CHAPTER FOUR

MAJOR DETERMINANTS OF GUEST SATISFACTION

Traditional Ambiance Offered in Hotel Room at Orchha Resort, Orchha
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4.4. Guest Satisfaction Vis-À-Vis Loyalty
4.1. Introduction:

From the marketing perspective, service firms produce various levels of output at the various moments of the service production process. The first level, which arises in the stage prior to guest interaction with the service, is identified with the delivery of value to the guest. The next stage of the production process is the consumption stage, where the guest then starts to form a part of the process. It is here where the output produced is identified with the guest satisfaction that the firm is capable of generating. Finally, the third stage follows consumption, where the firm has the task of developing and maintaining the value created in the previous stages. The third level of output would be identified with a certain index of loyalty towards the firm, which will provide the firm with future action guides that are relevant to its continuity in the market.

The purchase process followed by guests involves five consecutive phases of behaviour. First, the guest perceives the product, thereby considering its availability, quality, price and the marketing activities. Subsequently, the guest estimates the perceived value of the product through a weighing of the expected benefits and the required sacrifices. Third, the guest compares the perceived values assigned to the available alternatives and then makes a decision. This decision leads to the action – purchasing or not purchasing the product – and finally, after the purchase action, the guest experiences a series of post-purchase behaviours, which are reflected by the level of satisfaction/dissatisfaction experienced.

In order for firms to reach their business objectives, it is necessary for them to know the various aspects that influence the purchase process. To do so, they must assure that the perceived value of the products that they offer in the market is greater than the perceived value of the rest of the available alternatives. The importance of the perceived value of the product centres on the fact that it will determine the greater or lesser willingness shown by guests to purchase the
product, such that the greater the perceived value, the greater the purchase intent shown by guests (Monroe, 1979; Monroe and Krishnan, 1985; Dodds and Monroe, 1985).

The subsequent satisfaction/dissatisfaction that the consumer experiences will have an influence on purchase repetition, brand loyalty and on personal communication about the product, given that a positive and significant correlation between satisfaction (Parasuraman et al., 1991a, b; Cronin and Taylor, 1992). Therefore, achieving guest satisfaction will allow firms to generate other advantages too that allow it to exist and develop.

The study herein developed centres on an analysis of the antecedents of the second level of output generated in the hotel service production process, meaning guest satisfaction. In order to be able to determine the reasons for the success or failure of a service in the market, it is necessary to place oneself in the position of the people who acquire the service, thereby studying their perceptions and experiences. Therefore, an analysis of the factors that have an impact on guest satisfaction, and therefore on their subsequent post-purchase behaviours, is vitally important in order for firms to be able to survive in the highly competitive markets of today’s economies. The service chosen is the one offered by hotels, and the main objective of the research developed is to analyze the effect of the basic antecedents of guest satisfaction. Therefore, the objective of this research is to look at the question of what factors are important from the perspective of the hotel guest.

4.2. Hotel Attributes Influencing Guest Behavior:

The factors that are of importance to a customer, help in building understanding of the factors that influence the choice of a hotel. Even with the importance of understanding what the guest is looking for in the hotel experience, remarkably little has been written on this aspect of the hotel industry (Clark and Wood, 1998).
A study by Lewis (1981) considered five factors: *food quality; menu variety; price; atmosphere; and convenience factors*. Food quality is considered to be the most important factor influencing hotel selection by guests. In this research an effort has been done to identify the concrete factors that influence guest choice. It is also shown in the research by Lewis (1981) and others (Auty, 1992) that the selection process by hotel guests is also based more on concrete factors.

In a study conducted in 1978 among 432 foodservice firms representing 22,000 food service units, Cadotte and Turgeon asked company executives to list the type and frequency of their guests’ complaints and compliments. *Cadotte and Turgeon* divided the attributes into the following four categories: *satisfiers, dissatisfiers, critical and neutral*. *Satisfiers* were those attributes where unusual performance apparently elicited compliments and satisfaction, but average performance or even the absence of the feature did not cause dissatisfaction or complaints. *Large-size food portions, smartly dressed employees, clean and neat restaurants* are all examples of a *restaurant satisfier*. Normal food portions, regularly dressed employees and not so neat restaurants do not cause dissatisfaction. In contrast, large food portions and well-groomed and smartly dressed employees please the restaurant guest. “Satisfiers, represent an opportunity to shine, to move ahead of the pack, and to stand out from the crowd” (*Cadotte and Turgeon, 1988, p. 51*).

*Dissatisfiers* were more likely to cause dissatisfaction for low performance or absence of a desired feature than anything else. But an operation that exceeds the threshold performance standard apparently will not receive compliments on the attribute. *Parking and excessive noise* are good examples of *dissatisfiers*; they have to be provided and maintained at a minimum or sufficient level. But efforts to achieve a higher performance level will not be appreciated by guests nor will it cause them satisfaction. “Dissatisfiers particularly require management control to prevent poor performance. Minimum standards should be established, and the focus
should be on maintaining these standards.... Be as good as your competition, but do not waste resources trying to be better. ." (Cadotte and Turgeon, p. 51).

*Critical attributes* were capable of eliciting both complaints (dissatisfactions) and compliments (satisfactions), depending on the situation. *Quality of service, food quality and helpful attitude of employees* ranked high in eliciting both complaints and compliments. Critical factors deserve special attention, because of their potential for both hurting and helping a business. “Like dissatisfiers, minimum standards must be set to avoid negative responses to your service. For the critical attributes, the objective is to raise performance beyond the norm” (Cadotte and Turgeon, p. 51).

*Neutral attributes* neither received a great number of compliments nor many complaints, therefore probably indicating that they were either not salient to guests or easily brought up to guests’ standards.

Therefore, he concluded that the classification of these factors is not permanent but constantly changes. Some dissatisfier type attributes were probably critical at one time. Higher industry standards, though, may have improved performance to the extent that most restaurants are able to meet guest requirements on these factors. For example, in warm climates, the availability of reliable air conditioning in hotels or restaurants was a critical factor; today, with the advent of modern refrigeration technology, all hotels and restaurants in such climates will have it. Having more of it will not satisfy anyone, but when air-conditioning breaks down, suddenly everyone becomes dissatisfied.

If *Cadotte and Turgeon*’s findings are confirmed by other studies, we might indeed revise the prevailing theory about the nature of guest satisfaction/dissatisfaction and reject the notion that satisfaction and dissatisfaction are two extremes on one continuum. Instead, we might accept a modification of a theory that was advanced
some years ago on the subject of job satisfaction. In this theory, *Herzberg et al.* (1959) proposed that job satisfaction and dissatisfaction are two extremes on two continua. On one continuum – the motivation continuum – we have satisfaction versus no-satisfaction, while on the other – the hygiene continuum – we have dissatisfaction versus no-dissatisfaction. In Herzberg’s opinion, the variables the presence or absence of which cause satisfaction or no-satisfaction, are not the same that cause dissatisfaction or no-dissatisfaction. While Herzberg confirmed his theory by using a particular research method – the critical incident – few other researchers managed to duplicate his results by using alternative methods. In the majority of cases, it was found that though some variables operate solely on one continuum (i.e. working conditions were found to be a hygiene factor, or dissatisfier), others (i.e. salary) appeared in both the hygiene (dissatisfier) continuum as well as the motivator (satisfier) continuum. Applying the same rationale to Cadotte and Turgeon’s findings, one might conclude that if supported by other studies, guest satisfaction/dissatisfaction could also be explained as a process operating in three continua: *the first for satisfaction, the second for dissatisfaction and the third (critical) for common factors that can cause both satisfaction as well as dissatisfaction.*

The present study is designed to examine the relative impact of *service quality, service value, and guest loyalty*, including *positive word-of-mouth communication and revisit intentions* on guest satisfaction. In addition, guest satisfaction has been highlighted as a way to become guest-focused and improve guest loyalty and thus profitability. Recent studies presented an idea that guest satisfaction is a significant mediator of service quality and guest loyalty (*Cho & Park, 1999; Lee, Jang, & Lee, 1999*). *Cronin and Taylor* (1992) also revealed that service quality improves guest satisfaction, and in turn *can influence guest loyalty.*
There is a need to investigate the relationship between hotel attributes and guests' satisfaction from the guest’s perspective in order to gain an in-dept understanding of guest’s attitudes and behavior after they visit a hotel. Guests express satisfaction or dissatisfaction after they buy hospitality products and services (Fornell, 1992). If guests are satisfied with the products, then they will have the motivation to buy them again or they will recommend them to their friends.

Wuest et al. (1996) define perceptions of hotel attributes as the degree to which guests find various services and facilities important in promoting their satisfaction with hotel stays. There have been numerous studies of hotel attributes that are considered when making a hotel choice decision.

The guest satisfaction may be influenced by a number of tangible and intangible activities that the guests experience while staying a hotel. The tangible aspects of guest satisfaction are related with the foods and beverages whereas intangible components of hotel service are cleanliness (Atkinson, 1988; Knutson, 1988; Saleh and Ryan, 1992), comfort, spacious and well-maintained rooms (Knutson, 1988; Cadotte and Turgeon, 1988; Saleh and Ryan, 1992), convenient location and accessibility (Rivers et al., 1991; Ananth et al., 1992; LeBlanc and Nguyen, 1996), safety and security (Atkinson, 1988; Knutson, 1988; Cadotte and Turgeon, 1988; Ananth et al., 1992), and room facilities such as better lighting, safety features in the bathrooms, easy to handle door knobs, supporting mattresses and chairs (Ruys and Wei, 1998).

Apart from that, prompt and courteous service quality (Knutson, 1988; Cadotte and Turgeon, 1988; Atkinson, 1988; Rivers et al., 1991; Saleh and Ryan, 1992; Ananth et al., 1992; LeBlanc and Nguyen, 1996), food value of a restaurant, convenient parking, as well as interior décor and exterior aesthetics (Saleh and Ryan, 1992) are major contributors. Value for money is another factor that is
strongly associated with high guest loyalty and hotel revenue (Atkinson, 1988; Shifflet and Bhatia, 1997).

Hotel attributes influencing guests' satisfaction in the hotels are presented with the help of Figure 4.1, which broadly divides the factors into twelve groups from F1 to F12. Every factor comprises of a number of items of similar nature for instance, hospitality factor (F1) contains six items that deal with hotel employee-guest interaction, while accommodation (F2) contains ten items and food and beverage (F3) is loaded with five items relating to food and beverage quality, and so on.

4.2.1. Hospitality (F1):

Under this group the attributes adopted by the hotel employees to make the guest comfortable while their stay in the hotel. Good hospitality means taking care of the guest's need in every stage of his stay in the hotel. The hospitality starts from his check in and carried on till final check out from the hotel. At the time of arrival he is taken care by the reception by giving prompt registration, room allotment and by giving the knowledge about the city and its attractions. In Food and Beverage department, hospitality include service of ordered food items within the short span of time. Therefore, at every stage of guest stay the staff attitude and his behaviour is most important to have the feeling of hospitality in the hotel.

4.2.2. Accommodation (F2):

Accommodation is regarded as maximum revenue earning department for any hotel because it involve less investment to operate. A guest will feel highly satisfied if his accommodation arrangements are quite good and he is supplied the desired facilities and amenities with in the hotel room.

The emergence of "boutique" hotels during recent years is an excellent example of an innovative accommodation offering in an otherwise standardized industry. The boutique hotel typically features a contemporary or minimalist décor while also
Figure 4.1: Hotel Attributes Influencing Guest Satisfaction

HOTEL ATTRIBUTES INFLUENCING GUEST SATISFACTION

F1 (Hospitality)
- Efficient front desk
- Friendly & communicative
- Pleasant staff
- Prompt & courteous service
- Congeniality of information counter
- Language proficiency of staff

F2 (Accommodation)
- Quiet
- Well maintained
- Audio - visual equipment
- In room safety box
- Soothing music
- Furnished
- Internet connection
- and cable
- Comfortable bed
- Safe & well equipped bathrooms

F3 (Food & Beverage)
- Fresh food
- Hygienic food
- A variety of food
- Food Promotion
- Lounge bar pub accessibility

F4 (Recreation & Entertainment)
- Readily available recreational facilities (golf, swimming pool, gymnastum)
- Availability of entertainment facilities (shopping centres, theme parks, outdoor & indoor parks, karaoke, casino & cinema)

F5 (Supplementary Services)
- Availability of personal care amenities (spa, facial treatment, salon)
- Efficient laundry service
- Trustworthy wake-up calls
- Free newspaper

F6 (Security & Safety)
- Accessibility of fire extinguisher
- Good fire detection system
- Secure fire doors
- Responsible security personnel

F7 (Innovation & Value-Added Services)
- Meeting facilities (conference hall, multi-media equipments)
- Business package offers
- Rooms (convention centre, show room, and ballroom) equipped with audio, light & sound system

F8 (Transportation)
- Economical & convenient airport to from the hotel
- Availability of light rail transit
- 24 hour taxi service
- Nationwide taxi service

F9 (Location)
- Convenient & accessible location
- Convenient parking

F10 (Appearance)
- Pleasing physical appearance of hotel
- Stylish interior & exterior décor
- Spectacular hotel view

F11 (Pricing)
- Reasonable room price
- Value for money
- Online booking facilities

F12 (Payment)
- Convenient payment method
- Efficient payment counter
offering many additional lifestyle amenities. Hotel guests tend to perceive boutique hotels as a stylish location for which they are willing to pay premium room rates for \((Binkley, 1999)\). Rather than focusing exclusively on the functionality of the hotel product offering, mid-price hotels are beginning to consider the aesthetic appearance of the building's structure and décor \((Chittium, 2004)\). Hotels' guest rooms as well as lobbies are being redesigned in order to stand out amongst the basic hotel offerings. These innovative changes are expected to boost their occupancy rates beyond their rivals \((Binkley, 2003)\). Amenities being offered will include platform beds with no box springs, wire storage racks rather than dressers, plasma television screens, and complimentary wireless internet access \((Binkley, 2003)\). The trendy boutique hotel is an innovation to the traditional hotel experience and an attractive option to consider when designing a hotel service concept, especially when it crosses the traditional industry boundaries.

4.2.3. Food & Beverage (F3):

The type of food and beverage that people choose to consume away from home depends on a number of factors, which may result into the satisfaction/dissatisfaction. The guest may consider the following aspects before ordering foods and beverages items in a hotel:

1. The choice of food and beverages available; whether the menu is limited or extensive; whether the operation revolves round one particular product, for example, Pizza hut; or whether there is varied choice, for example luxury hotels' coffee shops and wine bars.

2. The quality of the product offered, for example, fresh or convenience foods.

3. The quantity of the product offered, i.e., the portion sizes. For example, does the restaurant offer children's meals or smaller portions for children?
4. The consistent standard of the products as the guests returning to the restaurant and repeating their order of an item would expect the product to be the same as they had eaten or drunk before.

5. The presentation of the food and beverage enhances the sale of the product offered. Therefore, they should be presented and served at the correct temperature with suitable garnishes.

6. The food and beverage outlet should be accessible to the guests. The guests are also frame opinion about a catering outlet by means of publicity and advertisement.

Customizing the service experience for a hotel guest is another means of satisfying them. Some examples of service customization include: *allowing guests to have flexible check in/out times, personalizing room décor, or having child care options available*. Customized options adapt the hotel’s service offering to each individual guest’s preferences. However, customization is not easy to implement due to the operational capabilities of the hotel. *For example*, a flexible check in/out policy could lead to labor scheduling problems. Adding such a policy successfully requires the alignment of hotel’s marketing and operational activities.

4.2.4. *Recreation & Entertainment (F4)*:

Availability of recreational and entertainment facilities are also determining factor for the guest to make selection of the potential hospitality unit they visit. *Golf, swimming pool, gymnasium* are some examples of recreational facilities offered to the guests whereas availability of *shopping centres, theme parks, outdoor, indoor parks, karaoke, casino & cinema* are the entertainment facilities that a hotel can offer.
4.2.5. *Supplementary Services (F5)*:

These include those amenities and facilities which are provided to the resident guests at free of cost or nominal charges. The hotel can distinguish itself from its competitors by offering varied range of such services which will result into the increased guest satisfaction and loyalty among the guests. Some of the examples of supplementary services are *spa facility, facial treatment, salon, laundry service; wake-up calls, newspaper* etc.

4.2.6. *Security & Safety (F6)*:

The notion of security is stressed by *Tefler (1996)* who states that traditionally the guest’s safety was the most important responsibility of a host who has undertaken an obligation to protect him as long as the guest stayed in his house. The conceptualization is useful in that it highlights the fact that the hospitality experience is essentially interactive. Although most hotel managers and risk management staff do some training in safety implementation, the basic assumption remains that simply complying with local codes and ordinances. However, local safety measures cannot fully address all the issues that need to be considered. There must be a written emergency action plan and review it carefully with your employees, allowing them to have ready access to it.

An effective fire protection program encompasses three key components: *people, processes and technology*. Hotel staffs must be fully trained to respond to emergencies. Hotels must have the proper technologies that detect, contain or suppress a fire and notify occupants. *Fire alarms, smoke detectors and sprinkler systems* are necessities in any responsibly managed facility. Most fire protection strategies are designed to slow or divert the movement of smoke and fire, not stop it. To ensure the safety and security of the hotel residents the building design of a hotel must include the following principles:
- Two ways out from any location
- Adequate numbers, sizes and spacing of exits in accordance with the applicable provisions of the life safety code.
- Clearly marked, lighted exit paths
- Barriers to prevent fire spread
- Smoke control methods to protect exit path environments
- Escape routes to the outside or to protected spaces where occupants may safely remain
- Clear exit areas

4.2.7. **Innovation & Value Added Services (F7):**

Hotels are an ideal example of a market, which could get benefit from the implementation of service innovation. *First*, from a guest’s perspective, the hospitality market is perpetually inundated by many similar, often easily substitutable service offerings. This can cause difficulties for hotel managers as they attempt to differentiate an individual hotel from its competitors (*Reid and Sandler, 1992*). One solution to this challenge may be to offer new and innovative features to guests. *Secondly*, the hospitality industry is rapidly changing due to accelerations in information technology (*Olsen and Connolly, 2000*). Managers need to make proactive changes which focus even more intensely on guest preferences, quality, and technological interfaces in order to stay competitive in such a dynamic environment (*Karmarkar, 2004*). *Thirdly*, travelers today do not exhibit, as in past decades, a truly brand loyal behavior. Travelers instead are choosing to patronize hotels that offer the best value proposition under existing budgetary constraints. (*Olsen and Connolly, 2000*). In order to add value to the guests’ experience, hotel managers and marketers must meet the challenge of determining which services are preferred by hotel guests (*Olsen and Connolly, 2000*).
Besides pricing and discounts, other value-added attributes mentioned included *overall service quality, convenient location, uncommon services and cleanliness*. For leisure travellers, *the importance of service quality was second only to cleanliness in establishing value for money*, while business travellers identified *a hotel’s convenient location as being the second-most important attribute after the hotel’s various value-added services*. Moreover, for business travellers, cleanliness trailed far behind when defining "value for money".

Another example of innovation in hotel services is the use of information technology. The technological innovations that were found to be most beneficial included: *a wake up system, electronic door locks, in-room pay-per-view, video cassette players, multiple phone lines, video library, personal computers, voice mail, computer modem connections, video check out, electronic in-room safes, and a software library* (Reid and Sandler, 1992). However, it may be impractical for a specific hotel or chain to adopt all available technological amenities due to a lack of operational capabilities or limited resources. Instead, hotels must determine which technological innovations will most benefit their organization.

Once a manager understands guests’ preferences, the challenge then becomes *prioritizing those preferences which add the greatest value to the hotel’s existing service offering*. The level of guest satisfaction can be enhanced by proper mixing the innovation and value added services in the hospitality products and services.

### 4.2.8. Transportation (F8):

The accessibility to the hotel is another important factor which influences the satisfaction level of a guest. This can be understood by the facts that if guests arriving the hotel by car they will expect adequate car parking facilities and if they have to travel by public transport, the hotel should be well served by buses, trains and taxis and moreover, in luxury hotels guests expects pick up and drop up facilities to be provided by the hotel upto the transport terminals.
4.2.9. Location (F9):

The location of hotel may be said to be most important feature which influences the
guest in making decision while selecting a property selection. The location of the
hotel must be made after careful identification of the location of the market
segments to which it is going to cater. The hotel’s location in relation to its present
markets should not only be considered but also its location to possible future
markets.

4.2.10. Appearance (F10):

The overall appearance of a hotel is one of the first physical aspects that a guest
will come into contact with. Potential customer passing by may like the look of the
establishment and decide to come there in future.

The interior design of a hotel is composed of different aspects: The size and shape
of the room; the furniture and fittings; the colour scheme; lighting; air-
conditioning; view from the rooms; swimming pool etc. There is a need for a sense
of totality in a hotel’s interior design. The colour scheme of the hotel should blend
and balance and be enhanced by lighting arrangements; tables and chairs
ergonomically and aesthetically designed so that they not only satisfy their
functional purpose, but also look attractive. In a luxury hotel, the interior
decoration of all areas needs to be carefully considered at the initial planning stage
and if necessary professional advice sought in order to avoid costly corrective
measures later.

4.2.11. Pricing (F11):

Price is one of the marketing instruments that marketers can utilize to market their
products and services. Kotler (1997:300-302) points out that price can be used by
marketers to position products or services. Price can be used as a cue to reflect
quality or a value offering. The concept of pricing will vary from one sector of
market to another and, indeed from one guest to another. In the majority of cases, however, guests are frequent to a hotel not only because of its foods and other services, but also because they feel the price they are paying represent value for the money. According to Wilensky and Buttle (1988) personal services, physical attractiveness, opportunities for relaxation, standard of services and appealing image are factors that guests consider when they evaluate value for money.

According to Tse (2001:11); two important factors influencing the Guest purchase behavior are “price” and “quality of service”. He defined price as “the cost of making the purchase” and quality of service as “how well a customer is served, including the extent to which the server helps the customer, the manner of the server, and so on”. Furthermore, he states that usually a low price will contribute positively to service selection but will contribute negatively to quality of service expectations. Hence a trade-off exists between service quality and the price of that service. He also found that both price and quality of service had an impact on the demand for services. From this one can deduce that a relationship exists between price and quality of service expectations.

Monroe quoted by Zeithaml and Bitner (1996:483), one of the leading experts on pricing, states that most service organizations use a “naïve and unsophisticated approach to pricing without regard to underlying shifts in demand, the rate that supply can be expanded, prices of available substitutes, consideration of the price-volume relationship, or the availability of future substitutes.” According to Zeithaml and Bitner (1996:486) service organisations can offer almost infinite variety of combinations and permutations, leading to complex and complicated pricing structures.

Van Der Walt et al. (1996: 423) describes price as “the value that one puts on the utility one receives from products or services”. The utility received can be any combination of form, time, place and possession utility. It is common to think of
price in monetary terms. However, on a broader level price can be anything of value that is exchanged for something else”. *Morris and Morris (1990:2)* claim that the key to effective pricing: “is to ensure that the price charged reflects the amount of value a customer is receiving. A fundamental principle in the market-driven approach is to recognize that price is a statement of value and not a statement of cost”. An important conclusion that can be reached from the statements by *Morris and Morris (1990:2)* and *Van Der Walt et al. (1996: 423)* is that a relationship exists between price and value.

*Kotler (1997:505)* claims that price can be set to capture the perceived value. However, according to *Zeithaml and Bitner (1996:497)*, understanding what constitutes value for a customer is not a simple task. Customers use the term “value” in different ways and talk about a myriad of attributes or components. According to *Zeithaml and Bitner (1996:497)*, value can be defined by customers in different ways including “low price” and “the quality I get for the price I pay”. The hospitality organisation needs to consider the following factors while determining their pricing policy.

- The organisation needs to decide what it wants to accomplish with its offer. The clearer the firm’s objectives, the easier it is to set the price. An organisation can pursue any of a number of objectives through its pricing including survival, maximising current profit, maximizing current revenue, maximising sales growth, maximum market skimming or product-quality leadership.

- The organisation needs to charge prices that will cover its costs of producing, distributing or selling but also wants to include a fair return for its effort and risk. Demand and price is normally inversely related.

- Costs that the company incur take two forms, fixed and variable costs. Fixed costs are those costs that do not vary with production or sales revenue. Variable
costs are the costs that will vary directly with the level of production. Total cost for any given level of production is the sum of the fixed and variable costs.

- It is necessary for the organisation to benchmark its costs against those of competitors to determine whether the organisation is operating at a cost advantage or cost disadvantage. Knowledge of competitors’ relative offers and pricing can be used as an orientating point for pricing.

- Once the organisation has knowledge of the customer’s demand schedule, the cost function and competitors’ prices, the organisation is ready to select a price. There are several pricing methods available to the company including mark-up pricing, target-return pricing, perceived value pricing, value pricing and going-rate pricing.

- Pricing methods will narrow down the price range from which a organisation must select its final price. However, in selecting its final price, there are additional factors that the organisation needs to consider including psychological pricing, the influence of the other marketing elements on price, company pricing policies, and the impact of price on other parties.

4.2.12. Payment (F12):

The convenience provided the guests in making payments for the services they availed also have influence their perception about a property. Therefore luxury hotels provide efficient payment counters, convenient methods of payments to the guests to ensure the maximum satisfaction level.

4.3. Guest Satisfaction Vis-À-Vis The Service Quality:

The guests are becoming increasingly powerful as determinants of the service quality they wish to experience. Hospitality marketing researchers suggested that a strategy for the survival and success of hotels is the delivery of quality services that
meet and exceed guest expectations (Brown & Swartz, 1989; Parasuraman, Zeithaml, & Berry, 1988). The role of service quality plays heavily in creating a satisfied and repetitive guest. In other words, delivering superior quality service has been recognized as the most powerful weapon that many leading hotels possess. This means that effective investment in high service quality results in long-term increases in guest loyalty, and this in turn leads to cost savings and improved profitability and market share (Zeithaml, Parasuraman, & Berry, 1990).

Service quality has been viewed mostly as the quality of opportunities available in a hotel, and it is considered likely to be related to a guest’s quality of experience (Crompton and Love, 1995). Quality of opportunities is the features or attributes of a service provided by hotel management. Thus, satisfaction, defined as quality of experience, is the realization of desired outcomes or benefits, but the production of these benefits has to start with the availability of raw hospitality resources (Brown, 1988). These raw hospitality resources are the hospitality opportunities provided by hotels and their quality will influence how much benefit and satisfaction guests receive.

Guest satisfaction is the leading criteria for determining the quality delivered to guests through the product or service and the accompanying services (Vavra, 1997). Offering high quality service and thereby improving guest satisfaction has been identified as the most important challenge facing businesses in the 1990s (Barsky and Labagh, 1992). A traditional definition of guest satisfaction follows the paradigm that guest satisfaction or dissatisfaction is the result of interaction between the guest’s pre-purchase expectations and post-purchase evaluation (Czepiel and Rosenberg, 1977; Engel et al., 1990; Handy, 1977).
Figure 4.2: Guest Perceptions of Quality and Guest Satisfaction

Service Quality
  
  Product Quality
  
  Price

Situational Factors

Guest Satisfaction

Personal Factors

Reliability
Responsiveness
Assurance
Empathy
Tangibles

Adapted from Zeithaml and Bitner (1996:123)

Above Figure 4.2 illustrates the growing agreement on the distinction between service quality and guest satisfaction. As illustrated, the guest’s perception of the five service dimensions will reflect the evaluation that the guest makes in terms of service quality. However, guest satisfaction includes influences of perceptions of service quality, product quality and price as well as situational and personal factors. From this we can deduct that quality perceptions can be formed in the absence of the actual experience but guest satisfaction can only be assessed
following an actual service experience with the organization. Every service encounter is potentially critical in retaining the guest. It is for this reason that many hotels aim for "zero-defects" or 100-percent satisfaction. Development of understanding what guest expectations are for each of these encounters is necessary so that strategies can be built around meeting those expectations (*Zeithaml and Bitner, 1996:126*).

The service literature provides a large number of operational and theoretical framework studies, which introduce various methodologies as to how to measure service quality in different hospitality sectors (*Ryan & Cliff, 1997; Saleh & Ryan, 1991; Pizam & Milman, 1993*). However, in the hotel industry, the definitions of service quality primarily focus on meeting guests’ needs and expectations, and how well the potential service delivered can meet their expectations. *Gronroos (1984)* states though, the perceived quality of service depends on the comparison of the expected service with the perceived service, and on the outcome of a comparative evaluation process. However, *Parasuraman et al. (1985)* had developed the GAP model, and the subsequent *SERVQUAL* model within the *GAPS* framework, and they had defined "service quality" as the *degree and direction of discrepancy between guests’ perceptions and expectations*, and they had "perceived service quality" as the *gap between guests’ perceptions and expectations*, as a measurement of service quality. Therefore, the smaller the gap between guests’ perception and expectation, the better will be the service quality provided, and the greater the guest satisfaction. Much of the recent research on service quality has been carried out within the framework of the service quality model developed from the extensive research of *Parasuraman et al. (1985, 1988, 1991)*. The service quality model was derived from the magnitude and direction of seven "gaps" (*Figure 4.3*), which are:
Adapted from Parasuraman, Zeithaml and Berry (1985:41-50).

4.3.1. Gap 1 - Management's Perceptions of Customer Expectations:

Understanding the difference between guest expectations and management perceptions of guest expectations. This gap is pertinent to a critical question: “Do hotel managers understand what guests expect from service quality in the hotel
industry in study area?" Management perceptions about what customers expect from service quality should ideally be congruent with the expectations expressed by guests. Most senior management executives have the authority and responsibility for setting service priorities and for designing and developing service quality standards, so, if they do not fully understand what guests expect, they might trigger a chain of bad decisions, resulting in poor perceived service quality.

4.3.2. Gap 2 - Service Standards Gap:

Although accurate perceptions of guest expectations are necessary, this alone is not sufficient for delivering superior service. Zeithaml and Bitner (1996:41) describes provider gap 2 as "the difference between hotel understanding of guest expectations and development of guest-driven service designs and standards". Service designs and performance standards need to reflect accurate perceptions of guest expectations. Guest driven standards are based on pivotal guest requirements that are visible to and measured by guests (Zeithaml and Bitner, 1996:41).

4.3.3. Gap 3 - Service Performance Gap:

Zeithaml and Bitner (1996:43) describes provider gap 3 as "the discrepancy between development of guest-driven service standards and actual service performance by company employees". Unfortunately, according to Zeithaml and Bitner (1996:43), even when guidelines are put in place for performing services well and treating guests, correctly high-quality service performance is not a certainty. Interestingly, even if employees, intermediaries and other contact personnel are 100 percent consistent in their service delivery, guest variability can introduce heterogeneity in the service. If guests fail to fulfill their roles appropriately, service quality may be jeopardized.
4.3.4. Gap 4 - Service Delivery-Communications Gap:

According to Zeithaml and Bitner (1996:45) the fourth provider gap refers to the
differences between the hotel’s external communication and the actual service
delivery. External communication by the organization through advertising, sales
people and other communication may raise guest expectations. These higher
expectations then become the standard against which the guest assesses service
quality. The discrepancy between actual and promised service thus creates this gap.
The greater the discrepancy, the broader the gap.

4.3.5. Gap 5- Guest Perceptions of Service Quality Gap:

It is possible that gaps 1– 4 do not exist but your guest survey still shows an
unacceptable level of dissatisfaction. This is because guests’ perception of the
performance of your organization may differ from reality. A guest who was upset
by offhand, unhelpful service some time in the past will form an attitude that your
organization is uncaring and it may take some considerable time and much
experience of good personal service before that perception is modified. It was Tom
Peters back in 1985 who first pointed out that the guests’ perception is reality.
Guests may be behind the times, they may be slow to change their attitudes, they
may label your organization as unhelpful, uncaring when, in reality, it now offers
the most wonderful level of guest service imaginable. But that is what guests think.
It is those perceptions, however inaccurate, on which they are basing their purchase
decisions.

Of these gaps, Gap 5 is an external one and is mainly to do with the difference
between the expected service and the perceived service. On the other hand, the
other four gaps (Gaps 1–4) are internal ones and are concerned with factors, which
explain or contribute to a failure to deliver the expected service quality (Rosener
2003). Therefore, these affect the way in which service is delivered, and the
existence of these four gaps leads to the extent of *Gap 5*. In other words, the extent of *Gap 5* depends on the size and direction of the first four gaps.

Apart from the original five gaps proposed by *Parasuraman et al. (1985)*, there are two additional gaps that have been identified and that were not included in the original service quality model (Lewis, 1987). These gaps are labeled as *Gap 6* and *Gap 7*, with a broken line in *Figure 4.3*:

### 4.3.6. Gap 6: Delivery Gap

*The difference between guest perceptions of service delivery and what management believes they deliver.* This gap is pertinent to the simple question, “Do managers overestimate their organization’s service delivery in meeting guest expectations of service quality in hotel industry?” As mentioned in the literature review, some studies (*Lewis, 1987; Coyle and Dale, 1993*) found that managers in the hotel industry tended to be very self-assured and they believed they knew best. Thus, they perceived their service delivery as being more successful than guests perceived it to be, in most cases.

### 4.3.7. Gap 7: Internal Evaluation Gap

*The difference between management’s perception of guest expectations and management’s perception of its service delivery.* This gap measures the internal situation: "Does management believe they deliver as much as they believe guests expect?” Measuring management perceptions of service quality is just as important as measuring guests’ perceptions, because management perceptions of service quality directly affect service quality standards. Measurement of the gap (*Gap 7*) between management perceptions of guest expectations and management perceptions of an organization's service quality delivery could help us to know whether or not management has confidence in meeting guests' expectations.
4.4. Guest Satisfaction Vis-À-Vis Loyalty:

A critical issue for the continued success of any firm is to retain its current customers and make them loyal to its brands, and hospitality industry is no exception to this rule. In an era of increasing sophistication of consumers’ demands when hotel facilities such as room, restaurant, bar, night clubs or health club are no longer considered a luxury, hospitality service providers go to great lengths to provide unique benefits to consumers and turn to different strategies, amongst which the creation of brand and favorable image become one of the most important reason for developing customer loyalty.

Customer loyalty can be defined as “a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future” (Oliver, 1993). Loyalty is an important issue because it has a positive effect on the firm’s bottom line. This is because it is easier, more direct and less costly to sell to existing customers (Barlow and Moller, 1996:25). Bowen and Chen (2001) mentioned that loyal customers will help to promote the hotel, they will provide strong word-of-mouth, create business referrals, provide references, and serve on advisory boards. These loyal customers will also increase sales by purchasing a wider variety of the hotel’s products and by making more frequent purchases. Despite that, some hotels are only worried about meeting customers’ expectations, in having high levels of customers’ satisfaction. These hotels think that repurchase will be increased if they satisfy customers’ needs. However, it has been proven that customer repurchase does not necessarily mean that customers are loyal. They might defect at any moment and for different reasons (Jones and Sasser, 1995).

Moreover, Guest loyalty is particularly important to the hotel industry, because most hotel-industry segments are mature and competition is strong. Often there is little differentiation among products in the same segment. The hotel industry has in recent years become interested in developing loyal guests through relationship
marketing, but that initiative has progressed only by fits and starts. The industry's approaches to loyalty have so far focused largely on transactional tactics, such as frequent-user programs, gifts for repeat customers, and familiarization trips for meeting planners.

It is shown in the researches that hotel image is a crucial factor and maintains a relatively high rating among the loyal guests as well as influences guest enthusiasm and satisfaction. The term image can be interpreted differently, depending on the perspective a person takes. No matter what the perspective is, the significance of image can not be underestimated. Image is a potent tool and has the ability to influence guest perception on goods and services offered and thus, have an impact on guests buying behavior.

A guest who receives what she or he expected in a hotel stay is most likely to be satisfied. If the guest's expectations were exceeded, she or he may be extremely satisfied. Guest satisfaction of this kind is a requisite for loyalty, but satisfied guests may not become loyal guests. Hotel guests' emotions can cement their loyalty to your operation, but those emotions are slightly different for each hotel segment. Some of the reasons for the failure of satisfaction to translate into loyalty are unrelated to either satisfaction or loyalty. Travelers who do not regularly visit a particular area, for instance, cannot be loyal to an individual property simply because they never return to the area.

As supported by Kandampully (2000), hotel services are essentially an intangible experience and it is difficult for guests to evaluate the product prior to experience. Failure to pay attention to influential attributes in choice intention may result in a guest's negative evaluation, and may lead to unfavorable word-of-mouth (Chon et al., 1995), and up to 60 per cent of sales to new guests can be attributed to word-of-mouth referrals (Reichheld and Sasser, 1990). Hence, guest satisfaction potentially leads to purchases repetition and favourable word-of-mouth publicity.
Additionally, some luxury-hotel guests seek variety and sample a different property each time they return to an area. These guests may be satisfied with a hotel, but
their drive for novelty inhibits their loyalty to a given hotel. Some guests remain price sensitive, even at the luxury level, and shop for the best deal. Even though they were satisfied with a particular hotel, they will try another one that makes a better offer. As a final consideration, guests at this level simply expect that they will be satisfied with their purchase and that the hotel will perform as advertised. If there were any likelihood of failure, the guest would not have made the purchase in the first place. As a consequence, hotels generally garner solid satisfaction ratings, but not necessarily loyal guests.

Interestingly, building guest loyalty requires investments on all the service areas to retain profitable guests. *Loyalty extends beyond simple guest satisfaction.* Although keeping guests satisfied is important, loyal guests are more valuable than satisfied guests. A satisfied guest who does not return and spreads no positive word of mouth has no net present value to the company. On the other hand, Kotler, Bowen, and Makens calculated that a loyal guest of a luxury hotel who both returns and spreads positive word of mouth has a net present value of more than $100,000.

*Guest satisfaction measures how well a guest’s expectations are met by a given transaction, in this case a hotel stay. Guest loyalty, on the other hand, measures how likely a guest is to return and also gauges how willing that person is to perform partner-like activities for the hotel—starting with recommendations to friends.* A conceptual framework of differentiating satisfaction and loyalty is shown in the above *Figure 4.4.*