

## DIAGNOSTICS OF CUSTOMER SATISFACTION IN THE HOSPITALITY INDUSTRY: EVIDENCE FROM NIGERIA

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**ABSTRACT:** *Nigeria in the last few decades has experienced a tremendous growth in the number of public and private hotels. The biggest challenge in today's competitive business environment is how to retain customers and ensure customer loyalty. Also, Guest relationships in the hotel industry are strategic assets of the organization and customer satisfaction becomes the starting points to defining business objectives. The study therefore analyzed the indices of customer satisfaction in the hospitality industry in Nigeria. The research analyzed the significance of key factors that determine customer satisfaction. A structured questionnaire on staff performance, cost, hotel facilities, environment and porn accessibility was developed and used to collect information from the study sample. The structured questionnaire was administered to 400 respondents purposively. Descriptive statistics and regression analysis were used to analyze the data. The result showed that cost, hotel environment, hotel facilities and income respectively were seen to have a strong impact on customer satisfaction at 5% level of significance, while staff performance seems significant at 10%. There was a relationship between service quality and customer satisfaction. The study makes a significant contribution to the service quality management literature because few empirical studies are available dealing with this aspect of the hotel management in Nigeria. It would also help service providers in the hotel industry to understand aspects of service variables that need urgent improvement.*

**KEYWORDS:** Customer satisfaction, Service quality, Hospitality, Regression model, hotel management.

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## INTRODUCTION

Customer satisfaction is essential for the success of every profit-oriented and relevance-minded organisation. It is the core competence of every vision-minded firm and most especially to service firms. Indeed, customer satisfaction has a great significance influence with the future of any firm. According to Perng (2007), achieving high levels of service quality is one method to keep customers both satisfied and loyal. Customer satisfaction is judged as the soul of triumph in today's competitive business world. This concept is gradually becoming a business goal as more corporations struggle for excellence in their services and/ or products (Bitner & Hubbert 1994). In this situation, the consideration on the understanding of determinants of customer satisfaction is of immense implication to the marketers. Customer satisfaction is a key factor of diverse marketing activity which basically imparts the linkage between the different stages of customer buying behavior. Oliver (1997) describe customer satisfaction as

the customer's fulfilment response, post consumption judgment that a given service provides a pleasing level of consumption-related fulfilment including under- or over-fulfilment.

In today's economy, customer satisfaction has come out as critical component for the top management of successful business and human elements as well play essential role to determining the whole perception of service quality and satisfaction. (Olsen 2012). Customer satisfaction as a business philosophy tends to creating value for customers. The key to achieving sustainable relevance lies in delivery high quality service that results in satisfied customers. Valdani (2009) opined that enterprises exit because they have customers to serve. The biggest challenge in today's competitive business environment is how to retain customers and ensure customer loyalty. According to Gruen et al. (2000), Guest relationships in the hotel industry are strategic assets of the organization and customer satisfaction is the starting points to defining business objectives.

Customers in the hospitality industry like the hotel management industries are in a strong bargaining position due to the significant growth of hotels. According to Jana & Chandra (2016), customer satisfaction has become an important aspect of the hotel industry. Unlike mother industries, the hotel industry prospers due to customers' retention. It is only through customer satisfaction that a hotel can retain its customers

Therefore, hotels have to provide service carefully because of the availability of too many other hotels. Measuring customer's expectation is the key to being able to serve the customer satisfactorily. On the other hand, with better understanding of customer's perceptions, hotel can determine the actions required to meet the customer's needs. In this way they can easily satisfy the customer which has a direct impact on the overall performance of the industry. Ha and Jang (2009) argued that service failure occurs when customer perceptions do not meet customer expectations. The problem with service failure is that it may lead to a destroyed relationship between the customer and the management. This importance of customer satisfaction in today's dynamic corporate environment is obvious as it greatly influences customer's repurchase intentions to switch. Given the vital role of customer satisfaction, it is not surprising that a variety of research has been devoted to investigating the determinants of satisfaction (Churchill and Surprenant, 1982; Oliver, 1980; Barsky, 1995; Zeithaml and Bitner, 2003). Satisfaction can be determined by subjective (e. g. customer needs, emotions) and objective factors (e. g. product and service features). Applying to the hospitality industry, there have been numerous studies that examine attributes that customers may find important regarding customer satisfaction. Customer satisfaction has been a popular topic in marketing practice and academic research since Cardozo's (1965) initial study of customer effort, expectations and satisfaction. Despite many attempts to measure and explain customer satisfaction, there still does not appear to be a consensus regarding its definition (Giese and Cote, 2000). Customer satisfaction is typically defined as a post consumption evaluative judgement concerning a specific product or service (Gundersen, Heide and Olsson, 1996). It is the result of an evaluative process that contrasts pre-purchase expectation. Studies show that customer satisfaction may have direct and indirect impact on business results. Anderson and Mittal, (2000), Yeung et al. (2002), and Luo and Homburg (2007) concluded that customer satisfaction positively affects business profitability. This research therefore seeks to determine which factors have significant impact on customer satisfaction. Customer satisfaction is essential for the success of service firm like the hospitality industry. It is one of the important tools to run a business and to achieve the mission statement. Indeed, customer satisfaction has great significance for the future of any firm and it is seen as bases for securing market position.

One of the biggest challenges of hospitality management is to increase the value of the services rendered to their clients. Hotel service-providers must know and understand what creates value for their clients. This should be an on-going process as client's patronage orientation changes overtime. Also, in the contemporary service environment, it has always been a difficult task to determine what constitute customer satisfaction. Particularly, in the hospitality services, there exist a gap between service-provider's perception of service quality and customer's perception of service quality. There is also a scope gap which this research seeks to fill. Many authors have done much work on determinants of customer satisfaction but little have been done hotel management , therefore this work fill this gap of taking evidence from Nigeria.

Customers' expectations in the service industry and hospitality in particular are based on past experiences (last call), the opinions of friends and physical environment. The high expectation from customers in the hospitality industry creates a wide gap in measuring the effect of service quality, physical environment, cost, hotel facilities and porn accessibility on satisfaction. Clients who enter the hotel become involved in a variety of processes that will lead to an outcome. Most customers will experience all or most of these processes in a given call. This interface creates gap. On this expectation gap lays the need to investigate what constitutes customer satisfaction. The discrepancy in service quality judgment in the hospitality sector becomes a thing of interest for marketing researchers. According to Gronroos (1990), customers base their evaluation of quality on interpersonal and environmental factors, which hospitality professional have always regarded as less important. Moreover, customers form a predominant picture of what constitute customers expectation.. This gap of perception and evaluation of what constitute customer satisfaction between service providers and customers causes dissatisfaction on the customers side and leads the customer to look for an alternative provider and spread negative word of mouth which would affect potential clients. On this premise, this research therefore seeks to determine which key factors determine customer satisfaction.

## LITERATURE REVIEW

Customer satisfaction has been a popular topic in marketing practice and academic research. Despite many attempts to measure and explain customer satisfaction, there still does not appear to be a consensus regarding its definition (Giese and Cote 2000). Customer satisfaction is typically defined as a post consumption evaluative judgment concerning a specific product or service (Gundersen, Heide and Olsson, 1996). It is the result of an evaluative process that contrasts pre-purchase expectations with perceptions of performance during and after the consumption experience (Oliver, 1980). The most widely accepted conceptualization of the customer satisfaction concept is the expectancy disconfirmation theory (Barsky and Huxley 1992; Oh & Parks, 1997; McQuitty, Finn and Wiley, 2000). The theory was developed by Oliver (1980), who proposed that satisfaction level is a result of the difference between expected and perceived performance. Satisfaction (positive disconfirmation) occurs when product or service is better than expected. On the other hand, a performance worse than expected results with dissatisfaction (negative disconfirmation).

Studies had shown that customer satisfaction may have direct and indirect impact on business results (Anderson *and* Mittal (2000), Yeung *et al.* 2004). Zeithaml and Bitner (2003) discussed that dissatisfaction appears when the customers experience significant difference between their expectations and the quality of services that they receive. Erto and Vanacore (2002) believe

that the main precursor of customer satisfaction includes expectations, perceived quality, and disconfirmation

### **The Concept of Service quality**

Today, as competition and cost increase, and as productivity and quality decrease, service firms face the task of increasing their competitive differentiation, service quality and productivity, (Kolter, 2000). However, the issue of quality in service delivery basically relies on customer's judgment. According to Grzinic (2007), quality as a concept is a complex term, made up of several element and criteria. All quality elements or criteria equally important in order to obtain one hundred percent quality. Today quality is the result of growing and increasingly diverse needs of the consumers, along with a highly increasing competition, market globalization and the development of modern technology. To ensure a high quality in service delivery, Shalim (2010) opined that managers in the service sector must demonstrate that their services are customer focused and that continuous performance improvement is being delivered. It is essential that customer expectations are properly understood and measured. Wisniewski (2001) related that service quality is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining measuring it with no overall census emerging on either. There are a number of different "definitions" as to what is meant by service quality.

To mention, Lewis and Mitchell (1990) defined service quality as the extent to which a service meets customer's needs or expectations. Parasuraman *et al.* (1985) defined service quality as the difference between customer expectations of service and perceived service. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs. Zeithaml and Bitner (2003) states that service quality is a focused evaluation that reflects the customers' perception of specific dimension service; reliability responsiveness, assurance, Empathy, tangibles. Sohail (2003) defined service quality as "Conformance to customer specifications" etc.

Lewis (1993) considers service quality as a critical dimension of competitiveness. Providing excellent service quality and high customer satisfaction is the important issue and challenge facing the contemporary service industry (Hung et al., 2003). Service quality is an important subject in both the public and private sectors (Zahari et al., 2008). Lewis and Mitchell (1990); Dotchin and Oakland (1994); Wisniewski and Donnelly (1996) agree altogether that service quality is the extent to which a service meets or exceeds customer needs and expectations.

### **Conceptual Framework of Hospitality Service Quality**

In view of the existing frameworks, the researcher view service quality as a ranked concept that measures the level of belief and acceptance of procedural processes that meets customer's expectations. As a ranked concept, service quality can be High, Moderate or Low

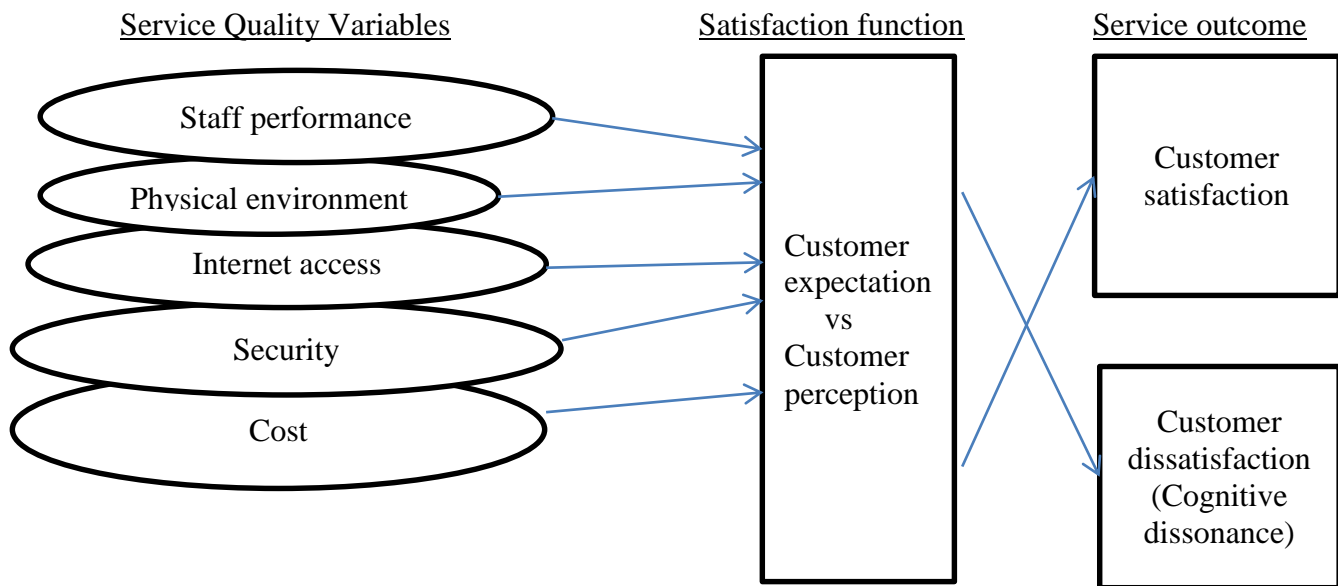


Figure 1 Conceptual Framework of customer satisfaction

The figure illustrates the conceptual model, where staff performance, physical environment, internet facilities, cost and security affect the degree of customer satisfaction. Customer satisfaction/dissatisfaction is a function of customer perception and expectation.

### Customer Expectation

Customer expectations are the opinions about services, which are provided for customers to deliver as the criterion, or ideals versus which the real performance is assessed (Zeithaml and Bitner, 2003). A complete wisdom about traveller expectation consists of the variables that form them as a crucial variable in hospitality business. Satisfaction is derived by the fulfillment of customers' anticipations against what they receive from organization (Akan, 1995). Within the demographic or personal factors that might shape these expectations are age, gender, ethnicity, and income (Zeithaml, 1993). In addition to this, the anticipations of the travellers may also be impacted by some factors such as the rate of the hotel. Star ranking might be measured as a shape of clear service pledge and according to Zeithaml and Bitner (2003) explicit service pledges are some kinds of variables that impact service anticipations. Guests may presume that a hotel with greater ranking may deliver better services than the hotel, which has less star ranking.

### Customer Perceived Value

Customer perceived value is a complicated idea to identify and assess. Yeung (2002) defined perceived value as a measurement of the function of product, which was derived from the discernment on given and received services. Perceived value is the advantage, which is received by customer versus the total costs. It is generally viewed as a comparative calculation of the costs and the rest of the economic facets of services. Nonetheless, what comprises value



emerge to be extremely personal, characteristic, and it might broadly vary among customers (Parasuraman *et al.*, 1988).

Today customer perceived value is asserted as a significant variable to lead the service provider to attain appropriate competitive rank in the market (Kotler, 1999). Suhartanto (2000) emphasized the relationship between perceived value and customer satisfaction. In the tourism literature, Churchill and Surprenant (1982) made an effort to recognize the most significant hotel attributes based on value orientation. They identified that high loyalty achievement depends on some practical fields such as the value of the range of hotel services, the quality of personnel, the quality of guest room decoration and facilities, a strong brand name and significant identity and perceived value.

## DATA AND METHODOLOGY

The survey design was employed in this study. This study was carried out in Abia State, Nigeria. The multi stage and purposive sampling techniques were adopted in selecting the zones, hotels and respondents. The first stage involved purposive selection of two zones out of the three (3) senatorial zones of Abia state. The second stage involved purposive selection of two towns and eight hotels, four hotels from each selected zones. The third stage involved selection of 160 respondents conveniently from the sample hotels. Data was collected using a structured questionnaire with a five-point likert scale rating covering the determinants of customer satisfaction in the hospitality industry. The questionnaire was placed at the hotel rooms for guests to fill after lodging. A total of 120 sets of questionnaire were filled and returned making a response rate of 75%.

This study also evaluates the multiple regression analysis to measure the effect of each dependent variable that affects customer satisfaction. However, this research entails a regression model as follows:

$$\text{Customer Satisfaction} = \beta_0 + \beta_1 \text{ISC1} + \beta_2 \text{CS2} + \dots + \beta_5 \text{CS5} + \epsilon \dots \dots \dots (1)$$

The function is operational stated thus:

$$\text{Customer Satisfaction} = \beta_0 + \beta_1 \text{Staff performance} + \beta_2 \text{Physical environment} + \beta_3 \text{Internet facilities} + \beta_4 \text{Security} + \beta_5 \text{Cost} + \epsilon \dots \dots \dots (2)$$

## RESULT AND DISCUSSION

First we examined demographic characteristics of the respondents. The demographic variables have a strong influence on customers' judgment of customer satisfaction. Table 1 presents demographic characteristics of the respondents. Panel A shows that 65% of the total respondents are male, while 35% are female. Panel B indicates that 55% of the total respondents had secondary education, 40% and 05% had tertiary and primary education respectively. Panel C also shows that 68% of our total respondents are married men and women, single and widow/er/divorce were 20% and 25% respectively. Panel D reveals that 50% of the total respondents are civil servants working for the government, while 35% and 15% were self-employed and students respectively.

**Table 1: Demographic Characteristics of Respondents**

Variable	Option	%
Panel A Gender	Male	65
	Female	35
Panel B Education	Primary	05
	Secondary	55
	Tertiary	40
Panel C Marital status	Married	68
	Singled	20
	Widow/er/Divorced	12
Panel D Occupation	Students	15
	Civil servant	50
	Self-employed	35

Source: computed from field research survey 2016. This table shows demographic characteristics of the respondents. 65% (male) and 35% (female). 55% of the respondents had secondary only while 55% and 40% had secondary and tertiary education respectively. Only 5% had primary education.

This table shows the significance of independent variables that determine customer satisfaction in the hotel industry. The aim of the study is to identify the variables that are significant enough to build customer satisfaction. Table 2, shows a list of significant variables which include cost, hotel environment, income, and hotel facilities respectively at 5% level of significance ( $P\text{-value} < 0.05$ ). The regression model showed that 87% ( $R^2 = 0.874$ ) of the observed variability in total customer satisfaction is explained by the independent variables. Further, the regression model shows how the individual variables affect customer satisfaction. The result indicates that cost, hotel environment, income, and hotel facilities are good predictors of customer satisfaction. The significance of the P-Statistics ( $P\text{-value} < 0.05$ ) indicates that there is a relationship between the dependent variable (CS) and the significant independent variables.

**Table 2 Determinants of customer satisfaction**

Model	B	Std. Error	Beta	T-value	Sig. (P-value)	Ranking
Constant	-.015	1.502	-	-.010	.992	
Sex	.077	.173	.102	.444	.562	Insignificant
Income	.328	.213	.369	2.542	.039**	Significant (3rd)
Marital status	-.225	.201	.286	-1.116	.278	Insignificant
Edu. Qualification	.069	.147	.101	.471	.634	Insignificant
Hotel environment	-.006	.014	-.091	-3.021	0.020**	Significant (2nd)
Hotel facilities	-.074	.123	-.145	-2.642	.043**	Significant (4th)
Staff performance	.014	.229	.016	.198	.092	Insignificant
Cost	.043	.334	.034	3.520	0.019**	Significant (1st)
$R^2$	.874					
Adjusted $R^2$	.502					

Source: Computed from Field Data Customer Satisfaction \*\* Significant at 5%. a: Dependent variable

## CONCLUDING COMMENT

The study focused on determinants of customer satisfaction in the hotel industry in Nigeria. The study examined: 1) relevant demographic characteristics of the respondents. 2) Identification of independent variables and their level of significance on customer satisfaction. 3) the relationship between the dependent variable( CS) and the independent factors. The study was carried out in Abia State, Nigeria. Among many hotels in Abia State, eight (3-star hotels) hotels were purposively selected from the two major towns in Umuahia and Aba. 50 respondents were conveniently sampled from each of the hotels selected making a total of 400 respondents. Structured questionnaire was used in collecting data.

Result indicated that cost, hotel environment, income, and hotel facilities were the most significant factors that enhance customer satisfaction. There is a significant and positive relationship between dependent and independent variables under study.

One major limitation to this study is the area scope. It covers only on state in Nigeria. The hotels investigated were all 3-star hotels. The factors investigated were not the only factors to be considered in measuring customer satisfaction in the hotel industry. The researcher makes the following recommendations: 1) hotel managers should provide quality services that will commensurate with the price the customers pay. 2) since staff performance is seen as insignificant due to a known routine services of staff, there should be a constant staff training of relationship marketing and courtesy.

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