perceived as an alternative(Pakdil and Aydn, 2007).

ANALYSIS

Several data analysis techniques were used. Frequency distributions were obtained to check for data entry errors (e.g. unrecognized or missing codes) and to obtain descriptive statistics. The measures of service quality were factor analyzed: the five factors were extracted (table 2) using varimax rotation; they explained 49.578% of the cumulative variation.

TABLE 2: FACTOR LOADINGS BASED ON PRINCIPAL COMPONENT ANALYSIS					
Items and Factors	**Factor 1**	**Factor 2**	**Factor 3**	**Factor 4**	**Factor 5**
Responsibility					
Qe9	.466				
Qe10	.584				
Qe11	.470				
Qe12	.576				
Qe16	.626				
Qe22	.631				
Empathy					
Qe13		.429			
Qe14		.404			
Qe17		.632			
Qe18		.582			
Qe19		.657			
Qe20		.689			
Reliability					
Qe4			.645		
Qe5			.653		
Qe6			.788		
Qe7			.439		
Tangibles					
Qe1				.540	
Qe2				.631	
Qe3				.699	
Qe8				.400	
Assurance					
Qe15					.637
Qe21					.440
Extraction Method: Principal Component Analysis.					
Rotation Method: Varimax with Kaiser Normalization.					

Using SERVQUAL model we have explained the relative importance of each factors of service quality. Table 2 shows factor loadings based on principal component analysis.

TABLE 3: CALCULATION OF SERVQUAL SCORES

Dimension	Statement	Expectation Score	Perception Score	Gap Score	Average for Dimension
Tangibles	1	3.90	3.16	-0.74	
	2	4.01	3.32	-0.69	
	3	4.18	3.06	-1.12	
	8	3.99	3.32	-0.67	-0.8050
Reliability	4	4.16	3.18	-0.98	
	5	3.79	2.94	-0.85	
	6	3.97	3.07	-0.90	
	7	3.84	3.02	-0.82	-0.8875
Responsiveness	9	4.07	3.03	-1.04	
	10	3.81	2.98	-0.83	
	11	3.76	2.90	-0.86	
	12	3.88	3.11	-0.77	
	16	3.92	3.01	-0.91	
	22	4.05	3.13	-0.92	-0.8883
Assurance	15	3.74	2.97	-0.77	
	21	4.06	3.07	-0.99	-0.88
Empathy	13	3.90	3.19	-0.71	
	14	3.73	2.87	-0.86	
	17	3.91	3.03	-0.88	
	18	3.73	2.99	-0.74	
	19	3.94	3.08	-0.86	
	20	3.91	2.80	-1.11	-0.86
Unweighted Average SERVQUAL score:					-0.86417

Table 3 shows the gap scores for observed variables and average scores for the latent variables that gives us a general idea.

TABLE 4: UNWEIGHTED SERVQUAL SCORES

SERVICE DIMENSION	Expectation (E)	Perception (P)	SERVQUAL Score (SQ = P-E)	Rank
Tangibles	4.02	3.215	-0.805	5
Reliability	3.94	3.0525	-0.8875	2
Responsiveness	3.915	3.02666667	-0.88833333	1
Assurance	3.9	3.02	-0.88	3
Empathy	3.85333333	2.99333333	-0.86	4
Average	3.92566667	3.0615	-0.86416667	
Overall	19.6283333	15.3075	-4.32083333	

Table 4 shows service dimensions' average expectation, perception and gap score. It also provides ranking on the basis of gap score. But it should be revised on the basis of importance weight that has been shown in the following figure.

TABLE 5: SERVQUAL IMPORTANCE WEIGHTS

Features	Points
Tangibility	22.29
Reliability	18.37
Responsiveness	21.45
Assurance	13.56
Empathy	24.33
Total:	100

Table 4 and 6 shows the unweighted and weighted SERVQUAL score respectively for each dimension that will be used to explain the relative importance of each components.

TABLE 6: CALCULATION OF WEIGHTED SERVQUAL SCORES

SERVQUAL Dimension	Unweighted SERVQUAL Score (SQ = P-E)	Importance Weight	Weighted SERVQUAL Score	Rank
Tangibles	-0.805	22.29	-17.94345	3
Reliability	-0.8875	18.37	-16.303375	4
Responsiveness	-0.88833333	21.45	-19.05474993	2
Assurance	-0.88	13.56	-11.9328	5
Empathy	-0.86	24.33	-20.9238	1
Overall	-4.32083333	100	-86.15817493	
Average Weighted score:			-28.71939164	

Unlike table 4 this table above provides us the ranking of the importance of service dimensions on the basis of weighted gap score that sounds more reliable.

REGRESSION ANALYSIS

TABLE 7: MODEL SUMMARY[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.620[a]	.385	.369	.665	1.628
a. Predictors: (Constant), Responsiveness, Assurance, Reliability, Tangibles, Empathy					
b. Dependent Variable: overall satisfaction					

The acceptable Durbin–Watson range is between 1.5 and 2.5. In this analysis Durbin – Watson value is 1.628, which is between the acceptable ranges, show that there were no auto correlation problems in the data used in this research. Thus, the measures selected for assessing independent variables in this study do not reach levels of multicollinearity.

TABLE 8: COEFFICIENTS[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.254	.047		68.665	.000
	Empathy	.279	.048	.334	5.879	.000
	Tangibles	.265	.048	.316	5.576	.000
	Reliability	.255	.048	.304	5.364	.000
	Assurance	.081	.048	.097	1.706	.090
	Responsiveness	.223	.048	.267	4.698	.000
a. Dependent Variable: overall satisfaction						

FINDINGS AND DISCUSSION

Out of 279 questionnaires 236 have been returned. Finally 197 questionnaires have been selected for analysis after rejecting the incomplete questionnaires. 39 questionnaires were rejected, because the respondents did not provide enough information or they provided inconsistent information.

SERVQUAL SCORES

The initial findings indicate the Responsiveness dimension has the greatest service gap of –0.89 followed by the Reliability dimension at -0.88. The smallest service gap was the Tangible dimension at -0.81. However, it was inaccurate to draw conclusions from this directly since the SERVQUAL scores did not take into consideration the importance of each service dimension. So, the weighted SERVQUAL scores are computed.

To have a weighted score, we have to calculate the importance weights for each of the five dimensions of service quality constituting the SERVQUAL scale. The sum of the weights should add up to 100. Then we can calculate the weighted average SERVQUAL score for each of the five dimensions of service quality multiplying the averages calculated in previous step above by the weighted scores.

The weighted SERVQUAL scores are more negative than the un-weighted SERVQUAL scores. The largest gap amongst the rankings is Empathy at –20.92, followed by Responsiveness, Tangibles and Reliability respectively.

RELATIONSHIP BETWEEN OVERALL SATISFACTION LEVEL FOR 5 DIMENSIONS REGARDING OVERALL SATISFACTION TOWARDS THE HOTEL SERVICE

Regression analysis was run to evaluate the overall satisfaction levels for each of the 5 dimensions (Reliability, Assurance, Tangibles, Empathy and Responsiveness) in comparison with perception of the overall satisfaction level.

Along with SERVQUAL the data are analyzed by means of an Exploratory Factor Analysis (EFA), implemented in the form of Principal Components Analysis that is also evident in the previous research (Johnson and Wichern, 1992, Härdle and Simar, 2012). Regression of the resultant factor scores(Pedhazur and Schmelkin, 1991) (also evident in the previous research work) against some overall criterion measure e.g. overall satisfaction gives an indication of the relative importance of the different factors(MacLean and Gray, 1998).

Regression of the individual factor scores against overall satisfaction yields the result that all the factors except assurance have significance levels lower than 5%, which indicate their significant influence on the level of overall satisfaction. A model with an equation of overall satisfaction level towards hotel service = 3.254 + 0.279(Overall satisfaction level in Empathy) + 0.255(Overall satisfaction level in Tangibles) + 0.255(Overall satisfaction level in Reliability) + 0.081(Overall satisfaction level in Assurance) + 0.223(Overall satisfaction level in Responsiveness)+€ explains 38.5% (R^2) of the variability in the overall satisfaction level (See Appendix). As expected R^2 is a positive value here. It can be negative also. Negative values of R^2 may occur when fitting non-linear trends to data (Colin Cameron and Windmeijer, 1997) that is not the case here. However, based on the regression analysis we can say that an R^2 near 0.4 would get us interested and impressed at this model's explanatory power. Except hypothesis 4 we can reject the remaining null hypothesis that indicates four out of five latent variables have significant impact on customer satisfaction.

The finding shows that improving on the satisfaction level in tangibles, responsiveness, reliability and empathy leads to improving the overall satisfaction level. And when customers are satisfied it is easy to build relationship with them. In other word we can say that it will facilitate customer relationship management.

LIMITATIONS & FURTHER RESEARCH

This research study focused on latent variables based on SERVQUAL model in one of the sectors of hospitality industry. In other sectors SERVPERF might give better result though there are controversies regarding SURVPERF superiority over SERVQUAL(McAlexander et al., 1994). The result would have more authenticity if we could increase the sample size. The model can be modified by identifying some other latent factors. In future customer retention can be measured based on the extension of the current model.

RECOMMENDATIONS AND CONCLUSION

In this paper we have seen the latent variable quality as the cause of satisfaction though occasionally researchers have used quality and satisfaction interchangeably (Gallo et al., 2003, Rhoden, 2003). Even some researchers have suggested that customer satisfaction is an antecedent factor of service quality (Filiatrault and Ritchie, 1988). However our research model indicates that this may not be the case and provides the empirical support for the notion that service quality in fact leads to customer satisfaction and furthermore, an increase in customer retention. It also supports some previous research results (Park and Baek, 2007, Cronin Jr and Taylor, 1992, Keaveney and Parthasarathy, 2001).

As it is known to us that satisfied customers are easy to manage and they work as a channel to make new customers, authority should be well concerned about providing facilities to customers based on the factors that are identified by the SERVQUAL model. Thus ensuring the service quality by improving the perceived quality can lead to sound customer relationship marketing. If the SERVQUAL model is applied in this sector or in some other relevant sectors then service quality as well as customer satisfaction can be measured to some extent that must be helpful in applying customer relationship marketing.

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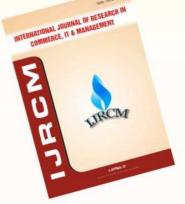**Academically yours**

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