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MASTER'S THESIS

Satisfaction Level of Hotel Customers in Iran (Case of Parsian Esteghlal Hotel)

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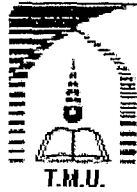
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Abstract

Nowadays, success of every company or organization lies beneath the satisfaction of their customers. This is especially obvious in hospitality sector. The success of a company active in hospitality environment has a direct relationship with their ability to satisfy their customers. Hotels, as one main important sector of hospitality environment, will lose their customers if they walk out the door dissatisfied. In this situation they will not go back to the hotel and they will not suggest the hotel to their friends. This means losing customers and failure of the company (hotel).

Increasingly customers are demanding added values for the money they are spending for their stay at a hotel. They do expect appropriate price and quality services from the staff of the hotel. They continuously compare the price and quality of different hotels with each other. In order for a hotel to gain market share and success, hotel corporations need to review the way they are currently offering their services. The Parsian Esteghlal Hotel is no exception to this rule. Dominated, as it is, by semi-state owned operated establishment, it seems that the hotel has been somewhat backward in its approach to both service quality and customer care over the years.

This thesis – presented here – measures the gap between customer expectation and perception of the services offered by staff of the hotel. SERVQUAL instrument has been used as a tool to measure this gap which shows the level of customer satisfaction from the services offered at the hotel.

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Chapter 1

General Problem Area

The purpose of the first chapter is to present the problem area. Initially, an introduction, and a background is provided in order to explain the importance of the subject. The presentation will thereafter be followed by problem discussion which will result in a formulation of the research questions and the purpose of this study. Finally, disposition of the thesis and assigner presentation will conclude this chapter.

1.1 Introduction

The tourism industry worldwide generated more than US\$2.5 trillion in sales per year in 1995, and was expected to create more than triple that figure to US\$9.7 trillion by 2005 (Sorenson, 1997). The World Tourism Organization (WTO, 1995, cited in Mearh, 1997) has released data on the period 1980-1992. In that period, 8.5

percent of total world spending on international tourism was by Americans, 8.25 percent by Europeans, and 16.6 percent by Asians. In 1950, total international arrivals were about 25 million (Bauman, 1996; Ayres, 2000), but by 2001 they had risen to 692.6 million (WTO, 2003). The WTO (2003) forecasts that international arrivals are expected to reach more than 1.56 billion by 2020. The travel and tourism sector now employs 195 million people worldwide – that is, one of every 13 jobs (Salomon, 2003).

These data explains that the tourism industry has become a major contributor to the GNP (gross national product) of many nations – and the marketing of tourist destinations have become a widely accepted practice in both public and private sectors (Riege and Perry, 2000). As clear in the numbers, many jobs depend on this industry and income of many families worldwide is strongly dependent on this industry.

The tourism industry is made up of a number of different sectors including travel, hospitality and visitor services sector. Within each of these sectors there are a number of individual enterprises that have attempted to measure customer satisfaction as part of their quality assurance programs. Measuring customer satisfaction level has become more common as the industry understands the importance of quality issues in an increasingly competitive environment. It has also been stimulated by the move towards an industry-driven accreditation system.

As one might know, the factor which is very important for the visitors of a country is the quality hotels in that country. The main factor in tourism and also hospitality industry is hotel. The quality of services offered during visitors stay at a hotel directly affects the GNP share of a country which is dedicated to tourism industry of related country.

As part of the WTO-assisted Tourism Development Master Plan, Iran has a motivate 20-year tourism program whereby its goal is to gain 1.5 per cent of the world's total tourist arrivals, receiving 20 million international tourists a year. In order to achieve this ambitious but also realistic target, the Government intends to increase its annual tourism budget by eight times starting from next year, and an anticipated amount of five billion US dollars will be invested by the Government in related

restoration/preservation of historical monuments as well as in tourism infrastructure. In this matter, many of the hotels owned by the state, has been renovated. Many of the hotels are under renovation. However, lack of training for staffs of the hotel and ignorance of the management team at different hotels has prevented the quality of the services offered to grow high. Many visitors staying in Iran return to their home countries unsatisfied with the service quality of hotels. Despite, the existence of weak services offered at hotels, no one has tried to conduct any research on satisfaction level of the customers in this industry.

Despite the large body of literature available on satisfaction research in general, only a few academic studies have focused directly on customer satisfaction amongst tourists and specially hotels. Of these, none have been undertaken in Iran.

1.2 Background

According to Fache' (2000), one of the most important developments in the tourism industry is the growing attention to service quality from the customer's perspective. If service quality is to be improved, it must be reliably assessed and measured.

The key to sustainable competitive advantage in today's competitive environment lies in delivering high-quality service which results in satisfied customers (Shemwell et al., 1998). Indeed, because service quality is positively related to customer retention and customer loyalty, service quality has a direct effect on company profits (Baker and Crompton, 2000; Zeithmal and Bitner, 2000). It is therefore apparent that tourism enterprises need to focus on service quality continuously if they are willing to gain competitive advantage and ensure sustainability – especially in developing countries such as ours, service quality promotes customer satisfaction, stimulates intention to return, and encourages recommendations. Customer satisfaction increases profitability, market share, and return on investment (Hackl and Westlund, 2000; Barsky and Labagh, 1992; LeBlanc, 1992; Stevens et al., 1995; Legohere, 1998; Fornell, 1992; Halstead and Page, 1992).

Hotels with good service quality will therefore improve their market share and profitability (Oh and Parks, 1997).

In a highly competitive hotel industry, individual hoteliers must find ways to make their products and services stand out among the others. They have to find a way to make their services and products different from the others. To achieve this, hoteliers must understand their customers' needs and wants – and then set their services in a way to meet these needs or goes beyond their needs.

As Sundaram and Richard (1993) stated, in order to improve service quality, the hotel industry needs to know which service attributes might affect choice intention of customers. Failure to give necessary attention to those attributes might result in a customer's negative evaluation of the hotel services and may ruin the chance of that guest returning to the hotel. Since a customer's satisfaction is influenced by the availability of customer services, the provision of quality customer service has become a major concern of all businesses (Berry and Parasuraman, 1991).

1.3 Problem Discussion

General perception in Iran is that a dearth of international visitors and a lack of global service awareness had resulted in a gearing of the local tourism product towards the domestic marketplace where, in the absence of any world service leaders and/or benchmark competition, the industry had leisurely ticked over with an "anything goes" service attitude.

In fact the rhetoric, anecdotal evidence suggests that domestic tourists staying in different grades of hotels in Iran have experienced shortfalls in the quality of service offered. International tourists have also understandably expressed varied needs and expectations during their hotel stay but hotels in Iran have not responded adequately.

The traditionally insular and conservative nature of the Iranian population – who were disinclined to complain – led to unprofessional, inefficient service

standards being accepted as the norm. What is unfortunate for the majority of tourism related organizations today, however, is that the modern day customer has tasted quality and is no longer prepared to settle for anything less. As seasoned tourism and leisure consumers, they make for an increasingly demanding and difficult to please clientele.

Hotels have also not responded satisfactorily to the demands of customers owing to lack of management and staff training in service quality. Therefore, the purpose of this study is to assess customers' expectations and perceptions of service provided by hotels in Iran and to highlight how the service factors were related to customer satisfaction.

Specifically the study aimed to address the following objectives:

(1) To develop the underlying dimensions of hotel service quality or hotel service factors in Iranian context;

(2) To examine the relative impact of the derived hotel factors in influencing the overall level of service quality and customer satisfaction;

1.4 Disposition of this study

This thesis consists of seven chapters which is briefly shown in figure 1 below.

Chapter 1 includes an introduction and a background, a presentation of the problem discussion which is followed by purpose of the study.

Chapter 2 the literature review for the research will be presented.

Chapter 3 includes the frame of reference, presenting the research questions and the theories selected for this study, as well as the demarcations made. Furthermore, it includes a conceptualization and operationalization of important concepts included in the research problem and research questions.

Chapter 4 includes a description of the methodological approaches chosen for this thesis and in *Chapter 5* the result from the collection of empirical data is presented. *Also, analysis of the data collected.*

Chapter 6 includes the conclusion *as well as further research and recommendations.*

Disposition of the Study	
Chapter 1	General Problem Area
Chapter 2	Literature Review
Chapter 3	Frame of Reference
Chapter 4	Methodology
Chapter 5	Empirical Findings and Data Analysis
Chapter 6	Conclusion and Recommendations

Figure 1: Disposition of the Study

Chapter 2

Literature Review

In this chapter, theories that may be relevant when answering the research problem will be presented. These theories are mainly written for readers who are familiar with concept of service quality and customer satisfaction, but the intention is also that people without prior knowledge in this field should find it understandable.

2.1 Customer Satisfaction

To begin the discussion about customer satisfaction it would help to define customer satisfaction. A widely accepted definition would be the following which is presented by Oliver in 1997:

“Satisfaction is the consumer's fulfillment response. It is a judgment that a product or service feature, or the product of service itself, provided (or is providing) a

pleasurable level of consumption-related fulfillment, including levels of under- or over-fulfillment." (Oliver, 1997)

This is a remarkable definition. First, the focus is on a consumer rather than a customer. Traditionally speaking, the consumer uses a product or service, whereas a customer pays for the product/service but may not use the service or product offered to him. Usually the two definitions of consumer and customer get lost in vocabulary, but it is very important in researcher's modeling of satisfaction to make distinction between these two. Satisfaction with a product/service is a construct that requires experience and use of a product or service (Oliver, 1997). Individuals who pay for a product/service but who do not use this product/service should not be expected to have the type of (dis)satisfaction that a product/service user (the consumer) will have. So we need to be aware that the concept of customer satisfaction is about consumer satisfaction. That is, user satisfaction rather than about customer satisfaction which may include non-users.

In this study, where ever we are talking about customer satisfaction, it means consumer satisfaction. Someone who uses the product/service not someone who pays for product/service but do not use it.

Second, satisfaction is a feeling and thought. It is a short-term attitude that might change under certain circumstances or situations. Satisfaction stays in consumer's mind and is different from observable behaviors such as product choice, complaining, and repurchase

Third, satisfaction commonly has positions at both a lower level and an upper level. This means that a consumer's satisfaction may drop if she/he gets too much of a good thing. Also, their satisfaction level may rise if they get a little of good things. Many people focus upon the lower position and neglect the potential for an upper position. This conflict and ignorance might ruin the whole purpose of customer satisfaction and sets its level to a very low position in the mind of customers.

In general, researchers define customer satisfaction in different ways (presented in Table 1). Some of the definitions provided in the consumer satisfaction literature are fundamentally inconsistent with one another. In other cases, the

definitions have overlapping components but are partially inconsistent. When examined as a whole, three general components can be identified in extant definitions: 1) consumer satisfaction is an emotional response; 2) the response pertains to a particular focus such as expectations, product, consumption experience, etc.; and 3) the response occurs at a certain time (after consumption, after choice, based on accumulated experience, etc). As can be seen by reviewing Table 1, these three general categories capture the essence of all the definitions presented. As expected, existing definitions are inconsistent in the specifics associated with the type, focus and timing of the satisfaction response.

Table 1: Conceptual and Operational Definitions in Consumer Satisfaction Literature

Source	Conceptual Definition		
Oliver 1997	The consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over fulfillment (p. 13)		
	Response	Focus	Time
	Fulfillment response / judgment	Product or Service	During Consumption
Halstead, Hartman, and Schmidt 1994	A transaction-specific affective response resulting from the customer's comparison of product performance to some prepurchase standard (e.g., Hunt 1977; Oliver 1989) (p. 122).		
	Response	Focus	Time
	Affective response	Product performance compared to some prepurchase standard	During or after consumption
Mano and Oliver 1993	(Product satisfaction) is an attitude - like postconsumption evaluative judgment (Hunt 1977) varying along the hedonic continuum (Oliver 1989; Westbrook and Oliver 1991) (p. 454).		
	Response	Focus	Time
	Attitude - evaluative judgment Varying along the hedonic continuum	Product	Postconsumption
Fornell 1992	An overall postpurchase evaluation (p.11).		
	Response	Focus	Time
	Overall evaluation	Postpurchase perceived product performance compared with prepurchase expectations	Postpurchase
Oliver 1992	Examined whether satisfaction was an emotion. Concluded that satisfaction is a		

	summary attribute phenomenon coexisting with other consumption emotions (p. 242).		
	Response	Focus	Time
	Summary attribute phenomenon coexisting with other consumption emotions	Product attributes	During consumption
Westbrook and Oliver 1991	A postchoice evaluative judgment concerning a specific purchase selection (Day 1984) (p. 84).		
	Response	Focus	Time
	Evaluative judgment	Specific purchase selection	Post choice
Oliver and Swan 1989	No conceptual definition. (with the salesperson) a function of fairness, preference, and disconfirmation (pp. 28-29).		
	Response	Focus	Time
	Salesperson	During purchase	
Tse and Wilton 1988	The consumer's response to the evaluation of the perceived discrepancy between prior expectations (or some norm of performance) and the actual performance of the product as perceived after its consumption (p. 204).		
	Response	Focus	Time
	Response to the evaluation	Perceived discrepancy between prior expectations (or some norm of performance) and the actual performance of the product	Post consumption
Cadotte, Woodruff and Jenkins 1987	Conceptualized as a feeling developed from an evaluation of the use experience (p. 305).		
	Response	Focus	Time
	Feeling developed from an evaluation	Use experience	During consumption
Westbrook 1987	Global evaluative judgment about product usage/consumption (p. 260) Also cited Hunt (1977).		
	Response	Focus	Time
	Global evaluative judgment	Product usage/consumption	During consumption
Day 1984	the evaluative response to the current consumption event...the consumer's response in a particular consumption experience to the evaluation of the perceived discrepancy between prior expectations (or some other norm of performance) and the actual performance of the product perceived after its acquisition (p.496).		
	Response	Focus	Time
	Evaluative response	Perceived discrepancy between prior expectations (or some other norm of performance) and the actual performance of the product	Current consumption event, particular consumption experience, after its acquisition
Bearden and Teel 1983	No conceptual definition. A function of consumer expectations operationalized as product attribute beliefs (Olson and Dover 1979) and disconfirmation (p. 22).		
	Response	Focus	Time
	During consumption		
LaBarbera and Mazursky 1983	Postpurchase evaluation. Cited Oliver's (1981) definition: An evaluation of the surprise inherent in a product acquisition and/or consumption experience (p. 394).		
	Response	Focus	Time

	Evaluation	Surprise	Postpurchase Product acquisition and/or consumption experience
Westbrook and Reilly 1983	An emotional response to the experiences provided by and associated with particular products or services purchased, retail outlets, or even molar patterns of behavior such as shopping and buyer behavior, as well as the overall marketplace (p. 256). An emotional response triggered by a cognitive evaluative process in which the perceptions of (or beliefs about) an object, action, or condition are compared to one's values (or needs, wants, desires) (p. 258).		
	Response	Focus	Time
	Emotional response	Experiences provided by and associated with particular products or services purchased, retail outlets, or even molar patterns of behavior such as shopping and buyer behavior Perceptions of (or beliefs about) an object, action, or condition are compared to one's values	Postpurchase
Churchill and Surprenant 1982	Conceptually, an outcome of purchase and use resulting from the buyer's comparison of the rewards and costs of the purchase relative to anticipated consequences. Operationally, similar to attitude in that it can be assessed as a summation of satisfactions with various attributes (p. 493).		
	Response	Focus	Time
	Outcome	Comparison of the rewards and costs of the purchase relative to anticipated consequences	Implies after purchase and use
Oliver 1981	An evaluation of the surprise inherent in a product acquisition and/or consumption experience. In essence, the summary psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with the consumer's prior feelings about the consumption experience (p. 27).		
	Response	Focus	Time
	Evaluation Summary psychological state Emotion	Surprise Disconfirmed expectations coupled with the consumer's prior feelings	Product acquisition and/or consumption experience
Swan, Trawick and Carroll 1980	A conscious evaluation or cognitive judgment that the product has performed relatively well or poorly or that the product was suitable or unsuitable for its use/purpose. Another dimension of satisfaction involves affect of feelings toward the product (p. 17).		
	Response	Focus	Time
	Conscious evaluation or cognitive judgment Another dimension involves affect of feelings	Product has performed relatively well or poorly or that the product was suitable or unsuitable for its use/purpose Toward the product	During or after consumption
Westbrook 1980	Refers to the favorability of the individual's subjective evaluation of the various outcomes and experiences associated with using or consuming it (product) (Hunt 1977) (p. 49).		
	Response	Focus	Time
	Favorability of the individual's subjective evaluation	Outcomes and experiences	During consumption