

**TOURIST'S SATISFACTION OF 5-STAR
HOTELS IN KOTA KINABALU**

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PERPUSTAKAAN
UNIVERSITI MALAYSIA SABAH

**A DISSERTATION SUBMITTED IN PARTIAL
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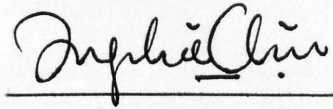
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DECLARATION

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

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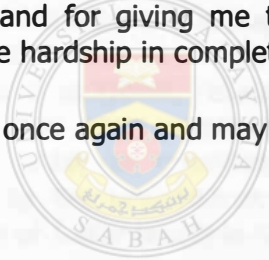
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ABSTRACT

This study examines the influence of services quality dimensions of 5-star hotels using the five (5) dimensions of SERVQUAL (Parasuraman *et al.*, 1988) namely tangible, reliability, responsiveness, assurance, and empathy as the measurement of perceived service quality on customer satisfaction of 5-star hotels in Kota Kinabalu, Sabah. Moderators such as age, nationality and past experience are also examined in regard to how it influences the relationship between the service quality dimensions and customer satisfaction. A survey was conducted among the hotel guests that have experienced 5-star hotels service in Kota Kinabalu in April 2008. A total of 188 usable questionnaires were collected for this study. Data collected was analyzed in SPSS by using multiple regressions to examine the relationship between tangibles, reliability, responsiveness, assurance and empathy and guest satisfaction; and hierarchical regression to determine the moderating effects of age, nationality, and past experience in regard to how it influences the perceived service quality and customer satisfaction. The findings reveal a significant positive relationship exists between the service quality dimensions and customer satisfaction in the 5-star hotel industry in Kota Kinabalu. It is found that all the service quality dimensions – tangibles, reliability, responsiveness, assurance and empathy have significantly influence customer satisfaction. Furthermore, moderating variables – nationality and past experience have significant influence on the relationship between service quality and customer satisfaction. It is suggested that the 5-star hotels operators need to pay more attention and to emphasize on these significant underlying service quality dimensions of tangibles, reliability, responsiveness, assurance, empathy, as well as nationality and past experience to enhance customer satisfaction and customer loyalty; in order to maximize 5-star hotels profit for the future. The findings contribute to the understanding of key service quality dimensions lead to guest satisfaction of 5-star hotels in Kota Kinabalu, Sabah.

Keywords: Perceived service quality, Customer satisfaction, SERVQUAL, 5-star hotel

ABSTRAK

KAJIAN TAHAP KEPUASAN PARA PELANCONG TERHADAP HOTEL BERTARAF LIMA BINTANG DI KOTA KINABALU.

Kajian ini dijalankan bertujuan untuk menyelidik dimensi kualiti servis hotel 5-bintang dengan menggunakan lima dimensi SERVQUAL (Parasuraman et al., 1988) iaitu 'tangibles', 'reliability', 'responsiveness', 'assurance' dan 'empathy', sebagai sukatan/ ukuran keatas kepuasan pelanggan di kalangan hotel 5-bintang di sekitar Kota Kinabalu. Tinjauan telah diadakan di kalangan pelanggan yang telah menggunakan perkhidmatan hotel 5-bintang di Kota Kinabalu sekitar bulan April 2008. Sebanyak 188 keping boring soal selidik telah dikumpulkan bagi tujuan kajian ini. Data terkumpul dianalisa dalam SPSS dengan menggunakan 'multiple regression' untuk mengenal pasti perhubungan diantara 'tangibles', 'reliability', 'responsiveness', 'assurance', dan 'empathy'; dan 'hierarchical regression' digunakan untuk menentukan samada umur, kewarganegaraan, dan pengalaman lepas meransang perhubungan diantara kualiti servis dan kepuasan pelanggan. Hasil penyelidikan menunjukkan bahawa wujudnya perhubungan yang positif antara dimensi kualiti servis dan kepuasan pelanggan. Kajian ini juga mendapati kesemua dimensi kualiti servis iaitu 'tangibles', 'reliability', 'responsiveness', 'assurance' dan 'empathy' mempengaruhi kepuasan pelanggan di hotel 5-bintang di sekitar Kota Kinabalu. Di samping itu, juga didapati bahawa kewarganegaraan dan pengalaman lepas meransang hubungan antara kualiti servis dan kepuasan pelanggan. Lantaran itu, kajian ini mencadangkan agar pengelola hotel 5-bintang memberikan tumpuan dalam menitikberatkan dimensi kualiti servis yang telah dikenalpasti dan pengalaman lepas pelanggan dalam usaha meningkatkan kepuasan pelanggan dan kesetiaan pelanggan, di samping mencapai keuntungan pada masa depan. Keputusan analisa ini memberi sumbangan kepada pemahaman kepentingan dimensi kualiti servis yang membawa kepada kepuasan pelanggan di hotel 5-bintang di Kota Kinabalu, Sabah.

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CHAPTER 1

INTRODUCTION

1.1 OVERVIEW

During 2007, Sabah recorded a 2.47 million mark in Tourist arrivals, surpassing the target of 2.3 million, Chief Minister Datuk Seri Musa Aman said, speaking at the opening of the new ocean wing at Shangri-La's Rasa Ria Resort, Tuaran, Sabah. Also, an estimated RM4.72 billion was collected in tourism receipts, contributing 14.76 percent to the state's gross domestic product (GDP). This was an increase of 18.5 percent over the 2 million tourist arrivals in 2006. International tourist arrivals registered an increase of 31.5 percent from 750,923 in 2006 to 987,660 last year while domestic arrivals grew 11.2 percent from 1.34 million in 2006 to 1.49 million last year (Bernama, 12th February 2008). Generally, there has been an increasing trend in terms of tourist arrivals in Sabah. The tourism expenditures thus stimulate the growth of local market businesses in accommodations, restaurants, retailing, transportation, and the entertainment sectors.

Assistant Minister of Tourism, Culture and Environment, Datuk Karim Bujang, said Sabah government will go all-out to promote the state as one of the top tourist destinations in Asia by 2025. This will be achieved in three phases as outlined in the Sabah Development Corridor (SDC) socio-economic blue print (Bernama, 22th January, 2008):

"The three phases will see Sabah being transformed into one of the top tourist destinations in Asia -- a bustling metropolis within a tropical paradise. Our tourism plan is a comprehensive one. Sabah is endowed with rich natural resources, culture and heritage. We also have competitive edge in eco-

tourism. We will also have a new international airport and other necessary tourism infrastructure and they are good for Sabah tourism."

In Sabah, due to its comparatively small population, the local hotel industry relies heavily on the tourism sector for its survival. Table 1.1 illustrates the increase in tourist arrivals in Sabah between years 2003 to 2007. The detailed statistic of visitors' arrival to Sabah from year 2003 to year 2007 is shown in Appendix A.

Table 1.1: Statistical Review of Tourists Arrivals in Sabah

Year	Number of Tourists Arrivals
2003	1,251,454
2004	1,773,271
2005	1,828,771
2006	2,091,658
2007	2,478,443

Source: Sabah Tourism Board (2008)

The following Table 1.2 demonstrates the number of registered hotels in Sabah between year 2006 and 2007.

Table 1.2: The Number of Registered Hotels in Sabah from January 2006 to December 2007

Hotel Ratings	Number of Hotels (Jan – Dec' 06)	Number of Hotels (Jan – Dec' 07)
5-Star	7	6
4-Star	2	3
3-Star	17	19
2-Star	14	21
1-Star	12	15
3-Orchid	7	17
2-Orchid	4	18
1-Orchid	9	28
Total	72	127

Source: Sabah Tourism Board (2008)

The following Table 1.3 demonstrates the number of rooms in the 5-star hotels in Kota Kinabalu, Sabah as of 2008.

Table 1.3: The number of rooms in the 5-star hotels in Kota Kinabalu, Sabah

Hotel	No. of rooms
The Pacific Sutera, Sutera Harbor Resort	500 rooms
Shangri-La Tanjung Aru Resort & Spa	492 rooms
Nexus Resort Karambunai	485 rooms
The Magellan Sutera, Sutera Harbor Resort	456 rooms
Le-Meridien Hotel	306 rooms
Hyatt Regency Kinabalu	288 rooms

Source: Sabah Tourism Board (2008)

Hotel operators in Kota Kinabalu have managed to maintain their high average occupancy rates (AOR) of more than 70 percent for the year January 2005 to September 2007. The summary of the AOR are presented below in Table 1.4, meanwhile the detailed statistic is presented in Appendix C.

Table 1.4: Hotels' Average Occupancy Rates in Kota Kinabalu, Sabah

Average Occupancy Rates	Percentage
January to December 2005	74.2
January to December 2006	76.1
January to March 2007	74.7
April to June 2007	78.2
July to September 2007	79.1

Source: Tourism Malaysia Board (2008)

The growth in tourist arrivals will ultimately influence the local hotel industry as it will bring about a rapid demand for hotel accommodation in Sabah. Therefore, the hotels need to ensure customer satisfaction by providing quality services to gain customer loyalty. The importance of service quality to business performance has been reputable both in hospitality and in a broader business context. Service quality is antecedent to customer satisfaction and that customer satisfaction is antecedent to customer loyalty (Wilkins *et al.* 2006).

According to Poon and Low (2005), measuring customer satisfaction is an important part of the effort to improve a product or service quality, resulting in a company's competitive advantages. Services are essentially an intangible experience and it is difficult for a customer to evaluate the product prior to experience. According to Poon and Low (2005) also, failure to pay attention to influence attributes of choice intention may have an effect in a customer's negative evaluation, and may lead to unfavorable remarks by word-of-mouth, and up to 60 percent of sales to new customers can be attributed to word-of-mouth referrals. Hence, customer satisfaction may potentially lead to purchase repetition and favorable word-of-mouth publicity.

According to Pizam and Ellis (1999), customer satisfaction is essential for corporate survival; several studies have found that it costs about five times as much in time, money, and resources to attract a new customer as it does to retain an existing customer. Thus, maintaining high level of services, awareness of customer expectations and improvement in services and product are vital in the hotel industry.

Customer retention through service quality and satisfaction has become vital (Su, 2004). A well-developed and implemented quality program with a focus in the customer as its cornerstone can offer significant benefits to hotels (Keating and Harrington, 2002). Therefore, given the important relationship between customer satisfaction and service quality, it is essential to clarify the dimensions of service quality in the hotel industry.

Chief Minister Datuk Seri Musa Aman has also called on tourism players to keep up with current and future global trends, and continue to maintain quality in service in meeting demands from tourists (Bernama, 12th February 2008):

"Quality service will lead to repeat visitors and I hope visitors who have enjoyed their stay here will return home and promote our state to their friends and relatives. If a tourist is not treated well while on holiday in Sabah, the industry will be at the losing end as traveler concerned may inform others that it is not worth visiting our state."

According to Choi and Chu (2001), providing high quality service and enhancing customer satisfaction are recognized as significant factors leading to the success of companies in the hotel, catering and tourism industries. In order to be successful in the industry and to outweigh other competitors, hotel providers must provide customers with absolute service satisfaction. According to Choi and Chu (2001) also, it is believed that customers, who had experienced excellent services, are more likely to establish a long-term association with the hotel, resulting in repeat purchases and favorable word-of-mouth.

It is well established that satisfied customers are the key to long-term business success (Pizam and Ellis, 1999). Companies that have a more satisfied customer base also experience higher economic returns. High consumer satisfaction leads to greater customer loyalty which, in turn, may lead to future revenue (Gilbert and Veloutsou, 2006). Therefore, in a highly competitive hotel industry, hoteliers need to understand their customers' needs, and to meet or exceed these needs.

1.2 PROBLEM STATEMENT

One of the biggest present challenges of management in service industries is providing and maintaining customer satisfaction. Service quality and customer satisfaction have increasingly been identified as key factors in the battle for competitive differentiation and customer retention (Su, 2004). According to Hung *et al.* (2003), excellent customer service and high customer satisfaction have become major concerns for operators in service industries such as in hotel industry. Therefore, the interest in assessing service quality has gained a broader attention.

Previous research works had been focused extensively on developing scales to measure service quality (Harris-Walkers, 2002). Given the importance of service quality and its relationship to customer satisfaction (Bruttle, 1996; Caruana, 2002; Oh, 1999), there is a need to clearly identify the dimensions of service quality in the hotel industry. Although the importance of service quality in hotels has been recognized (Callan, 1989; Callan and Jyndt, 2001; and Saleh and Ryan, 1992), but most of the studies focus on the hotel industry as a whole, it is found that the literature shows a lack of empirical evidence of 5-star hotels in Kota Kinabalu. Also, it is not sure that service quality dimensions in the international hotels are the same as

5-star hotels in Sabah. In addition, there has been comparatively limited research on service quality measurement done in the hotel industry in Malaysia (Poon and Low, 2005). Therefore, this study aims to identify the significance of service quality dimensions that has impact on guests' satisfaction in 5-star hotels in Kota Kinabalu, Sabah.

As the Sabah government intend to go all-out to promote the state as one of the top tourist destinations in Asia by 2025 (Bernama, 12th February 2008); it is important to measure the customer satisfaction and service quality in hotels in Kota Kinabalu, Sabah as it will influence the tourist intention to visit/return to Sabah. This research particularly focuses on the 5-star hotel industry around Kota Kinabalu, Sabah.

This study aims to further investigate whether the service quality dimension – tangible, reliability, responsiveness, assurance and empathy can affect the customer satisfactions and whether one dimension has more influence over the other in the 5-star hotel industry. In addition, this study will also investigate how the moderating factors such as, age, nationality and past experience affect the relationship between the independent variable (five dimensions of service quality) and the dependent variable (customer satisfaction).

This research is conducted based on questionnaire by Parasuraman *et al.* (1988). The research questions are:

1. What are the service quality dimensions that influence a customer satisfaction in staying in 5-star hotels?
2. To what extend the independent variables (tangible, reliability, responsiveness, assurance, and empathy) influence the dependent variable (customer satisfaction)?
3. To what extend the moderators (age, nationality, past experience) affect the relationship between the independent variables (tangible, reliability, responsiveness, assurance, and empathy) and the dependent variable (customer satisfaction)?

1.3 RESEARCH OBJECTIVES

Given the importance of customer satisfaction and service quality in the hotel industry, this research therefore aims to address the following objectives:

1. To identify what service quality dimensions are likely to affect the customer satisfaction in staying in 5-star hotels.
2. To examine the relationship between service quality and customer satisfaction in the 5-star hotel sector.
3. To determine whether age, nationality, and past experience are likely to affect the relationship between service quality dimensions and customer satisfaction in 5-star hotels.
4. To provide useful information/ recommendations to the hoteliers to improve their service quality in order to provide customer satisfactions to their customers.

1.4 SCOPE OF STUDY

This study looks into the importance of service quality in view of the customers accommodating in any 5-star hotels. This study focuses on 5-star hotels around Kota Kinabalu, Sabah. The respondents primarily consist of local and international tourists who happen to stay, or had previously experienced staying at a 5-star hotel. This study incorporates the five independent variables of service quality dimensions, that is – tangible, reliability, responsiveness, assurance, and empathy to determine the dependent variable – customer satisfaction. In addition, moderators such as age, nationality and past experience are examined in regard to how it influences the independent and dependent variables. Data collected are analyzed using a 22-item instrument, SERVQUAL model by Parasuraman *et al.* (1988).

1.5 SIGNIFICANCE OF STUDY

Although the importance of service quality and service quality measurement has been recognized, there has been limited research that has addressed the service quality dimensions of guest satisfaction for the hotel industry in Kota Kinabalu. This paper

clarifies the service quality dimensions and guest satisfaction in the 5-star hotel industry. The clarification of the service quality dimensions are important for hoteliers in the hotel industry in Kota Kinabalu, Sabah, as they identify the bundles of service attributes and service quality dimensions consumers find important.

1.6 DEFINITION OF TERMS

For the purpose of this study, the following terms are used to clarify their meaning in the context of this study.

1.6.1 5-star Hotels

World Tourism Organization (WTO) defines 5- star hotels as spacious and luxurious accommodation throughout the hotel, matching the best international standards. Interior design should be impressive with its quality and attention to detail, comfort and elegance. With immaculate furnishing and formal service, as well as well supervised and flawless attention to guests' needs, without being disturbing. The restaurant should demonstrate a high level of technical skill, producing dishes to the highest international standards. Staff should be knowledgeable, helpful, well versed in all aspects of customer care, combining efficiency with courtesy.

1.6.2 Malaysia Star Rating Criteria

In Malaysia, in addition to the basic 5-star hotel criterion as mentioned above, The Ministry of Tourism announced that new criteria for 5-star hotel classification were introduced effective July 2007. The new criteria for a 5-star hotel are:

1. 24-hour room service.
2. One F & B outlet to operate minimum for 18 hours.
3. Restaurants/ coffee house offering food of local & international fare are available.
4. To have 6 satellite TV channels with channels for news (2), sports, children & movies.
5. Broadband/ Wifi service.

6. Recreation – health club gymnasium/ sauna and facilities (outdoor and indoor).
7. A common outdoor area such as garden, a roof garden or a spacious common terrace to create an atmosphere of comfort.
8. Banquet/ conference hall with complete conference facilities of international standards. Prayers room available.
9. Malaysian theme decorations and materials.
10. Minimum room rate US\$80.

1.6.3 Hotel Rating

A hotel's star rating is an indication of the general quality of a particular hotel. In Malaysia, a hotel's star rating is an indication of the general quality of a particular hotel. There are two classification scheme systems under Malaysia's Ministry of Tourism, where bigger hotels are given the Star Rating scheme system, and smaller scale hotels are given the Orchid Rating scheme system. For the Star Rating scheme system, the higher the star of the hotel, the more luxurious it is perceived. On the other hand, the Orchid Rating scheme system is to accommodate the hotels that do not qualify for any Star Rating (Ministry of Tourism Malaysia, 2008).

1.6.4 Perceived Service Quality

The perceived service quality service is defined as the customer's evaluation of the service provider's ability to provide service quality that can match with their perception of its service and their expectations. A customer perceives service quality and feel satisfied with that service when the premises he/she visits to seek service have excellent physical facilities, equipment, personnel and communication materials (Parasuraman *et al.*, 1990). According to Wisniewski (2001), service quality can be defined 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. This study uses definition by Parasuraman *et al.* (1985) which defines service quality as the organization's ability to meet or exceed customer expectations. Customer

expectations refer to the desires and wants of consumer of what they feel a service provider should offer rather than would offer.

Customer's perceived service quality is performed in SERVQUAL model developed by Parasuraman *et al.* (1985) which consist of five dimensions which are tangible, reliability, responsiveness, assurance, and empathy. Tangibles refer to the appearance of physical facilities, equipment, personnel, and written materials. Reliability refers to the ability to perform the promised service dependably and accurately. Responsiveness refers to the willingness to help customers and provide prompt service. Assurance refers to the employees' "know-how" and courtesy, and their ability to inspire trust and confidence. Empathy refers to the individualized attention given to customers.

1.6.5 Customer/ Tourist Satisfaction

Customer satisfaction is a measurement of how products and services supplied by a company meet or surpass customer expectation. It can be defined as the difference between what customers expect and what they actually perceived regarding a service. Customer satisfaction can be experienced in a variety of situations and connected to both goods and services. It is a highly personal assessment that is greatly affected by customer expectations.

According to Lovelock (2001), customer satisfaction refers to the standards or reference point for customers in evaluating service quality by comparing what they perceive they get in a service encounter with their expectations of that encounter. Oliver's (1997) work on satisfaction provide some clarification, according to his view, satisfaction refers to a specific transaction, while quality represents a more stable state of mind independent from a given service situation. This conceptual distinction raises the issues of the existence of causal links between the different constructs.

In relation to this study, according to Wan *et al.* (2006), tourist satisfaction is the result of comparing tourist's experience at destination visited and expectations about the destination. Satisfaction with services is related to the size and direction of

the confirmation or disconfirmation experience, which are in turn affected by the person's initial expectations.

1.7 SUMMARY AND ORGANIZATION OF STUDY

In order to explain this research theoretically and methodologically, the information included in this dissertation is as follows. In Chapter 1, introduction of the background of area of research is discussed. The significance of study is explained in the chapter to facilitate the understanding of the reader. A clear objective of the study is also stated to guide the entire study

Chapter 2 reviews the concepts and combination of the studies done by previous researchers, academicians etc. This chapter also highlights the concept behind this study and other theories to support the argument later in the study. This will give the readers more information on what has been done in this particular field. This is also to formulate the research questions, objectives and theoretical framework.

Chapter 3 discusses the theoretical methodology and framework that explains the techniques and methods used to conduct the research, which includes the theoretical framework, hypothesis assumption, and the type of this study. This chapter also includes the data collection method and technique, sampling, questionnaire development to conduct the study.

Chapter 4 analyzes the statistical result of the study. The data collected are analyzed using the SPSS statistical software and results would be interpreted and reported.

Chapter 5 includes the discussion and conclusions report of the findings in the study. This chapter tells whether the hypotheses are accepted or rejected. Apart from that, it also discusses the limitation of the research which has caused the results to vary and the conclusion that has been discovered from this study.