


**A STUDY OF PERCEPTION OF SERVICE
QUALITY DIMENSIONS IN SABAH'S
MICE INDUSTRY**

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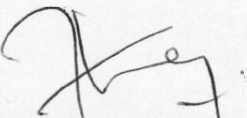
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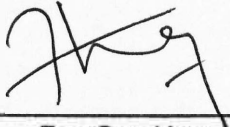

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I hereby declare that the material in this thesis is my own except for quotations, excerpts, equations, summaries and references, which have been duly acknowledged.

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ABSTRACT

This quantitative research's objective was to identify the service quality dimensions (reliability, responsiveness, assurance, empathy and tangible) that have significantly influenced companies' repurchase intention for MICE in Sabah. Meanwhile, it also seek to investigate the relationship among the five service quality dimensions and repurchases intention. Another objective is to determine the moderating effect of past experience with service problem upon the relationship of service quality and repurchase intention for MICE in Sabah. Questionnaire was based on SERVQUAL model (Parasuraman *et al.*, 1994) with certain modifications to fit this industry. The research area was focused on international MICE events that were held in Sabah from the year 2005 until year 2007, hence only included six international events. The survey was conducted through email to 420 participants of the six international events with 83 completed and usable questionnaires returned. Only 70 questionnaires were used according to systematically random sampling method. The data was analyzed using the Statistical Package for Social Science (SPSS) software and the result showed that there were significant relationships between three independent variables with repurchases intention for MICE service. The three variables were tangible, reliability and empathy with stronger influence variable being mentioned first. However, another two service quality dimensions, responsiveness and assurance, did not show significant relationship towards the repurchases intention. As for the moderating variables, past experience was found to have significant moderating effect on the relationship between service quality dimensions and repurchase intention for MICE service in Sabah. However, the significant moderating effect only exists when the responded companies had experienced service problems and the service problems were resolved by service provider to their satisfaction. For MICE service providers in Sabah, attention should be given to the aspects of tangible, reliability and empathy. Continuous improvement in these aspects and overcoming problems that arise from these aspects could form a positive past experience for their customers. As a result of these improvement and efforts, repurchase of MICE service in Sabah could be increase and boost this industry.

ABSTRAK

Kajian Persepsi Dimensi Kualiti Perkhidmatan Industri MICE di Sabah

Kajian kuantitatif ini dijalankan untuk mengenal pasti dimensi kualiti servis (kepercayaan, keprihatinan, keyakinan, empati dan kenyataan kebendaan) yang mempengaruhi pembelian semula perkhidmatan mesyuarat, insentif, konvensyen dan pameran di Sabah. Kajian ini juga berhasrat untuk mengenali hubungan di antara lima dimensi kualiti servis dengan pembelian semula. Sementara itu, pengalaman lepas dikaji sebagai perangsang hubungan antara kualiti servis dengan pembelian semula. Soalan dalam soal selidik dibentuk dengan sedikit pengubahsuaian ke atas model SERVQUAL (Parasuraman et al., 1994) supaya sesuai untuk mengkaji industri ini. Kajian ini melibatkan enam acara mesyuarat, insentif, konvensyen dan pameran antarabangsa yang telah dianjurkan di Sabah di antara tahun 2005 hingga 2007. Soal selidik diemel kepada 420 orang peserta dalam enam acara tersebut. Hanya 83 soal selidik yang dilengkapkan diemel balik. Hanya 70 soal selidik dipilih mengikut cara persampelan rawak sistematik untuk dianalisa. Data yang diperolehi dianalisa dengan menggunakan program Statistical Package for Social Science (SPSS). Keputusan yang diperolehi menunjukkan bahawa terdapat perhubungan signifikan antara kepercayaan, empati dan benda nyata dengan pembelian semula servis ini. Benda nyata lebih mempengaruhi pembelian semula, dan diikuti dengan kepercayaan dan empati. Dua dimensi kualiti servis yang lain, keyakinan dan keprihatinan, tidak menunjukkan perhubungan yang nyata. Pengalaman lepas telah menunjukkan kuasa perangsang yang nyata terhadap perhubungan kualiti servis dengan pembelian semula servis industri ini. Walaubagaimanapun, kuasa perangsang tersebut hanya wujud apabila syarikat tersebut pernah menghadapi masalah kualiti servis dan penganjur acara tersebut dapat menyelesaikan masalah tersebut hingga mencapai kepuasan syarikat tersebut. Sebagai cadangan praktikal, penganjur acara mesyuarat, insentif, konvensyen dan pameran patut memberi perhatian dan meningkatkan kualiti servis terutama dalam aspek benda nyata, kepercayaan dan empati supaya membentuk pengalaman lepas yang positif antara peserta, seterusnya meningkatkan pembelian semula mereka. Dengan usaha-usaha tersebut, kadar pembelian semula servis industri ini akan ditingkatkan.

TABLE OF CONTENTS

	Page
TITLE	i
DECLARATION	ii
ACKNOWLEDGEMENT	iv
ABSTRACT	v
ABSTRAK	vi
TABLE OF CONTENTS	vii
LIST OF FIGURES	xi
LIST OF TABLES	xii
LIST OF ABBREVIATIONS	xiii
LIST OF SYMBOLS	xiv
CHAPTER 1: INTRODUCTION	1
1.1 Overview	1
1.2 Research Problem	4
1.3 Research Objectives	5
1.4 Scope of Study	5
1.5 Significance of Study	6
1.6 Key Concepts	7
1.6.1 Meeting, Incentive, Convention and Exhibition (MICE)	7
1.6.2 Service Quality Perception	7
1.6.3 SERVQUAL Dimensions	8
1.6.4 Past Experience	8
1.6.5 Repurchase Intention	8
1.7 Summary and Organization of Study	9

CHAPTER 2: LITERATURE REVIEW	11
2.1 Introduction	11
2.2 Meeting, Incentive, Convention and Exhibition (MICE)	11
2.3 Perceived Service Quality (PSQ)	15
2.4 SERVQUAL	16
2.5 SERVQUAL Dimensions	18
2.6 The Importance of Service Quality	19
2.7 Repurchase Intention and Its Relationship with Perceived Service Quality	20
2.8 Past Experience	22
2.9 Summary	24
CHAPTER 3: RESEARCH METHODOLOGY	25
3.1 Introduction	25
3.2 Research Framework	25
3.3 Research Hypotheses	26
3.4 Research Design	27
3.5 Instrument	28
3.6 Sampling Design	28
3.7 Data Collection Method	30
3.8 Data Analysis	30
3.9 Summary	31
CHAPTER 4: DATA ANALYSIS AND INTERPRETATION	32
4.1 Introduction	32
4.2 Descriptive Statistics on Responded Companies' Profile	32
4.3 Reliability Test – Cronbach's alpha	35
4.4 Overview of Variables' Statistics	36

4.5	Hypotheses Testing	37
4.5.1	Multiple Regression Analysis	37
4.5.2	Hlerarchical Regression Analysis	41
4.5.2.a	Hierarchical Regression: Dummy Past Experience 1 (No service problem)	41
4.5.2.b	Hierarchical Regression: Dummy Past Experience 2 (Yes, had service problem but resolved)	42
4.5.2.c	Hierarchical Regression: Dummy Past Experience 3 (Yes, had service problem yet unresolved)	44
4.6	Summary of Findings	45
CHAPTER 5:	DISCUSSIONS AND CONCLUSION	47
5.1	Introduction	47
5.2	Discussions and Implication of Study	47
5.2.1	The Impact of Tangible	48
5.2.2	The Impact of Reliability	50
5.2.3	The Impact of Empathy	50
5.2.4	The Impact of Responsiveness and Assurance	51
5.2.5	The Impact of Past Experience	52
5.3	Conclusion of The Study	53
5.4	Limitations and Suggestions for Future Study	54
REFERENCES		56
APPENDIX A:	MICE Groups Arrival in Sabah (2003 - 2007)	63
APPENDIX B:	Questionnaire	65
APPENDIX C:	SERVQUAL Dimensions and Items	68
APPENDIX D:	Official Letter from UMS	69
APPENDIX E:	Responded Companies' Profile Descriptive Statistics	70

APPENDIX F: Analysis Results: Reliability Test	72
APPENDIX G: Frequency Statistics of Variables	78
APPENDIX H: Multiple Regression	79
APPENDIX I: Hierarchical Regression Analysis -Dummy Past Experience 1 (No service problem)	81
APPENDIX J: Hierarchical Regression Analysis -Dummy Past Experience 2 (Yes, had service problem but resolved)	84
APPENDIX K: Hierarchical Regression Analysis -Dummy Past Experience 3 (Yes, had service problem yet unresolved)	87



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LIST OF FIGURES

	Page
Figure 2.1: The Behavioral and Financial Consequences of Service Quality	21
Figure 2.2: Literature Linking Quality, Value, and Satisfaction to Various Service Encounter Outcomes	22
Figure 2.3: Determinants of perceived service quality	23
Figure 3.1: Research framework	26
Figure 4.1: Participated MICE events among responded companies	33



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LIST OF TABLES

	Page
Table 1.1:	Summary of MICE groups' arrival in Sabah (2003-2007) 1
Table 1.2:	Top Ten International Meeting Countries and Cities in 2006 3
Table 2.1:	Ten previous researches and findings on MICE from various perspectives 12
Table 2.2:	Some replica studies with SERVQUAL or extensions in various industries 17
Table 3.1:	Systematic Random Sampling into Six Groups 29
Table 3.2:	Statistical methods for hypotheses testing 31
Table 4.1:	Responded companies' profile 34
Table 4.2:	Cronbach's alpha for variables 35
Table 4.3:	Summarized descriptive statistics of variables 36
Table 4.4:	Model summary of multiple regression analysis 38
Table 4.5:	Coefficients result of multiple regression analysis 40
Table 4.6:	Dummy (No service problem) with independent variables 42
Table 4.7:	Dummy (Yes, had service problem but resolved) with independent variables 43
Table 4.8:	Dummy (Yes, had service problem yet unresolved) with independent variables 44
Table 4.9:	Summary of hypotheses testing results 46



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LIST OF ABBREVIATIONS

MICE	-	Meeting, Incentive, Convention and Exhibition
PSQ	-	Perceived Service Quality
No.	-	Number
QSR	-	Quick Service Restaurants
KK	-	Kota Kinabalu
US	-	United States
CVBs	-	Convention and Visitors Bureaus
CAGR	-	compound annual growth rate
SQ	-	Service Quality
SAT	-	Satisfaction
BI	-	Behavioural Intention
SV	-	Service Value
Inc	-	Incorporated
Corp	-	Corporation
Sdn. Bhd.	-	Sendirian Berhad
i.e.	-	in example
RM	-	Ringgit Malaysia



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LIST OF SYMBOLS

%	-	percent
\$	-	dollar
£	-	pound
/	-	or
&	-	and
±	-	standard deviation



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CHAPTER 1

INTRODUCTION

1.1 Overview

The meeting, incentive, convention and exhibition (MICE) industry has developed as one of the important segments in travel and tourism industry globally (McCabe & Savery, 2007; Tay, 2006). According to data of MICE groups' arrival in Sabah from year 2003 till 2007 provided by Research Division of Sabah Tourism Board, the total revenue generated from MICE in year 2003 and 2004 were RM49.4 million and RM49.1 million respectively. Convention or conference was the fourth highest rated purpose of visit to Malaysia by year 2004 (Tourism Malaysia, 2005).

However, total revenue from MICE in Sabah grew to double in year 2005, which was RM121.2 million and RM92.6 million in the following year. Then the estimated amount for year 2007 was RM104.1 million. The summary of MICE groups' arrival in Sabah and revenues were listed in Table 1.1. As for complete data including the break down of country origin please refer Appendix A. Certainly, such rapid growth deserved attention and research to support continuous improvement in Sabah MICE industry. Ultimately, MICE and tourism provider would like to generate visitors whom perceived high quality of MICE service in Sabah, satisfied and resulting in increased visitation and/or revenues (Baker & Crompton, 2000).

Table 1.1: Summary of MICE groups' arrival in Sabah (2003-2007)

Year		2003	2004	2005	2006	2007
Item						
No. of Participants	International	11,853	10,852	21,156	19,507	23,220
	National	19,619	23,730	36,791	18,496	18,451
	Total	31,472	34,582	57,875	38,003	41,671
MICE revenue (RM million)	International	37.2	34.4	62.1	61.0	72.6
	National	12.2	14.7	59.0	31.6	31.5
	Total	49.4	49.1	121.2	92.6	104.1
No. of event		337	410	536	451	440
Average expenditure per pax	International	3,141.2	3,167.1	2936.0	3,126.0	
	National	619.5	621.1	1,608.0	1,707.0	

Source: Research Division, Sabah Tourism Board (2007)

Globally, eight thousand eight hundred seventy seven meetings were held in two hundred twelve countries and territories and one thousand five hundred twenty one cities during year 2006 (Fischer, 2007). In worldwide, Europe still have the greatest market share (59%), follow by North & South America (18.5%), Asia (15.3%), Africa (4.5%) and the least is Australasia / Pacific (2.6%) (Fischer, 2007). Europe was the historical root for business and trade travel (Montgomery & Strick, 1995). Europe went through the ups and down of MICE industry, such as during Gulf War and followed by recession (Davidson, 1993).

However, Europe still managed to yield revenue from MICE industry (Wootton & Stevens, 1995). This can be observed from Wales on year 1995, when it experienced declining seaside holiday which was their dependent economy source, hotel-based meetings and conference segments had became their new, sustainable and priority markets (Wootton & Stevens, 1995). The same study found out that this segment of markets generated £294 million, equivalent to four times of all business travel to Wales. This showed that the MICE industry is a potential and better market in tourism during recession due to MICE event is essential to encourage business trade (Montgomery & Strick, 1995). Hence, MICE could be a sustainable industry which brings great positive economic impact. In year 1992, Britain was the top European earner from business tourism with revenue of around £22 billion representing 8% of the global market (Owen, 1992).

Meanwhile, MICE industry in Asia is having stiff competition among Singapore, Taiwan, China, Hong Kong, Malaysia and Thailand (Pawitra & Tan, 2003). Singapore was also identified as the top competitor for the Australian convention and meetings industry (Weber & Ladkin, 2003) earlier in year 2003, but soon it has grew much and became the top tenth international meeting countries and ranked third in international meeting cities in 2006 (Fischer, 2007). In contrast, Australia was no longer in the top ten lists for international meeting countries and cities as shown in Table 1.2 below. This shows the dynamic and competitiveness of this industry globally.

Table 1.2: Top Ten International Meeting Countries and Cities in 2006

Country			Rank	Cities		
Name	Num. of meetings	% of all meetings		Name	Num. of meetings	% of all meetings
USA	894	10.08	1	Paris	363	4.09
France	634	7.15	2	Wien (Vienna)	316	3.56
Germany	434	4.89	3	Singapore	298	3.36
Netherlands	391	4.41	4	Brussels	179	2.02
Austria	382	4.31	5	Geneva	169	1.91
Spain	362	4.08	6	Helsinki	140	1.58
UK	350	3.95	7	Barcelona	139	1.57
Finland	325	3.66	8	London	118	1.33
Italy	324	3.65	9	Amsterdam	117	1.32
Singapore	298	3.36	10	New York NY	93	1.05

Source: Fischer (2007)

High commitment and effort of Singapore to excel in MICE industry is due to the spill over effect is significant for the tourism sectors such as retail and wholesale trade, hotel and air transport (Tay, 2006). According to International Enterprise Singapore Press Release (2001), their study showed that for every \$1 contributed by MICE industry, another \$12 is generated in the national gross domestic product (GDP). Since the late 1980s, Asia-Pacific region is going through rapid increase in industry activity which direct and/or indirectly boost the MICE industry. The Union of International Associations (UIA) predicted on year 2005 that in the following two years, only Asia will experience a positive 14.9 percent growth (UIA, 2005).

According to Tay (2006), future of Malaysia's MICE industry remains bright with more active role of Malaysia's Putra World Trade Centre in promoting the country as MICE destination. Meanwhile, improvement in the air access of destinations like Sabah, Sarawak and Penang from key overseas market is also crediting into the potential growth of MICE industry. Another potential advantage of Sabah's MICE industry is the establishment of convention hub in Kota Kinabalu in few years time which was announced by Chief Minister of Sabah, Y.A.B. Datuk Musa Haji Aman, during the opening ceremony of Borneo International Trade Fair 2007 (BITF).

However, attention should be given to convention facilities because it is an important factor for the success of a convention centre (Weber & Ladkin, 2003).

Most importantly, to tap into emerging industry and build a sustainable industry, one must know the consumers' perception, value and behaviour towards it (Kotler *et al.*, 2006). Especially perceived service quality and satisfaction are important to consumer's behavioural intentions, such as make favourable comments about the firm (Boulding *et al.*, 1993), willing to pay higher price (Rust & Zahorik, 1993), recommending the firm and repeat buying intentions (Zeithaml *et al.*, 1996). Finding out the perceived quality of service and relationship with repeat purchase intentions among participants whom came for MICE events in Sabah is crucial for continual improvement in tourism industry and competitiveness.

1.2 Research Problem

Perceived quality has a significant influence on firm choice (Ogorelc & Snoj, 1998). MICE industry which is a segment of travel and tourism industry belongs to service industry in general. Hence, perceived service quality is significantly influencing the travel and revisit decision (Tak *et al.*, 2007; Zeithaml, 2000). Service providers are facing difficulties to deliver high-quality service due to the intangible nature of service (Imrie *et al.*, 2002). Perceived service quality of consumers should be determined to recognize the specification or attributes of service quality (Fu & Parks, 2001). MICE industry encompasses many service providers in travel, tourism, accommodation, shopping, food and beverages other than just event management (Fenich, 2005).

Despite the rapid growth of MICE industry, relatively little research has been done (Yoo & Weber, 2005). Most of the current tourism literatures about tourist perceptions reported were about travelling in Western societies but not the Asian countries (Heung & Qu, 2000). Having the shift of MICE industry growth to Asia as mentioned earlier highlighted the urgency to research more in this industry. No matter in tourism marketing, destination attraction, motivation factors, consumer behaviour, business tourism trend, service quality, satisfaction or social, the economic impact of MICE are yet to be explored. This research was done to identify the service quality perception of MICE industry in Sabah and bridged the gap of companies' perceived service quality delivered to them with their repurchase

intention. Meanwhile, this research also explored how past experience of the company with MICE provider influenced the perceived service quality and its effect on repurchases intention.

The research addressed the following problems:

1. Which service quality dimension of Parasuraman's SERVQUAL (tangible, responsiveness, reliability, assurance and empathy) can be used to describe the service quality influence on companies' repurchase intention for MICE in Sabah?
2. To what extent the service quality dimension acted as independent variables which influenced repurchase intention?
3. How past experience moderated the relationship of service quality perception and repurchase intention?

1.3 Research Objectives

The objectives of this research were as follow:

1. To identify service quality dimensions of Parasuraman's SERVQUAL (tangibles, responsiveness, reliability, assurance and empathy) which can describe the significant influence towards repurchase intention for MICE in Sabah.
2. To investigate the relationship between the five service quality dimensions and repurchase intention for MICE in Sabah.
3. To determine the moderating effect of past experience in the relationship of service quality perception with repurchases intention.

1.4 Scope of Study

This study paid attention at those international MICE events organized in Sabah over past three years, 2005-2007. This study tried to identify the perception of service quality delivered in these events among the companies which participated and their intention to repurchase MICE services in Sabah. These events which were included in this study were selected out of the total list of MICE events compiled from Malaysia Convention & Exhibition Directory 2005/2206 and 2006/2007, Malaysia External

Trade Development Corporation (MATRADE), Sabah Tourism Board, Federation of Sabah Manufacturer (FSM), Yayasan Sabah Group, Sabah United Chinese Chambers of Commerce (SUCCC), Sabah Trade Centre (STC) and Sutera Harbour Hotel. Only international events were included, which were as follow:

1. International CEOs Conference 2005
2. Sabah International Expo (SIE)2006
3. Borneo International Jewellery Trade Show 2006
4. Borneo International Trade Fair (BITF) 2007
5. International Woman Executive Congress 2007

MICE events included incentive trips which had limitation in accessing the full list of companies that came because it was considered as trade secret for most of the hotel and other service providers. However, Sutera Harbour Resort which was awarded as 'Asia Pacific Best Meetings & Conventions Hotel 2007' through votes by readers of TTG Asia, TTG China, TTGmice & TTG-BTmice China, graciously offered the information of total incentive trips stayed in their resort over the past three years. On top of that, according to Research Division of Sabah Tourism Board, Sutera Harbour Resort hosted most of the incentive trips in Sabah among all of the hotels and resorts. Hence, only incentive trips which stayed in Sutera Harbour Resort were included in this research.

1.5 Significance of Study

Through the identification of service quality dimensions which had influence on repurchase intention, this study can significantly provided:

1. Clear understandings of relationships between perceived service qualities with repurchase intention, moderated by past experience.
2. Information to the MICE event management on the importance of service quality towards their customer retention effort and hence encourage improvement in service quality.
3. Contribution to research on tourist perception on service quality of MICE industry in Sabah, which was lacking in Asian context.

1.6 Key Concepts

The following terms were further clarified to avoid confusion on its meaning in the context of this study.

1.6.1 Meeting, incentive, Convention, Exhibition (MICE)

Meeting, incentive, convention and exhibition were termed as MICE through out this research. Any one or more of the events among meeting, incentive, convention and exhibition was/were also termed as MICE in this research. MICE carried the meaning of all the following definition of meeting, incentive, convention and exhibition which was the terminology developed by the terminology panel of Convention Industry Council's APEX (Accepted Practices Exchange), which was also cited in the latest book about MICE written by Fenich (2005) and can be found though internet at <http://glossary.conventionindustry.org>.

1. Meeting - An event where the primary activity of the attendees is to attend educational sessions, participate in meetings and discussions, socialize, or attend other organized events. There is no exhibit component to this event.
2. Incentive - A travel reward given by companies to employees to stimulate productivity. Also known as an incentive trip.
3. Convention - A display of products and/or services. Same as 'Exhibition'.
4. Exhibition - (1) An event at which the primary activity of the attendees is to visit exhibits on the show floor. These events focus primarily on business-to-business (B2B) relationships.
(2) Display of products or promotional materials for the purposes of public relations, sales and/or marketing. Same as 'Exposition' or 'Convention'.

1.6.2 Service Quality Perception

Perceived service quality was a function of the differences between expectation and performance along the quality dimensions (Parasuraman *et al.*, 1985).

1.6.3 SERVQUAL Dimensions

SERVQUAL was an instrument developed by Parasuraman *et al.* (1985) and revised on 1994 to identify the service quality gaps between rated expectations and performance. Its original purpose was to identify and develop improvement priorities. As conceptualized by Parasuraman *et al.* (1988), service quality being constructed into five dimensions, consisted of tangible, responsiveness, reliability, assurance and empathy, named as SERVQUAL dimensions. Each component was evaluated through several items which resulted in total of 22 items for SERVQUAL model. The definition of each dimension was as follow:

1. Tangibles - Appearance of physical facilities, equipment, personnel and written materials.
2. Responsiveness - Willing to help customers and provide prompt service
3. Reliability - Ability to perform the promised service dependably and accurately
4. Assurance - Employees' knowledge and courtesy and their ability to inspire trust and confidence
5. Empathy - Caring, individualized attention given to customer

1.6.4 Past Experience

Attributes discerned after previous purchase(s) or consumption or process that went through (González *et al.*, 2007), then it could cause the image modification in future decision making (Sussmann & Ünel, 2000). In the research, past experience is being evaluate as 'no service problem', 'yes, had service problem but resolved to satisfaction' and 'yes, had service problem yet unresolved to satisfaction'.

1.6.5 Repurchase Intention

Repurchases intention was one of the post-purchase behaviour, which in turn reflects the consumer's behavioural intentions, whether the consumer will continue with or leave the firm (González *et al.*, 2007; Zeithaml *et al.*, 1996). According to Zeithaml *et al.* (1996), this behavioural intention is evaluated by 2 items as follow:

1. Consider the firm your first choice to buy MICE services.
2. Do more business with the firm in the next few years.

1.7 Summary and Organization of Study

The researcher used the five-dimensional-construct of SERVQUAL model with appropriate changes in wording to address MICE industry as the instrument to measure perception of service quality delivered in MICE in Sabah. Its influence on repurchase intentions were also being determined in this study. Relationship of perceived service quality and repurchases intention with past experience as moderator was identified also. Questionnaires were mailed and emailed to companies which participated in the five international MICE events mentioned and also among companies which came to Sabah and stayed in Sutera Harbour Resort for incentive trips. Following up on late replying companies was done through phone calls.

Chapter one gave an overview of the current status and research on general matter relating to relevant issues of this study. The research problems and objectives were identified. The rationale and significance of this study were also mentioned.

Chapter two reviewed the past researches upon related key variables and fields. Past relevant literatures were summarized and discussed. Through review in this chapter, the theoretical framework and justifications of it were made in the next chapter.

Chapter three started with the formation of theoretical framework and justification of it through reviewed literature. Then, the method and procedure to carry out this study were mentioned and explained. Population and sample size were determined in this chapter.

Chapter four reported the findings of this study. The profiles of the respondents (companies) were explained based on the frequency tests. Reliability test and the results were mentioned in this chapter. Then test of differences results and all the interpretation of analyzed data were clearly stated in this chapter too.

Finally, the overall findings and the implication of this research were discussed in Chapter five. Answers to problem statement in chapter one was also being mentioned in this chapter. Final answer should be able to fulfil the objective of this study. Then suggestions for implications were provided to achieve the