

# **The influence of service quality gaps on customer loyalty: A case study of midscale Bangkok hotels**

**Asst. Prof. Kom Campiranon, Ph.D.**

DPU International College  
Dhurakij Pundit University

## **ABSTRACT**

Whilst three and four star hotels, also known as midscale hotels, generally provide the highest return on investment when compared to other hotel categories in Bangkok, midscale hotels suffer from an oversupply situation and the lack of product differentiation.

In turn, building and retaining customer loyalty is very challenging for midscale hotels. As service quality is one of the most important elements in gaining a competitive advantage in the hotel industry, the service quality concept should be used to measure the gaps between customer expectations and perceptions. Moreover, exceeding customer expectations can lead to customer loyalty.

Therefore, this research aims to identify the influence of midscale Bangkok hotels' service quality gaps on customer loyalty. Findings suggest that there are significant service quality gaps, whereby the customer's perception of service quality significantly exceeds the expectation. In addition, there is a significant relationship between service quality gaps and customer loyalty.

## บทคัดย่อ

แม้ว่าโรงแรมระดับ 3 และ ระดับ 4 ดาว ซึ่งจัดเป็นโรงแรมขนาดกลาง (midscale hotels) จะสามารถสร้างอัตราผลตอบแทนต่อการลงทุน (return on investment) ที่สูงกว่ากลุ่มโรงแรมขนาดอื่นๆ ในกรุงเทพมหานคร แต่โรงแรมขนาดกลางเหล่านี้ก็ยังประสบปัญหาจากจำนวนผู้ประกอบการ โรงแรมที่มากกว่าความต้องการของลูกค้า (oversupply) และการขาดความแตกต่างที่ชัดเจนทางด้านผลิตภัณฑ์ (product differentiation)

ด้วยสถานการณ์ดังกล่าว การสร้างและการรักษาไว้ซึ่งความจงรักภักดีของลูกค้า (customer loyalty) จึงเป็นความท้าทายอย่างมากของโรงแรมขนาดกลาง เนื่องจากคุณภาพการให้บริการ เป็นองค์ประกอบหนึ่งที่ช่วยสร้างความได้เปรียบทางการแข่งขันให้กับธุรกิจโรงแรม จึงมีความเหมาะสมที่จะใช้แนวคิดคุณภาพการให้บริการ (service quality concept) ในการวัดความแตกต่าง (gap) ระหว่างความคาดหวังของคุณภาพการให้บริการ และการรับรู้คุณภาพการให้บริการที่ได้รับจริงของลูกค้า ทั้งนี้ผลการรับรู้คุณภาพในการให้บริการที่มากกว่าความคาดหวังของลูกค้าสามารถช่วยสร้างความจงรักภักดีของลูกค้าได้

งานวิจัยเรื่องนี้จึงมีวัตถุประสงค์เพื่อศึกษาอิทธิพลของความแตกต่างระหว่างความคาดหวังของคุณภาพการให้บริการ และการรับรู้ของคุณภาพการให้บริการที่ได้รับจริง ที่มีผลต่อความจงรักภักดีของลูกค้าของโรงแรมขนาดกลาง ผลการวิจัยพบว่าคุณภาพการให้บริการที่ได้รับจริงอยู่ในระดับสูงกว่าความคาดหวังของคุณภาพการให้บริการและความแตกต่างดังกล่าวยังส่งผลต่อความจงรักภักดีของลูกค้าของโรงแรมขนาดกลางอย่างมีนัยสำคัญ

## **ACKNOWLEDGEMENT**

Firstly, I would like to thank Dhurakij Pundit University for awarding a research grant to undertake this research project. Secondly, I would also like to extend my appreciation to all general managers for their cooperation and allowing the researcher to collect data from customers at their hotels. This research would never have been possible without their kind support. Last but not least, my appreciation goes to everyone for providing helpful suggestions and assistance throughout my research project.

## TABLE OF CONTENTS

<b>Abstract.....</b>	<b>2</b>
<b>Acknowledgement.....</b>	<b>4</b>
<b>Table of Contents .....</b>	<b>5</b>
<b>List of Figures.....</b>	<b>7</b>
<b>List of Tables .....</b>	<b>8</b>
<b>Chapter 1: Introduction .....</b>	<b>9</b>
Introduction .....	9
Research Justification .....	12
Research Aim .....	12
Research Objectives .....	13
Conceptual Framework.....	13
Definitions .....	14
Research Frame .....	15
Summary.....	15
<b>Chapter 2: Literature Review.....</b>	<b>16</b>
Introduction .....	16
Service Quality .....	16
Customer Satisfaction.....	18
Customer Loyalty .....	19
Midscale Hotels .....	21
<i>The Development of Midscale Hotels.....</i>	<i>22</i>
<i>The Expansion of Midscale Hotels.....</i>	<i>22</i>
<i>Midscale Hotel's Customer Loyalty.....</i>	<i>23</i>
Relevant Studies .....	24
Summary.....	25
<b>Chapter 3: Methodology.....</b>	<b>26</b>
Introduction .....	26
Population and Sample .....	26
Sampling Techniques .....	26
Data Collection .....	27
<i>SERVQUAL Scales.....</i>	<i>27</i>
<i>Demographic Profile.....</i>	<i>28</i>
<i>Customer Loyalty .....</i>	<i>29</i>
Data analysis.....	29
Summary.....	30
<b>Chapter 4: Data Analysis .....</b>	<b>31</b>
Introduction .....	31
Results of Data Collection and Response Rate.....	31
Data Reliability.....	32
Demographic Profile.....	32
Expectation and Perception of Service Quality .....	34

<i>Tangibles</i> .....	35
<i>Reliability</i> .....	35
<i>Responsiveness</i> .....	36
<i>Assurance</i> .....	36
<i>Empathy</i> .....	37
Customer Loyalty .....	37
Results of Hypothesis Testing .....	39
<i>Hypothesis 1</i> .....	39
<i>Hypothesis 2</i> .....	40
<i>Hypothesis 3</i> .....	40
<i>Hypothesis 4</i> .....	41
Summary .....	43
<b>Chapter 5: Conclusion</b> .....	<b>44</b>
Introduction .....	44
Discussion .....	44
<i>Hypothesis 1</i> .....	45
<i>Hypothesis 2</i> .....	46
<i>Hypothesis 3</i> .....	46
<i>Hypothesis 4</i> .....	47
Managerial Implications .....	48
Theoretical Contribution .....	49
Limitations and Recommendations for Future Study .....	49
Summary .....	50
<b>Appendix 1: questionnaire</b> .....	<b>51</b>
Part 1: Service Quality .....	51
Part 2: Demographic Profile .....	52
<b>References</b> .....	<b>54</b>

## LIST OF FIGURES

Figure 1: International tourist arrivals to Thailand 2000-2013 .....	9
Figure 2: Conceptual model.....	14
Figure 3: Results of the hypothesis test .....	45

DRAFT

## LIST OF TABLES

Table 1: Target respondents.....	26
Table 2: Number of usable questionnaires.....	31
Table 3: Demographic profile.....	32
Table 4: Customer's travel behavior.....	33
Table 5: Sources of information when choosing midscale hotels in Bangkok.....	34
Table 6: Customer expectations and perceptions toward tangibles.....	35
Table 7: Customer expectations and perceptions toward reliability.....	36
Table 8: Customer expectations and perceptions toward responsiveness.....	36
Table 9: Customer expectations and perceptions toward assurance.....	37
Table 10: Customer expectations and perceptions toward empathy.....	37
Table 11: Customer loyalty.....	38
Table 12: Service quality gaps.....	41
Table 13: Paired-Sample T-Test of service quality gaps.....	41
Table 14: Correlation analysis between service quality gaps and overall loyalty.....	42
Table 15: Correlation analysis between service quality gaps and repeat purchase.....	42
Table 16: Correlation analysis between service quality gaps and word of mouth.....	42
Table 16: Correlation analysis between service quality gaps and price insensitivity.....	43

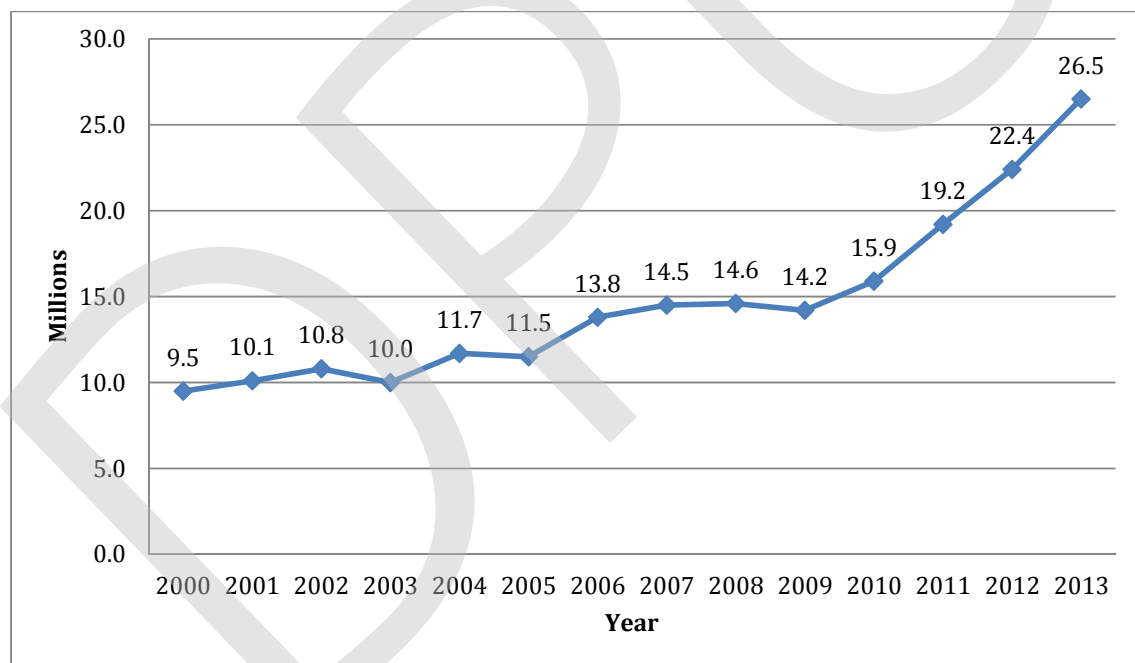


## CHAPTER 1: INTRODUCTION

### Introduction

Tourism is unarguably a major export service of Thailand (Vogt & Wittayakorn, 1998), accounting for around 6 to 7 percent of the country's GDP (EIU ViewsWire, 2003). Moreover, growth in Thailand's tourism industry in recent years has been the result of numerous strengths including a tradition of hospitality (Koumelis 2004), rich cultural heritage and historical tourist destinations (Rittichainuwat, Qu, & Brown, 2001), strong natural attractions, and value for money (Rogers, 2003). Simply put, the multibillion-dollar tourism industry is a crucial component of the Thai economy (Brassett, L., & Watson, 2010), as illustrated below.

**Figure 1: International tourist arrivals to Thailand 2000-2013**



Sources: Ministry of Tourism and Sports (2014)

Thailand's tourism industry, however, has been affected by negative events including the SARS epidemic in 2003, the Tsunami in the end of 2004, global recession from the end of 2008, political disturbances in 2009 and 2010, and the floods in 2011 (Thai Websites, 2013).

Nonetheless, tourist arrivals to Thailand saw substantial growth between 2010 and 2012 (Business Monitor International, 2013) and Thailand achieved a record-breaking performance when international tourist arrivals totaled 26.5 million in 2013.

The hotel sector plays a significant role in Thailand's tourism industry. Interestingly, the year 2013 was forecast to be positive for the hotel industry in Thailand, with a wide array of new hotel openings in major tourism provinces thanks to improved political stability, which has created a better investment climate, and the upcoming ASEAN Economic Community (AEC) single market in 2015 (HCA Travel News, 2013).

In addition, The Thai Hotels Association (THA) stated that an estimated 3,919 new rooms, mainly four- and five-stars, will be added to the market during the course of the year. Furthermore, it is forecast that there are some 8,000 new rooms in all Bangkok hotel segments in the pipeline between now and 2015 (Amnatcharoenrit, 2013). In turn, Bangkok faces a looming oversupply of hotel accommodation within the next five years (2013-2018) when thousands of new rooms across all hotel segments come on the market (HCA Travel News, 2013).

However, the rapid growth in supply is limiting growth in hotel room rates, particularly in Bangkok (CBRE, 2013). In 2012, Economy hotels in Bangkok run at 76.57% occupancy, with an Average Daily Rate (ADR) of 971 baht and 743 in Revenue Per Available Room (RevPAR). Midscale hotels run at 65.77% occupancy, with an ADR of 2,307 baht and a RevPAR of 1,517 baht whilst upscale hotels run at 63.23% occupancy, with an ADR of 2,722 baht and an average RevPAR of 1,720 baht (HCA Travel News, 2013). In turn, Bangkok hotels' ADRs were surprisingly low compared to hotels in other Asian cities particularly because hotels may lose business if rates are increased (Pathnadabutr, 2012).

Whilst midscale hotels, such as All Seasons, Best Western, Ibis, Ramada, and Holiday Inn (STR, 2013a), generally provide the highest internal rate of return when compared to other hotel categories in Bangkok (Langdon, 2013), midscale hotels also face other challenges.

According to Pathnadabutr (2012), a possible adverse outcome of oversupply is the lack of real product differentiation. The high volume of supply means it becomes increasingly difficult for midscale hotels to establish a unique selling point and positioning and to differentiate it from the rest of its peers. In fact, the midscale hotel segment also faces added competition not only from future hotel rooms in the pipeline, but also from serviced apartments.

Furthermore, attracting and maintaining the loyalty of midscale hotel customers is more difficult than other hotel segments. Midscale travelers are also price sensitive, but look for good quality and value for money (Tselepidakis, 2013). Therefore, achieving customer loyalty can be difficult for midscale hotels as they do not have customer's brand loyalty and repeat visits like established five-star hotels (Pathnadabutr, 2012).

In a highly competitive hotel industry, therefore, service is one of the most important elements to gain a sustainable competitive advantage in the marketplace. Consequently, the

efforts of service managers and academic researchers are directed towards understanding how customers perceive the quality of service (Markovic & Raspor, 2010).

It should be pointed out, however, that the specific nature of services makes it difficult to measure and to maintain their quality (Markovic & Raspor, 2010) mainly due to the three major characteristics of services discussed below.

Firstly, the production and consumption of services are not entirely exclusive (Barrass, 2002). This inseparability, sometimes characterized by authors as 'heterogeneity' (Cooper, Fletcher, Gilbert, & Wanhill, 2000), is created because services which are part of the production process are only 'produced' at the time of consumption (Barrass, 2002). Indeed customers and employees are in fact 'co-producing' the service (Kotler, Bowen, & Makens, 2006). As a result, standards of service delivery can be varied as there is less opportunity for producers to check their tourism or hospitality products prior to delivery (Cooper, et al., 2000).

Secondly, services are intangible. Unlike physical products, services cannot be seen, tasted, felt, heard, or smelled prior to purchase (Kotler, et al., 2006). Likewise, services are often not physical goods, but rather experiences and feelings (Barrass, 2002).

Thirdly, services are highly perishable and cannot be stored and sold at a later date (Barrass, 2002; Kotler, et al., 2006). Therefore, the costs involved in their production can increase if, for instance, airline seats or hotel rooms remain unsold. This factor affects the pricing of services since producers must sometimes allow for a level of unsold capacity which can increase the individual costs of a holiday (Barrass, 2002).

In turn, the SERVQUAL scale, which has become the most popular instrument for measuring service quality, has been applied and tested in various service industries, including tourism and hospitality. In most of the research, the instrument was modified to suit the features of a specific service (Markovic & Raspor, 2010). The essence of SERVQUAL is illustrated below.

The SERVQUAL scale contains 22 items for assessing the gap between customer expectations (before using services) and perceptions (after using services) regarding the quality of service. The model is based on five service quality dimensions, namely tangibles (physical facilities, equipment and personnel appearance), reliability (ability to perform the promised service dependably and accurately), responsiveness (willingness to help customers and provide prompt service), assurance (the knowledge and courtesy of employees and their ability to gain trust and confidence) and empathy (providing individualized attention to the customers) (Markovic & Raspor, 2010).

In the context of the hotel industry, service quality could lead to customer loyalty (Boon-itt & Rompho, 2012). In turn, the greater the perceptions of overall service quality, the more likely the customers will engage in behaviors beneficial to the firm, such as loyalty to the organization. Loyal tourists engage in positive word-of-mouth communication and repurchase behavior, which means more revenue for the hotel in the long run (Y. Lin, 2011).

According to Skogland and Siquaw (2004), customer loyalty consists of three dimensions: repeat-patronage, price insensitivity, and word-of-mouth. Repeat patronage is the intention to use the hotel more often in the future, and the intention to not switch to a different hotel. Price insensitivity is the willingness to stay regardless of the increase in the service price. Word-of-mouth is the willingness to recommend the hotel to friends and family.

More importantly, it should be pointed out that hotels need to understand as much as possible as to what the customers want from the service experience. Doing so allows them to minimize wasted resources. Being precise becomes difficult, however, because of the heterogeneity of customers (Crick & Spencer, 2011). Therefore, it is also crucial to understand whether the customers' demographic profiles, such as income and occupation, have an impact of the customer expectations and perceptions towards service quality.

### **Research Justification**

Whilst there are a number of studies on the relationship between service quality gaps and customer loyalty, none of them specifically focus on such an issue in the context of midscale hotels, which is one of the fast-growing hotel sectors in Bangkok.

In addition, it is envisaged that hotel managers, particularly at midscale hotels, should be able to comprehend and implement such a model in order to tackle three major challenges in the hotel industry. Firstly, Victorino et al. (2005) pointed out that the service industry 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.

Secondly, the hospitality industry is changing rapidly. Managers need to make proactive changes, which focus even more intensely on customer preferences and service quality in order to stay competitive in such a dynamic environment. 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 (Victorino, et al., 2005).

### **Research Aim**

To identify the influence of midscale Bangkok hotels' service quality gaps on customer loyalty.

## **Research Objectives**

To achieve the research aim, research objectives have been developed:

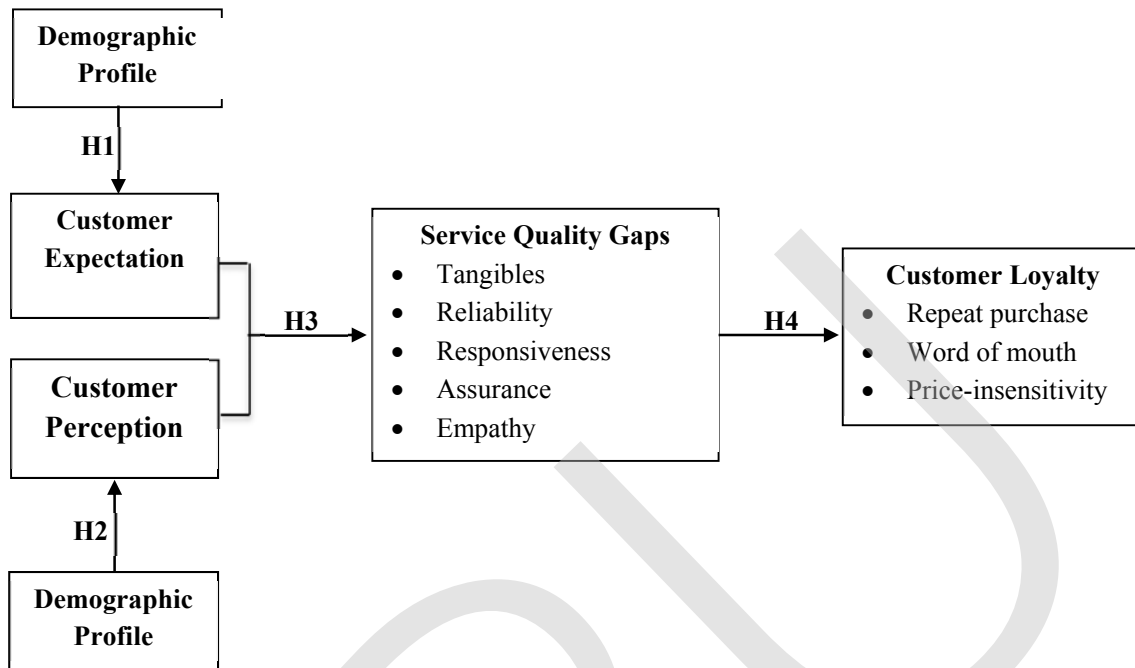
1. To determine the relationship between customers' demographic profiles and customer expectations toward midscale Bangkok hotels' service quality.
2. To determine the relationship between customers' demographic profiles and customer perceptions toward midscale Bangkok hotels' service quality.
3. To determine the service quality gaps between customer expectations and perceptions toward midscale Bangkok hotels.
4. To determine the relationship between service quality gaps and customer loyalty toward midscale Bangkok hotels.

## **Conceptual Framework**

Based on the proposed research aim and research objectives, a series of hypotheses and the conceptual framework are presented below:

- H1: There is a significant relationship between customers' demographic profiles and customer expectations toward midscale Bangkok hotels' service quality.
- H2: There is a significant relationship between customers' demographic profiles and customer perceptions toward midscale Bangkok hotels' service quality.
- H3: There are significant service quality gaps between customer expectations and perceptions toward midscale Bangkok hotels.
- H4: There is a significant relationship between service quality gaps and customer loyalty toward midscale Bangkok hotels.

**Figure 2: Conceptual model**



Sources: Developed based on Parasuraman, et al. (1988) and Skogland and Siquaw (2004)

### Definitions

- Customer satisfaction: A person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations (Kotler & Keller, 2008).
- Midscale hotel: 3 and 4 star hotels with 100-200 rooms (Skaliotis & Sääf, 2006).
- SERVQUAL model: A multi-item scale used for measuring service quality (Parasuraman, Zeithaml, & Berry, 1988).
- Service quality: An overall assessment of service by the customers (Ganguli & Roy, 2010).
- Customer loyalty is a commitment to re-buy or re-patronize a preferred product or service, thereby causing repetitive same-brand purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior (Markovic, Raspor, & Segaric, 2010).

## **Research Frame**

In order to accomplish the research objectives, data from customers staying at midscale Bangkok hotels has been included. Moreover, the SERVQUAL model has been employed in this research in order to measure the service quality gaps.

## **Summary**

This chapter has provided an overview of this research by providing an introduction to the tourism industry in Thailand, followed by service quality issues which are vital to the hotel sector, particularly midscale hotels. The research aim and research objectives were then created, which led to the development of the conceptual framework. Furthermore, this chapter has provided details regarding research definitions, the research frame, the research limitations, and the contribution. In the next chapter, relevant literature will be reviewed.

## **CHAPTER 2: LITERATURE REVIEW**

### **Introduction**

In this chapter, literature applicable to this research will be reviewed. First, concepts of service quality, customer satisfaction, and customer loyalty will be discussed, followed by a review of literature in regard to midscale hotels. Finally, relevant studies will be reviewed.

### **Service Quality**

Service literature has contributed to the confusion over the relationship between consumer satisfaction and service quality. Service providers need to understand how their objectives meet or exceed the customers' satisfaction with their performance. The importance of this issue has led to several efforts to clarify the relationship between satisfaction and service quality (Seyanont, 2007).

It has been pointed out that the quality of a product (or service) can be observed as the features with which certain needs of customers are satisfied. Marketing concepts have introduced various approaches to quality measurement of certain products and services. In addition, consumers observe and rate the same product differently, based mainly on their own motives and attitudes (Blešiš et al., 2011).

In the hotel business, providing high quality services and maintaining customer satisfaction are important factors that increase competitiveness and lead to business success. Therefore, understanding hotel guests and keeping in mind the importance of hotel service attributes are important criteria for gaining competitive advantages in the tourism and hospitality marketplace (Marković et al., 2013).

In an era of increasing competition, the hotel business is seeking new tools to create competitive advantages. Therefore, it is putting a large amount of effort into selecting the best tools or methods to measure service quality development. In terms of measuring the service quality in the hotel business, SERVQUAL has been applied as a tool for understanding the factors affecting service quality in the hotel business, including gaps, from a customer perspective (Boon-itt & Rompho, 2012).

The SERVQUAL measurement tool suggests that a consumer's perception of service quality involves the difference between his or her expectations about the performance of a general class of service providers and his or her assessment of the actual performance of a specific firm within that class (Seyanont, 2007).



The SERVQUAL model is based on five service quality dimensions, namely tangibles, reliability, responsiveness, assurance, and empathy. This set of five dimensions is further subdivided into 22 categories (Parasuraman, et al., 1988) as shown below:

- Tangibles:
  - The company has modern equipment;
  - The company possesses visually attractive equipment and facilities;
  - The appearance of staff;
  - Visually appealing materials connected with the service.
- Reliability:
  - Realization of assured service;
  - Reliability in solving customer problems;
  - Delivering appropriate service from the first visit onwards;
  - Providing the promised service at the promised time;
  - Insisting on a zero defect policy;
  - Willingness to help customers,
  - Willingness of personnel to respond to customers
- Responsiveness:
  - Informing the customers about the time of service delivery;
  - Prompt service delivery to customers.
- Assurance:
  - Personnel who instill confidence;
  - Customers feel secure in their dealings with the company;
  - The courtesy of the personnel;
  - The knowledge of personnel to answer the customer questions.
- Empathy (understanding):
  - Giving individual attention to customers;
  - Giving personal attention to customers;
  - The personnel focus on customer interests;

- The personnel understand the specific needs of their customers.
- Operating hours are convenient to customers.

These categories provide a framework for a questionnaire used as an instrument measuring service quality. The SERVQUAL scale consists of two sets of 22 questions, where the first set of 22 questions measures customer expectations prior to service delivery. The second set of 22 questions then measures the perceptions (attitudes) of customers about the delivered service. The most widely used instrument for measuring perception is a seven-point Likert's scale, ranging from 'strongly disagree' (1) to 'strongly agree' (7) (Blešiš et al., 2011). For each item, a different score 'Q' (representing perceived quality along that item) is defined as  $Q = P - E$ , where P and E are the ratings on the corresponding perception and expectation statements, respectively (Parasuraman, et al., 1988).

### **Customer Satisfaction**

Service quality is found to be a strong predictor of customer satisfaction. Research in different industries has investigated the relationship between service quality (its dimensions) and customer satisfaction – telecommunications; restaurants; hospitals; hotel services; travel agencies; internet services; and multiple industries (Ganguli & Roy, 2010). Customer satisfaction, in particular, has been studied extensively in the field of marketing. It is one of the most commonly used customer-oriented metrics by managers because of its generic nature and its universal measurability for all the types of product and service (Ganguli & Roy, 2010).

As service is less tangible than a product, the major portion of service quality is found within the delivery (Blešiš et al., 2011). In a traditional sense, satisfaction was considered to be a transaction-specific construct, which resulted from immediate post purchase judgment or affective reaction. Customer satisfaction is also considered from a cumulative satisfaction perspective and is defined as a customer's overall experience to date with a product or service provider (Ganguli & Roy, 2010).

However, customer expectations also play an important role toward customer satisfaction. Customer expectations have been consistently acknowledged as the basis upon which service quality and customer satisfaction judgments are formed (Marković et al., 2013). It should be pointed out that the expectations concerning services significantly differ from those referring to products. Moreover, customer expectations vary from case to case, which means every guest creates his or her own expected service value individually (Blešiš et al., 2011).

To improve service quality in the hotel industry, it is important to understand hotel guests' expectations (Marković et al., 2013). In general, customers form their expectations based on the provider's promotional activities, previous experience, word-of-mouth, and first impressions. Culture (e.g. a customer's cultural values) is also one of the factors that

determine customer expectations in the service sector. In addition, a hotel guest's expectations can be influenced by price, hotel category, promised services and the location. Hence, expectations can be created by factors that either can or cannot be controlled by the service provider (Marković et al., 2013).

Therefore, successful service can be achieved once the perception meets expectations. The confirmation of expectations is observed through the gap, i.e. the deviation which appears between the guests' expectations and the delivered service. If their expectations meet the perception it means the guests are 'satisfied'. When the perception outweighs the expectations, the guests are 'delighted'. When the expectations are higher than the perception, it is assumed that the guests are 'dissatisfied' (Blešiš et al., 2011).

It should be noted, however, that customers determine the perceived or cognitive value of a service based on their experience with the delivered service. Customer expectations, service delivery process and service outcome have impacts on perceived service quality. Employees, as an integral part of a service process, are a critical element in enhancing perceived service quality. Furthermore, service quality perceptions are formed during the production, delivery and consumption process. Therefore, customers' favorable and unfavorable experience, as well as their positive and negative emotions, may have an important impact on perceived service quality. Nonetheless, customer perceptions of service quality may, to a large extent, be influenced by the degree of their prior experience with a particular service (Marković et al., 2013).

### **Customer Loyalty**

Customer loyalty is a complex construct because it can be conceptualized from behavioral, attitudinal, and cognitive perspectives. Loyalty is usually defined as a commitment to re-buy or re-patronize a preferred product or service, thereby causing repetitive same-brand purchasing despite situational influences and marketing efforts having the potential to cause switching behavior. Hence, a loyal customer is a customer who repurchases from the same service provider whenever possible and who continues to recommend or maintain a positive attitude toward the service provider. Furthermore, loyal customers are price tolerant as well (Markovic, et al., 2010).

Customer loyalty can be viewed in a number of dimensions. Many researchers have used service recommendation to other customers as a proxy for customer loyalty. Besides recommendation, other items which have been used extensively for the measurement of customer loyalty are consideration of the company as the first choice service provider and continuing to do business with the same company (Ganguli & Roy, 2010).

Kandampully and Suhartanto (2000) classified customer loyalty into two dimensions: behavioral and attitudinal. The behavior dimension refers to a customer's behavior on repeat purchases, indicating a preference for a brand or a service over time. Attitudinal dimensions, on the other hand, refer to a customer's intention to repurchase and recommend, which are

good indicators of a loyal customer. Moreover, a customer who has the intention to repurchase and recommend is very likely to remain with the company.

Skogland and Siquaw (2004) suggested that customer loyalty consists of three dimensions: repeat-patronage, price insensitivity, and word-of-mouth. Repeat patronage is the intention to use the hotel more often in the future, and the intention to not switch to a different hotel. Price insensitivity is the willingness to stay regardless of the increase in the service price. Word-of-mouth is the willingness to recommend the hotel to friends and family.

The benefits associated with customer loyalty are widely recognized by businesses. These include the lower costs associated with retaining existing customers rather than constantly recruiting new ones especially in mature, competitive markets. It is known that long-term customers are more likely to expand their relationship within the product range and so the rewards from this group are long term and cumulative. Another widely perceived benefit is that repeat or behaviorally loyal customers are also thought to act as information channels, informally linking networks of friends, relatives and other potential customers to the organization (McMullan & Gilmore, 2008).

It is commonly known that there is a positive relationship between customer loyalty and profitability. The increased profit from loyalty comes from reduced marketing costs, increased sales and reduced operational costs. Loyal customers are less likely to switch because of price and they make more purchases than similar non-loyal customers. Loyal customers will also help promote your hotel. Loyal customers increase sales by purchasing a wider variety of the hotel's products and by making more frequent purchases. Moreover, loyal hotel customers had higher food and beverage purchases than non-loyal customers. Finally, loyal customers cost less to serve, in part because they know the product and require less information (Bowen & Chen, 2001).

Whilst satisfaction is a major outcome of marketing activity and leads to customer loyalty (Seyanont, 2007), it should be noted, however, that customer satisfaction does not automatically mean customer loyalty. Customer satisfaction measures how well a customer's expectations are met with a provided service. On the other hand, customer loyalty measures how likely a customer is to return and be willing to recommend the service (or product) to others. Hence, although customer satisfaction is a prerequisite for loyalty, satisfied customers may not become loyal customers. This is particular to the tourism and hospitality industry. The reasons for that are various and are unrelated to either satisfaction or loyalty. For instance, travelers who do not regularly visit a particular area cannot be loyal because they never return to the destination. Additionally, some guests remain price sensitive. As a consequence, hotels can achieve a high level of satisfaction, but not necessarily loyal customers (Markovic, et al., 2010).

It should be pointed out that customer loyalty for products and services are different. Since services are intangible and heterogeneous, most customers will perceive higher risk in services than in goods. Simply put, the intangibility of services makes the evaluation of service quality and satisfaction more difficult than it is for goods, which means customers

depend on credence qualities to evaluate services. In addition, intangibility makes it more difficult to gather information about services. This makes information about services more expensive, and may lead to consumers having less information about services than about products. Therefore, brand loyalty may be more important for services than it is for products (Javalgi et al., 1997).

In the context of the hotel industry, service quality in terms of both customer expectations and customer perceptions could lead to customer loyalty, enhanced image, reduced costs and increased business performance. For this reason, one of the most important factors affecting hotel business performance is the improvement of service quality, which is important for creating financial benefits leading to a long-term competitive advantage for the hotel (Boonitt & Rompho, 2012). In turn, the greater the perceptions of overall service quality, the more likely the customers are to engage in behaviors beneficial to the firm, such as loyalty to the organization. Loyal tourists engage in positive word-of-mouth communication and repurchase behavior, which means more revenue for the hotel in the long run (Y. Lin, 2011).

In summary, even though customer satisfaction is vital to the hotel industry, customer loyalty is more precious than customer satisfaction because loyal customers will return and recommend the hotel to their friends, and this, in turn, helps increase hotel profitability. Customer loyalty is an indicator of the success of a service industry, especially in hospitality. However, customer satisfaction is not necessarily an indicator of customer loyalty (C. Lin, 2005).

### **Midscale Hotels**

Prior to the discussion of midscale hotels, it is crucial to understand the classification of hotels. In general, the hotel market has complex layers of structure, which can be defined geographically from global to local, by product type (e.g., luxury, upscale, economy), at the corporate level, between brands, among individual properties, and any combination of these dimensions (e.g., global chain hotel market, Manhattan luxury hotel market) (Kim & Canina, 2010).

The most widely used approach is to classify hotel markets by the product type, which summarizes the core characteristic of the product by the level of the service, amenities, and facilities available at the property. Since there is no uniform rule that determines the product type, several organizations identify the categories differently under various titles (Kim & Canina, 2010).

STR (2013b), a hospitality consulting company, pointed out that there are a number of hotel classification approaches. One of the most effective approaches is the market-class classification, which includes: Luxury, Upper-upscale, Upscale, Upper-midscale, Midscale, and Economy. Similar to STR's classification, J.D. Power and Associates (2013) categorized the chain brands as luxury, upper upscale, upscale, midscale full service, midscale, economy/budget, upper extended stay, and extended stay.

### The Development of Midscale Hotels

The hotel industry has been greatly influenced by the economic downturn in the past few years. As a result, budget-conscious travelers more often chose economy brands, rather than midscale hotels. Coping with faltering demand from the downturn, many upscale hotel brands offered heavy discounts on their rates, pushing the rates into the midscale range. Moreover, some hotel companies have considered opening new hotels in the limited-service/extended-stay, rather than midscale hotels, to cater to customers who are looking to spend less on their hotel stay. Therefore, midscale hotels have suffered significantly during the recession (King, 2011).

After the economic crisis however, a large number of travelers have shifted their mindset from being 'budget conscious' to being 'value conscious.' According to Jones Lang LaSalle (2013), midscale hotels offer customers good value for money and are attractive to both leisure and corporate customers. In addition, midscale hotels also attract customers from both higher and lower levels as illustrated below.

For upscale customers, the line between midscale and upscale hotels is becoming more blurred. In fact, some of today's products, particularly in the upper-midscale space, look as good if not better than some upscale products. Therefore, upscale customers increasingly appreciate the value of midscale hotel brands and begin to trade down their hotel stay in order to save on the room rate but still have a good experience (Eisen, 2013).

For economy customers, midscale hotels offer a great value proposition, which motivates them to pay a little bit more than economy hotels (Eisen, 2013). Midscale hotels usually have higher staffing levels, and a significantly greater quality and range of facilities than budget and economy hotels. For instance, reception and the other public rooms will be more spacious with a number of restaurants. Bedrooms will usually have en suite bathrooms and offer a good standard of comfort and equipment, such as a hair dryer, telephone and toiletries (Colliers International, 2010).

In addition, midscale hotels offer a variety of complementary amenities such a free Wi-Fi, breakfast, and an exercise room. Midscale hotels understand that these amenities are important things that customers want when they travel (Eisen, 2013).

### The Expansion of Midscale Hotels

Midscale hotels are largely characterized by lower construction costs, lower labor costs and higher profit margins than those of full-service hotels (Eisen, 2013). In addition, owners of midscale hotels are able to pass on lower room rates through low overheads, particularly if guests book some time in advance of their stay (Jones Lang LaSalle, 2013).

Whilst the concept of the midscale hotel is already well established in the US and Europe, the percentage of branded mid-market hotels is much lower in Asia. Nonetheless, the growing

popularity of both low cost carriers (LCC) and midscale hotels in Asia has opened up great opportunities for customers to travel in the region. The continued growth of midscale hotels in Asia in the short to medium term is expected to continue, as are the high land prices. Hotel developers are looking to maximize the number of rooms in any given development (Jones Lang LaSalle, 2013).

Consequently, there is a demand for opportunities in gateway and secondary markets in Asia from international hotel groups like Accor (ibis), InterContinental Hotels Group (Holiday Inn Express), Whitbread (Premier Inn), Carlson (Park Inn), Hilton (Hampton Inn) to name a few, as well as regional hotel groups such as Tune Hotels and Aston (Jones Lang LaSalle, 2013). It should be pointed out, however, that while independent midscale hotels still have a place in the industry, those hotels face stiff competition in the form of bigger brands and their great power to drive bookings (Eisen, 2013).

#### Midscale Hotel's Customer Loyalty

Midscale hotels face a unique challenge because their guest base is so diverse. From weekday business travelers to weekend leisure guests, from small business meetings to large groups, fitting services to all guests is a challenge (Marceec, 2011). In turn, achieving customer loyalty appears to be challenging for the operators of midscale hotels. Nonetheless, Best Western is one of a few midscale hotel brands that have successfully earned customer loyalty.

The 2013 annual ranking of brands with the highest loyalty was released by Brand Keys, a market research company. Some 400 brands in 54 categories were measured by 39,000 American consumers from 18 to 65 in its 17<sup>th</sup> annual Customer Loyalty Engagement Index. Best Western ranked first in the midscale hotel category, followed by Hampton Inn, Ramada, Holiday Inn, and Comfort Inn respectively (Blue Maumau, 2013).

According to Best Western, differentiated product experience is important because a product is easily copied by other hotels. The reason is many companies stress customer service, but a robotic and scripted greeting does not make much of an impression. Genuine and sincere care from the heart is what resonates and connects emotionally (Blue Maumau, 2013).

In turn, Best Western has established its vision to lead the industry in superior customer care. This vision leverages the key asset of Best Western, its people, as the differentiator. It is no longer enough to achieve satisfaction as competing hotels could achieve the same thing. Simply put, guest satisfaction is only the price of entry, and hotels must rethink customer service to achieve superior customer loyalty (Blue Maumau, 2013).

## Relevant Studies

The following studies have discussed issues related to service quality in the hotel industry.

Seyanont (2007) undertook a comparative study of the service quality of casual dining restaurants in Phuket, Thailand, by comparing the perspective of Thai and international customers. Results showed that service quality factors had a positive impact on overall customer satisfaction. In turn, customer satisfaction is likely to increase customer loyalty (word-of-mouth endorsements and repurchase intention) in casual dining restaurant environments.

Vatjanasaregagul (2007) studied the relationship of service quality, consumer decision factors and brand equity. Using data collected from five and four stars hotels in Thailand, this study indicated that there was no statistical difference between the expectation and perception of service quality of Thai hotels on all five SERVQUAL dimensions. However, the results indicated that there is a relationship between quality perception and consumer decision factors.

Sriyam (2010) examined the customer satisfaction towards service quality of front office staff at one of the midscale hotels in Pattaya, Thailand. Using SERVQUAL, the findings of this study showed the highest level of customer expectation was assurance, while the highest level of customer perception was tangibility. The finding showed that the hotel customers' perceived service performance exceeded customer expectations towards the service quality of front office staff.

Markovic et al. (2010) assessed customer satisfaction and loyalty at hotels in Croatia. The findings revealed a high level of guest satisfaction with hotel attributes, as well as a high level of guest loyalty. Furthermore, both male and female guests were found to be equally satisfied with hotel attributes. There was no statistically significant difference in satisfaction levels among different age groups, purpose of visit, and duration of stay at a hotel. On the other hand, country of residence and level of education significantly influenced levels of satisfaction.

Blešiš et. al., (2011) employed SERVQUAL to measure service quality in spa hotels. The research was conducted at three-star hotels, which are located in the most visited spa centers in Serbia. Results showed that guests are not generally satisfied with hotel services. Their expectations were higher than their perceptions of quality services in all factors, except the factor of 'empathy', where the positive value of the gap is the result of low expectations.

Boon-itt & Rompho (2012) conducted a study focusing on hotel service quality based on the SERVQUAL model by comparing the boutique and the business hotel in Thailand and to understand the expectations, perceptions and gaps between expectations and perceptions regarding hotel service quality. The analysis showed that the service quality of hotels in Thailand was moderately low. Hotels were not able to deliver services as expected. The customer expectation of the services of the boutique hotels was also higher than that of the business hotels.



Chompupor and Ghuangpeng (2013) discussed factors affecting customer satisfaction at a four star accommodation at Mahasarakham, Thailand. The study explored factors affecting service quality perceived by a local hotel guest based on the SERVQUAL framework and the impact of service quality on customer service satisfaction and customer buying intention. The study found that the SERVQUAL factors: tangibles, reliability, responsiveness, assurance, and empathy were perceived to have impacts on the service quality of the hotel. It was also found that customer service satisfaction affected customer buying intentions.

Marković et al. (2013) conducted a study on expected and perceived service quality in the Croatian and Slovenian hotel industry. The research results identified high levels of guest expectations and perceptions regarding the hotel service quality, and the importance of intangible aspects of hotel service.

### **Summary**

In summary, this chapter has discussed the concepts of service quality, customer satisfaction, and customer loyalty. Literature in regard to midscale hotels and relevant literature were then reviewed. In the next chapter, methodologies used in this research will be discussed.

## CHAPTER 3: METHODOLOGY

### Introduction

This chapter discusses the research methodology, the population, the sampling techniques, the data collection method, and the data analysis techniques employed in this research.

### Population and Sample

The target population is the customers staying at midscale hotels in Bangkok. Samples are Thai and foreign customers who stayed at four midscale hotels in Bangkok from December 2013 to March 2014. As the overall number of customers staying at midscale hotels in Bangkok could not be determined, this research has utilized Taro Yamane's Table (Yamane, 1973) with a 95% confidence level and  $\pm 5\%$  sampling error. In turn, a total of 400 responses were expected.

### Sampling Techniques

By using multi-stage sampling, this research has employed both convenience sampling and snowball sampling. Prior to the main study, a pilot study has been conducted.

Firstly, a quota sampling technique has been used to divide samples into four equal groups from four different midscale hotels in Bangkok. Hotel A and B are both 3-star hotels, while Hotel C and D are both 4-star hotels.

**Table 1: Target respondents**

<b>Hotels</b>	<b>No. of target respondents</b>
A (3-star hotel)	100
B (3-star hotel)	100
C (4-star hotel)	100
D (4-star hotel)	100
<b>Total</b>	<b>400</b>

Secondly, a convenience sampling has been used to collect data from 100 customers at each hotel. A convenience sampling is a non-probability technique which attempts to obtain a sample of convenient elements; overall, it is both less expensive and less time consuming when compared with other sampling techniques (Aaker, Kumar, & Day, 2004), and thus is particularly suitable to this research given its resource limitations.

## Data Collection

Data have been collected through self-administered questionnaires from customers staying at midscale hotels in Bangkok. As midscale hotels could be defined as 3 and 4 star hotels with 100-200 rooms (Skaliotis & Sääf, 2006), this research will target 3 and 4 star hotels, in Bangkok. While the Thailand Hotels Association (THA) categorizes hotels with a star rating, many hotels do not abide by star ratings (Colliers International, 2010). Therefore in this research, hotel classification is based on the quality of the hotel as seen through the eyes of the hotel management.

The survey instrument was developed based on the literature review. Measurement items for each part of the questionnaire are listed below.

### SERVQUAL Scales

The first part of the questionnaire is dimensions related to service quality, based on a review of the literature on SERVQUAL. This section was designed to measure the respondents' perceptions regarding the service quality offered by the hotel in Bangkok regarding SERVQUAL attributes. Using a five-point Likert scale ranging from (1) indicating 'Very low' to (5) indicating 'Very high', hotel customers were asked to rate their level of expectation (before) and perception (after) of the following SERVQUAL items which have been adapted from Boon-itt and Rompho (2012):

- **Tangibles** (physical facilities, equipment and personnel appearance)
  - The hotel has visually appealing facilities.
  - Materials associated with services are adequate (soap, shampoo, towel, etc.).
  - Hotel staff appear neat and tidy (as uniforms and personal grooming).
- **Reliability** (ability to perform the promised service dependably and accurately)
  - Hotel staff provide consistent services (providing the same services and associated materials every time).
  - Hotel staff keep accurate records (reservations, guest records, bills, orders, etc.).
  - Hotel staff perform the services right from the first time.

- **Responsiveness** (willingness to help customers and provide prompt service)
  - Hotel staff are always willing to serve customers.
  - Hotel staff are always available when needed.
  - Hotel staff provide prompt service.
- **Assurance** (the knowledge and courtesy of employees and their ability to gain trust and confidence)
  - Hotel staff have knowledge to provide information and assistance to guests in areas they would require (shopping, museums, places of interest, etc.).
  - Hotel staff have in-depth occupational knowledge (professional skills, foreign language, communication skills, etc.).
  - Hotel staff instill confidence in guests.
- **Empathy** (providing individualized attention to the customers)
  - Hotel staff give guests individualized attention that makes guests feel special.
  - Hotel staff understand the specific needs of guests.
  - The hotel provide flexibility in services according to guest demands.

### Demographic Profile

This part of the questionnaire was designed to elicit demographic and travel information about the respondents.

- Gender
- Marital status
- Age
- Nationality
- Occupation
- Education level
- Monthly income
- Frequency of stay at midscale hotels in Thailand per year
- Frequency of stay at midscale hotels outside Thailand per year
- Main purpose of stay at midscale hotels in Bangkok
- Sources of information

## Customer Loyalty

This part of the questionnaire includes items measuring customer loyalty. The statements in the questionnaire has been adapted from the literature and refined based on the hotel context.

Using a five-point Likert scale ranging from (1) indicating 'Very unlikely' to (5) indicating 'Very likely', hotel customers were asked to rate their level of agreement of the following customer loyalty items which have been adapted from Lin (2005):

- **Repeat-patronage**
  - Would you stay at this hotel again in the near future?
- **Word-of-mouth**
  - Would you recommend this hotel to your friends and family?
- **Price insensitivity**
  - If a competing hotel offers a better rate or discount, would you switch to that hotel?

The questionnaire was pre-tested by customers of one midscale hotel in Bangkok. Based on the pilot study, several items, particularly the SERVQUAL part, which was quite lengthy and complicated, were revised to clarify the questions.

## **Data analysis**

A total of 325 usable questionnaires were used for further analysis. A formal coding sheet was designed and used to code all the questions in a systematic way. Data were entered into the Statistical Package for Social Sciences Windows Version 22.0 (SPSS) program to analyze the findings. In order to achieve the stated objectives and to test the hypotheses, various statistical techniques were employed.

Firstly, descriptive statistical methods were used to examine the demographic profile, together with the expectation and perception toward service quality, and customer loyalty of midscale-hotel customers in Bangkok.

Secondly, an Independent-Samples T-Test, together with One-way analysis of variance (ANOVA) and Chi Square were used to analyze the relationship between customers' demographic profiles and customer expectations & perceptions toward midscale Bangkok hotels' service quality.

Thirdly, the Paired-Samples T-Test was employed to identify whether there were significant gaps between customer expectations & perceptions toward service quality.

Finally, a correlation analysis was employed to identify the relationship between service quality gaps and customer loyalty.

## **Summary**

This chapter has provided details regarding the research methodology including the population, the sampling techniques, the data collection method, and the data analysis techniques that have been employed in this research. In the next chapter, the collected data will be analyzed.

DRAFT

## CHAPTER 4: DATA ANALYSIS

### Introduction

The previous chapter outlined the research methodology and data analysis techniques used in this research. This chapter, in turn, discusses the results from the data analysis. Firstly, this chapter illustrates the result of data collection and response rate. Secondly, descriptive analyses of the demographic profile are presented, followed by the expectation and perception of service quality, and then the analysis of customer loyalty. Lastly, the results of the hypothesis testing are discussed.

### Results of Data Collection and Response Rate

Questionnaires were collected from customers staying at midscale hotels in Bangkok. Respondents are Thai and foreign customers who stay at four midscale hotels in Bangkok from December 2013 to March 2014. A comparison of expected and actual number of responses is shown in the table below.

**Table 2: Number of usable questionnaires**

Hotels	Number of usable questionnaires	
	Expected	Actual
A (3-star hotel)	100	90
B (3-star hotel)	100	71
C (4-star hotel)	100	100
D (4-star hotel)	100	64
<b>Total</b>	<b>400</b>	<b>325</b>

Four hundred questionnaires were expected, whilst 330 questionnaires were received. As 5 questionnaires were incomplete the number of usable questionnaires was 325, which is a response rate of 81.2% (325 out of 400).

It should be noted that the data collection was conducted during the time that Bangkok was affected by the political situation. According to the Bangkok Post (2014), international tourist arrivals to Thailand fell 5.85% year-on-year to 6.6 million, while tourism revenue declined by 4.02% to 311 billion Baht due to the ongoing political situation in the first quarter of 2014. Moreover, governments in over 50 countries have issued travel advisories even though the state of emergency was lifted in March 2014. In turn, hotel occupancy in Bangkok has sharply declined, especially at hotels near protest sites.

As all four hotels chosen in this research are located not far from protest sites, it was challenging for the researcher to collect the total of 400 questionnaires within the period of December 2013 to March 2014 as planned.

### Data Reliability

The majority of measurement items used in this research, including the 15 items underlying the service quality construct (measured by the expectation and perception of tangibles, reliability, responsiveness, assurance, and empathy) and the customer loyalty construct (measured by repeat purchase, word of mouth, and price insensitivity), showed moderate reliability with a coefficient alpha higher than 0.70. This indicates an acceptable internal consistency of the measurement items employed in this research (Zikmund, 2003).

### Demographic Profile

As shown in Table 3 below, the majority of respondents were male (52.6%), married (49.8%), with the age between 25-35 years old (34.8%). A large number of respondents were European (37.5%), followed by Asian (32.9%), North American which includes those from the United States and Canada (14.5%), and Oceanian which includes those from Australia and New Zealand (10.2%). In addition, most respondents were in the bachelor-degree level (58.2%), and worked as employees (52%), with an average monthly income of 1,501 – 3,000 USD (30.8%).

**Table 3: Demographic profile**

Personal data	No. of respondents	Percentage
<b>Gender:</b>		
Male	171	52.6
Female	154	47.4
<b>Marital status:</b>		
Single	141	43.4
Married	162	49.8
Widowed	9	2.8
Divorced	13	4.0
<b>Age:</b>		
25 years old and lower	48	14.8
26-35 years old	105	32.3
36-45 years old	83	25.5
46-55 years old	56	17.2
Over 55 years old	33	10.2



Personal data	No. of respondents	Percentage
<b>Nationality:</b>		
European	122	37.5
Asian	107	32.9
North American	47	14.5
Oceanian	33	10.2
Middle-Eastern	7	2.2
South American	6	1.8
South African	3	0.9
<b>Educational level:</b>		
High school or lower	39	12.0
Bachelor degree	189	58.2
Master degree	88	27.1
Doctoral degree	9	2.8
<b>Occupation:</b>		
Government official	31	9.5
Employee	169	52.0
Owner / Private business	76	23.4
Student	21	6.5
Other	28	8.6
<b>Monthly income:</b>		
1,500 USD or less	64	19.7
1,501 – 3,000 USD	100	30.8
3,001 – 4,500 USD	53	16.3
4,501 – 6,000 USD	47	14.5
More than 6,000 USD	61	18.8

n = 325

In terms of the respondents' travel behaviors, most of them only stayed at midscale hotels in Thailand 3 times or less per year (65.5%). However they have more experience with midscale hotels outside Thailand with an average stay per year of 4-6 times (36.9%) and 3 times or less (40.9%). In addition, the majority of their stay is for leisure purposes (73.8%). Details are shown in Table 4 below.

**Table 4: Customer's travel behavior**

Questions	No. of respondents	Percentage
<b>No. of stay at midscale hotels in Thailand per year:</b>		
3 times or less	213	65.5
4-6 times	72	22.2
7-9 times	17	5.2
10 times or more	23	7.1

Questions	No. of respondents	Percentage
<b>No. of stay at midscale hotels outside Thailand per year:</b>		
3 times or less	133	40.9
4-6 times	120	36.9
7-9 times	37	11.4
10 times or more	35	10.8
<b>Purpose of stay at midscale hotel in Bangkok:</b>		
Leisure	240	73.8
Business	85	26.2

n = 325

Regarding the sources of information that customers used when choosing midscale hotels in Bangkok, respondents are allowed to choose multiple sources and therefore the top three sources of information are websites (40.4%), family & friends (21.9%), and social media (20.5%) respectively. Details are shown below.

**Table 5: Sources of information when choosing midscale hotels in Bangkok**

Sources	No. of responses	Percentage
Websites	295	40.4
Family & friends	160	21.9
Social media	150	20.5
Magazines	54	7.4
Brochures	49	6.7
Newspapers	17	2.3
Billboards	6	0.8
<b>Total</b>	<b>731</b>	<b>100.0</b>

n = 325

### **Expectation and Perception of Service Quality**

This section presents customer expectations (before) and perception (after) towards the service quality of midscale hotels in Bangkok. By adopting the SERVQUAL dimensions, service quality is composed of tangibles, reliability, responsiveness, assurance, and empathy.

The respondents were asked to rate each statement concerning their expectations and perceptions of service quality using a five-point Likert scale ranging from (1) indicating 'Very low' to (5) indicating 'Very high.' The measurement of their level of expectation and perception was divided into five levels. A class interval was classified as follows:

$$\begin{aligned}\text{Mean} &= \text{Highest score} - \text{lowest score} / \text{Number of level} \\ &= (5 - 1) / 5 \\ &= 0.80\end{aligned}$$

Therefore, the criteria used to interpret from the mean score to the level of perception and expectation are:

- A score between **1.00** and **1.80** means **very low**
- A score between **1.81** and **2.60** means **low**
- A score between **2.61** and **3.40** means **moderate**
- A score between **3.41** and **4.20** means **high**
- A score between **4.21** and **5.00** means **very high**

### Tangibles

The tangibles dimension includes the physical facilities, equipment and personnel appearance (Markovic & Raspor, 2010). The table below illustrates that the overall expectation towards tangibles is at a high level (3.99), whilst the overall perception towards tangibles is very high (4.43).

**Table 6: Customer expectations and perceptions toward tangibles**

Tangibles items	Level of Expectation			Level of Perception		
	Mean	S.D.	Level	Mean	S.D.	Level
The hotel has visually appealing facilities.	3.86	0.798	High	4.27	0.712	Very high
Materials associated with the services are adequate (soap, shampoo, towel, etc.).	3.99	0.751	High	4.42	0.683	Very high
Hotel staff appear neat and tidy (uniforms and personal grooming).	4.11	0.741	High	4.59	0.610	Very high
<b>Overall mean score</b>	<b>3.99</b>	<b>0.676</b>	<b>High</b>	<b>4.43</b>	<b>0.547</b>	<b>Very high</b>

### Reliability

The reliability dimension involves the ability to perform the promised service dependably and accurately (Markovic & Raspor, 2010). This research found that the overall expectation towards reliability is at a high level (4.07), whilst the overall perception towards reliability is very high (4.47). Details are shown below.

**Table 7: Customer expectations and perceptions toward reliability**

Reliability items	Level of Expectation			Level of Perception		
	Mean	S.D.	Level	Mean	S.D.	Level
Hotel staff provide consistent services (providing the same services and associated materials every time).	4.03	0.763	High	4.49	0.674	Very high
Hotel staff keep accurate records (reservations, guest records, bills, orders, etc.).	4.08	0.760	High	4.47	0.687	Very high
Hotel staff perform the services right from the first time.	4.09	0.735	High	4.46	0.721	Very high
<b>Overall mean score</b>	<b>4.07</b>	<b>0.684</b>	<b>High</b>	<b>4.47</b>	<b>0.603</b>	<b>Very high</b>

### Responsiveness

Responsiveness is the willingness to help customers and provide prompt service (Markovic & Raspor, 2010). The table below indicates that the overall expectation towards responsiveness is at a high level (4.14), whilst the overall perception towards responsiveness is very high (4.53).

**Table 8: Customer expectations and perceptions toward responsiveness**

Responsiveness items	Level of Expectation			Level of Perception		
	Mean	S.D.	Level	Mean	S.D.	Level
Hotel staff are always willing to serve customers.	4.18	0.761	High	4.57	0.671	Very high
Hotel staff are always available when needed.	4.16	0.785	High	4.53	0.669	Very high
Hotel staff provide prompt service.	4.08	0.770	High	4.49	0.697	Very high
<b>Overall mean score</b>	<b>4.14</b>	<b>0.714</b>	<b>High</b>	<b>4.53</b>	<b>0.598</b>	<b>Very high</b>

### Assurance

Assurance is the knowledge and courtesy of employees and their ability to gain trust and confidence (Markovic & Raspor, 2010). This research found that the overall expectation towards assurance is at a high level (4.01), whilst the overall perception towards assurance is very high (4.36) Details are shown below.

**Table 9: Customer expectations and perceptions toward assurance**

Assurance items	Level of Expectation			Level of Perception		
	Mean	S.D.	Level	Mean	S.D.	Level
Hotel staff have knowledge to provide information and assistance to guests in areas they may require help (shopping, museums, places of interest, etc.).	4.10	0.759	High	4.39	0.745	Very high
Hotel staff have in-depth occupational knowledge (professional skills, foreign language, communication skills, etc.).	3.91	0.732	High	4.31	0.714	Very high
Hotel staff instill confidence in guests.	4.00	0.726	High	4.39	0.678	Very high
<b>Overall mean score</b>	<b>4.01</b>	<b>0.664</b>	<b>High</b>	<b>4.36</b>	<b>0.605</b>	<b>Very high</b>

### Empathy

Empathy is the ability to provide individualized attention to the customers (Markovic & Raspor, 2010). A table below illustrates that the overall expectation towards empathy is at a high level (4.01), whilst the overall perception towards empathy is very high (4.37).

**Table 10: Customer expectations and perceptions toward empathy**

Empathy items	Level of Expectation			Level of Perception		
	Mean	S.D.	Level	Mean	S.D.	Level
Hotel staff give guests individualized attention that makes guests feel special.	3.98	0.791	High	4.36	0.730	Very high
Hotel staff understand the specific needs of guests.	4.03	0.715	High	4.36	0.696	Very high
The hotel provides flexibility in services according to guest demands.	4.00	0.752	High	4.38	0.682	Very high
<b>Overall mean score</b>	<b>4.01</b>	<b>0.697</b>	<b>High</b>	<b>4.37</b>	<b>0.646</b>	<b>Very high</b>

### **Customer Loyalty**

This section discusses items used to measure customer loyalty at midscale Bangkok hotels. Using a five-point Likert scale ranging from (1) indicating ‘Very unlikely’ to (5) indicating ‘Very likely’, hotel customers were asked to rate their level of agreement for three areas of customer loyalty: repeat-patronage, word-of-mouth, and price insensitivity. The measurement

of their level of customer loyalty was divided into five levels. The class interval was classified as follows:

$$\begin{aligned}\text{Mean} &= \text{Highest score} - \text{lowest score} / \text{Number of level} \\ &= (5 - 1) / 5 \\ &= 0.80\end{aligned}$$

Therefore, the criteria used to interpret from the mean score to the level of customer loyalty are:

- A score between **1.00** and **1.80** means **very unlikely**
- A score between **1.81** and **2.60** means **unlikely**
- A score between **2.61** and **3.40** means **neutral**
- A score between **3.41** and **4.20** means **likely**
- A score between **4.21** and **5.00** means **very likely**

The table below shows that overall the customers are likely (at a level of 3.65) to be loyal to midscale Bangkok hotels. When considering each loyalty item, customers are very likely (4.21) to stay at this hotel again in the near future, and they are also very likely (4.27) to recommend this hotel to friends and family. Nonetheless, customers are unlikely (2.46) to stay at this hotel if a competing hotel offers a better rate or discount. In other words, customers are price-sensitive and are likely to switch to a competing hotel for a cheaper rate.

**Table 11: Customer loyalty**

<b>Loyalty items</b>	<b>Mean</b>	<b>S.D.</b>	<b>Level</b>
Would stay at this hotel again in the near future.	4.21	0.701	Very likely
Would recommend this hotel to friends and family.	4.27	0.668	Very likely
Would not switch to a competing hotel for a better rate or discount.	2.46	0.904	Unlikely
<b>Overall mean score</b>	<b>3.65</b>	<b>0.535</b>	<b>Likely</b>

## Results of Hypothesis Testing

Descriptive statistical analysis, One-way analysis of variance (ANOVA), Chi-Square Independent-Samples T Test, Paired-Sample T-Test, and Multiple Regression were used to test the four hypotheses as outlined below:

- H1: There is a significant relationship between customers' demographic profiles and customer expectations toward midscale Bangkok hotels' service quality.
- H2: There is a significant relationship between customers' demographic profiles and customer perceptions toward midscale Bangkok hotels' service quality.
- H3: There are significant service quality gaps between customer expectations and perceptions toward midscale Bangkok hotels.
- H4: There is a significant relationship between service quality gaps and customer loyalty toward midscale Bangkok hotels.

### Hypothesis 1

With regard to hypothesis 1, there is no support of a statistical relationship between customers' demographic profiles and customer expectations toward midscale Bangkok hotels' service quality. By using the Independent-Samples T Test, this research found no significant relationship between customer expectations and gender (Sig. = 0.218,  $p > 0.05$ ). In addition, results from the One-way analysis of variance (ANOVA) revealed no significant relationship between expectations and marital status (Sig. = 0.596,  $p > 0.05$ ), age (Sig. = 0.088,  $p > 0.05$ ), nationality (Sig. = 0.971,  $p > 0.05$ ), occupation (Sig. = 0.327,  $p > 0.05$ ), and income (Sig. = 0.633,  $p > 0.05$ ).

Based on the Chi-square analysis, there is no significant relationship between customer expectations and the following sources of information: billboard (Sig. = 0.995,  $p > 0.05$ ), brochure (Sig. = 0.905,  $p > 0.05$ ), family & friends (Sig. = 0.186,  $p > 0.05$ ), magazine (Sig. = 0.870,  $p > 0.05$ ), newspaper (Sig. = 0.999,  $p > 0.05$ ), social media (Sig. = 0.142,  $p > 0.05$ ), and website (Sig. = 0.413,  $p > 0.05$ ).

Nonetheless, results from ANOVA show a significant relationship between customer expectations and education level (Sig. = 0.003,  $p < 0.05$ ). Surprisingly, customers with doctoral degree have a lower level of expectation (mean = 3.33) than those with Bachelor degree (mean = 4.03), Master degree (mean = 4.10), and High school or lower (mean = 4.16) respectively.

In terms of customer's travel behavior, results from ANOVA indicate no significant relationship between customer expectations and their frequency of stay at midscale hotels in Thailand (Sig. = 0.925,  $p > 0.05$ ). Customer expectations also have no relationship with their frequency of stay at midscale hotels outside Thailand (Sig. = 0.926,  $p > 0.05$ ). In addition, the Independent-Samples T Test found no relationship between expectations and the purpose of stay (Sig. = 0.572,  $p > 0.05$ ).

### Hypothesis 2

For hypothesis 2, there is no significant relationship between customer perceptions and most demographic profile items. By employing the Independent-Samples T Test, this research found no significant relationship between customer perceptions and gender (Sig. = 0.436,  $p > 0.05$ ). Moreover, results from the ANOVA revealed no relationship between perceptions and marital status (Sig. = 0.151,  $p > 0.05$ ), age (Sig. = 0.307,  $p > 0.05$ ), nationality (Sig. = 0.674,  $p > 0.05$ ), education level (Sig. = 0.111,  $p > 0.05$ ), occupation (Sig. = 0.079,  $p > 0.05$ ), and income (Sig. = 0.800,  $p > 0.05$ ). The Independent-Samples T Test also found no relationship between perceptions and the purpose of stay (Sig. = 0.090,  $p > 0.05$ ).

Based on the Chi-square analysis, there is no significant relationship between customer perceptions and the following sources of information: billboard (Sig. = 0.740,  $p > 0.05$ ), brochure (Sig. = 0.235,  $p > 0.05$ ), family & friends (Sig. = 0.529,  $p > 0.05$ ), magazine (Sig. = 0.842,  $p > 0.05$ ), newspaper (Sig. = 0.774,  $p > 0.05$ ), social media (Sig. = 0.214,  $p > 0.05$ ), and website (Sig. = 0.394,  $p > 0.05$ ).

In terms of customer's travel behavior, results from the ANOVA found no significant relationship between customer perceptions and their frequency of stay at midscale hotels in Thailand (Sig. = 0.612,  $p > 0.05$ ). However this research has found that customer perceptions have a relationship with their frequency of stay at midscale hotels outside Thailand (Sig. = 0.023,  $p < 0.05$ ). Customers who have stayed at midscale hotels outside Thailand more often, such as 7-9 times (mean = 4.25) and 10 times or more (mean = 4.32), appeared to have lower levels of perception than those who have stayed 4-6 times (mean = 4.43) and 3 times or less (mean = 4.52).

### Hypothesis 3

Support for hypothesis 3 is found in this research as there are significant service quality gaps between customer expectations and perceptions toward midscale Bangkok hotels ( $p < 0.01$ ).

From a customer perspectives, the gaps between expectations and perceptions explicitly reflect the service quality of the hotel. A positive gap (+) means the service quality of the hotels is good and the hotels deliver services that are better than expected, whilst a negative gap (-) means the service quality of the hotels is bad and the hotels deliver worse services. A zero gap (0) means the service quality of the hotels satisfies the customer needs (Boon-itt & Rompho, 2012).

The table below shows that the overall mean score of customer expectation is at a high level (4.04) whilst customer perception is at a very high level (4.43). In addition, the overall level of perception of each service quality (SERVQUAL) dimension was higher than the level of expectation. This positive gap indicates that customers are satisfied with the services. Tangibles were found to be the most important dimension with the highest positive gap (0.44). This means that tangible evidence, such as the hotel's visually appealing facilities,



materials associated with the services, and neat staff uniform, has an impact on customer satisfaction.

**Table 12: Service quality gaps**

<b>SERVQUAL Dimensions</b>	<b>Expectation (E)</b>	<b>Perception (P)</b>	<b>SERVQUAL Gaps (P – E)</b>
Tangibles	3.99	4.43	0.44
Reliability	4.07	4.47	0.40
Responsiveness	4.14	4.53	0.39
Assurance	4.01	4.36	0.35
Empathy	4.01	4.37	0.36
<b>Overall mean score</b>	<b>4.04</b>	<b>4.43</b>	<b>0.39</b>

By employing the Paired-Sample T-Test to identify whether such service quality gaps were significantly different, this research has found statistical differences between expectations & perceptions in all service quality dimensions (Sig. = 0.000,  $p < 0.05$ ). Such a positive gap (Perception - Expectation) means the customers have received a significantly higher service quality than expected. Details are shown in the table below.

**Table 13: Paired-Sample T-Test of service quality gaps**

<b>SERVQUAL Dimensions</b>	<b>Paired Differences (Perception - Expectation)</b>				
	Mean Differences	S.D.	t	df	Sig. (2-tailed)
Tangibles	0.440	0.631	12.562	324	0.000*
Reliability	0.403	0.678	10.720	324	0.000*
Responsiveness	0.387	0.738	9.441	324	0.000*
Assurance	0.356	0.686	9.352	324	0.000*
Empathy	0.361	0.729	8.931	324	0.000*
<b>Overall mean score</b>	<b>0.389</b>	<b>0.602</b>	<b>11.659</b>	<b>324</b>	<b>0.000*</b>

Note: \*significant at  $p < 0.01$ .

#### Hypothesis 4

By employing correlation analysis, this research has found support for hypothesis 4 as there is a significant relationship between service quality gaps, including tangibles, reliability, responsiveness, assurance, and empathy, and customer loyalty toward midscale Bangkok hotels ( $p < 0.01$ ).

Overall, there is a statistically significant correlation between tangibles ( $r = 0.180$ ,  $p < 0.01$ ), reliability ( $r = 0.253$ ,  $p < 0.01$ ), responsiveness ( $r = 0.221$ ,  $p < 0.01$ ), assurance ( $r = 0.282$ ,  $p < 0.01$ ), empathy ( $r = 0.265$ ,  $p < 0.01$ ), and overall customer loyalty. Details are shown in a table below.

**Table 14: Correlation analysis between service quality gaps and overall loyalty**

Overall Loyalty	Service quality gaps				
	Tangibles	Reliability	Responsiveness	Assurance	Empathy
Pearson Correlation	.180	.253	.221	.282	.265
Sig. (2-tailed)	.001*	.000*	.000*	.000*	.000*

Note: \*significant at  $p < 0.01$ .

There is also a statistically significant correlation between tangibles ( $r = 0.148$ ,  $p < 0.01$ ), reliability ( $r = 0.242$ ,  $p < 0.01$ ), responsiveness ( $r = 0.177$ ,  $p < 0.01$ ), assurance ( $r = 0.249$ ,  $p < 0.01$ ), empathy ( $r = 0.237$ ,  $p < 0.01$ ), and repeat purchase.

**Table 15: Correlation analysis between service quality gaps and repeat purchase**

Repeat Purchase	Service quality gaps				
	Tangibles	Reliability	Responsiveness	Assurance	Empathy
Pearson Correlation	.148	.242	.177	.249	.237
Sig. (2-tailed)	.008*	.000*	.001*	.000*	.000*

Note: \*significant at  $p < 0.01$ .

In addition, there is a statistically significant correlation between tangibles ( $r = 0.240$ ,  $p < 0.01$ ), reliability ( $r = 0.308$ ,  $p < 0.01$ ), responsiveness ( $r = 0.281$ ,  $p < 0.01$ ), assurance ( $r = 0.319$ ,  $p < 0.01$ ), empathy ( $r = 0.301$ ,  $p < 0.01$ ), and word of mouth.

**Table 16: Correlation analysis between service quality gaps and word of mouth**

Word of Mouth	Service quality gaps				
	Tangibles	Reliability	Responsiveness	Assurance	Empathy
Pearson Correlation	.240	.308	.281	.319	.301
Sig. (2-tailed)	.000*	.000*	.000*	.000*	.000*

Note: \*significant at  $p < 0.01$ .

Nonetheless, there is a no significant correlation between tangibles ( $r = 0.028$ ,  $p > 0.05$ ), reliability ( $r = 0.034$ ,  $p > 0.05$ ), responsiveness ( $r = 0.048$ ,  $p > 0.05$ ), assurance ( $r = 0.073$ ,  $p > 0.05$ ), empathy ( $r = 0.065$ ,  $p > 0.05$ ), and price insensitivity.

**Table 17: Correlation analysis between service quality gaps and price insensitivity**

Price Insensitivity	Service quality gaps				
	Tangibles	Reliability	Responsiveness	Assurance	Empathy
Pearson Correlation	.028	.034	.048	.073	.065
Sig. (2-tailed)	.612	.538	.393	.192	.245

### Summary

In summary, this chapter has reported the results of the data analysis implemented in this research. Firstly, the results of the data collection and response rate were presented. Secondly, descriptive analysis was undertaken to enhance the fundamental understanding of the respondents' demographic profiles, their expectations and perceptions toward service quality, and the respondents' customer loyalty toward midscale Bangkok hotels. Thirdly, this chapter has presented the tested results of all four hypotheses.

In the next chapter, discussions of the research findings and the literature will be provided, followed by key managerial implications and recommendations for future research.

## CHAPTER 5: CONCLUSION

### Introduction

To conclude this research, this chapter begins with a broad overview of the research aim and research objectives. The chapter then summarizes the study's main findings in relation to its research objectives, and then discusses these findings with reference to existing literature. A summary of relevant managerial implications is then provided, followed by recommendations for future research.

First of all, this research aims to identify an influence of midscale Bangkok hotels' service quality gaps on customer loyalty. Based on this research aim, there are four research objectives as shown below:

1. To determine the relationship between customers' demographic profiles and customer expectations toward midscale Bangkok hotels' service quality.
2. To determine the relationship between customers' demographic profiles and customer perceptions toward midscale Bangkok hotels' service quality.
3. To determine the service quality gaps between customer expectations and perceptions toward midscale Bangkok hotels.
4. To determine the relationship between service quality gaps and customer loyalty toward midscale Bangkok hotels.

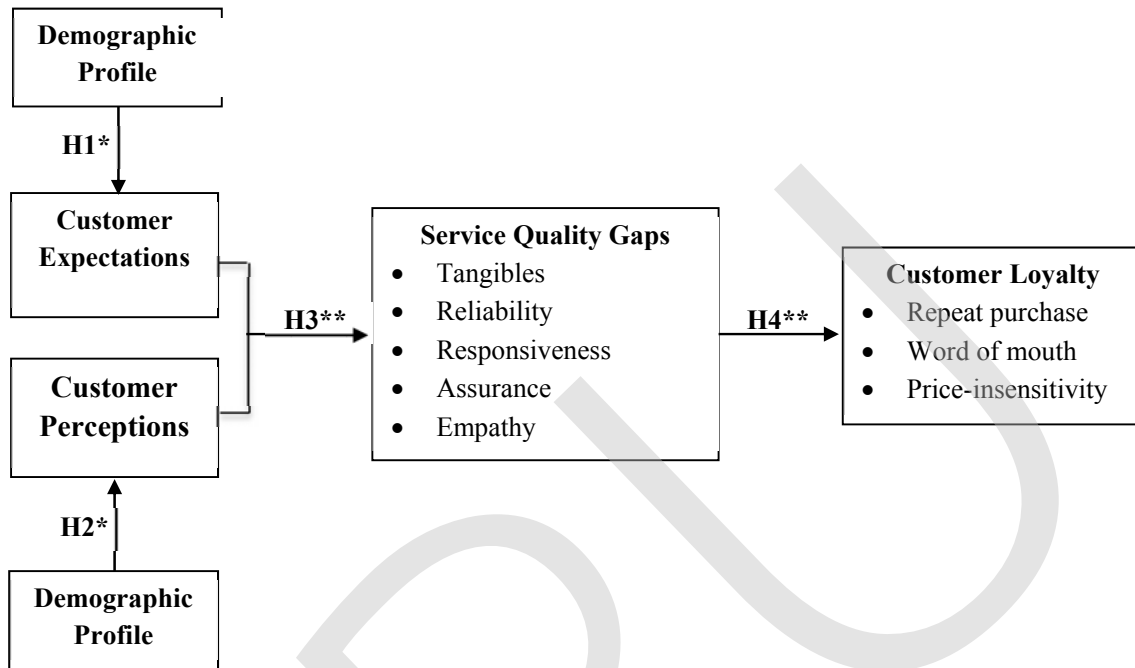
Based on the proposed research aim and research objectives, a series of hypotheses and the conceptual framework are presented below

- H1: There is a significant relationship between customers' demographic profiles and customer expectation toward midscale Bangkok hotels' service quality.
- H2: There is a significant relationship between customers' demographic profiles and customer perceptions toward midscale Bangkok hotels' service quality.
- H3: There are significant service quality gaps between customer expectations and perceptions toward midscale Bangkok hotels.
- H4: There is a significant relationship between service quality gaps and customer loyalty toward midscale Bangkok hotels.

### Discussion

The summary of results for each of the study hypotheses is shown in the figure below.

**Figure 3: Results of the hypothesis test**



Note:

\* Partial significant at  $p < 0.05$

\*\* Significant at  $p < 0.01$

### Hypothesis 1

As discussed in Chapter 4, this research found no support for hypothesis 1. In general, there is no statistical relationship between customers' demographic profile and customer expectations toward midscale Bangkok hotels' service quality. Nonetheless, there is a significant relationship between customer expectation and education level. Unexpectedly, customers with doctoral degree have lower levels of expectation than those with Bachelor degree, Master degree, and High school.

Whilst a number of authors (e.g. Clow, Kurtz, Ozment, & Ong, 1997; Marković et al., 2013) have suggested that hotel customers form their expectations based on a number of factors such as the hotel's promotional activities and previous experiences, this research found no significant relationship between customer expectation and sources of information, which includes promotional tools such as website, billboard, etc. In addition, there is no relationship between customer expectations and their frequency of stay at midscale hotels in Thailand or outside Thailand. There is also no relationship between expectations and the purpose of stay.

## Hypothesis 2

For hypothesis 2, there is no significant relationship between customer perceptions and demographic profiles. In terms of customer's travel behavior, this research found no significant relationship between customer perceptions and their frequency of stay at midscale hotels in Thailand. In addition, there is no relationship between perceptions and the purpose of stay.

However this research has found that customer perceptions have a relationship with their frequency of stay at midscale hotels outside Thailand. Customers who have stayed at midscale hotels outside Thailand more often appeared to have lower levels of perception than those who have stayed less often. This supports various studies (e.g. Laws, 2004; Marković et al., 2013) in that customers' perceptions of service quality may, to a large extent, be influenced by the degree of their prior experience with a particular service

## Hypothesis 3

Support for hypothesis 3 is found in this research as there are significant service quality gaps between customer expectations and perceptions toward midscale Bangkok hotels.

Findings have shown that the overall customer expectation is at a high level whilst customer perception is at a very high level. In addition, the overall level of perception of service quality was higher than the level of expectation. This positive gap indicates that customers are satisfied with the services. Tangibles was the most important dimension with the highest positive gap. This means that tangible evidence, such as the hotel's visually appealing facilities, materials associated with the services, and neat staff uniform, has an impact on customer satisfaction.

The importance of tangibles as a part of the service quality dimension, is endorsed by a number of authors (e.g. Laws, 2004). Sriyam (2010), in particular, has examined the service quality of front office staff at a midscale hotel in Pattaya, Thailand. In Sriyam (2010)'s study, the tangibles dimension, particularly the staff's appearance, was ranked at the highest level when compared with other service quality dimensions. Moreover, it was highlighted that tangibles dimension was the best predictor of overall service quality.

Nonetheless, this research has different findings when compared with the study conducted in Thailand by Vatjanasaregagul (2007) in that there was no statistical difference between the expectations and perceptions of service quality on all five SERVQUAL dimensions. It should be pointed out however that Vatjanasaregagul (2007)'s study was conducted with customers of four and five star hotels in Thailand, whilst this research was conducted with customers of midscale (three and four star) hotels in Bangkok.

Findings in this research are also in contrast with those in Boon-itt & Rompho (2012)'s study which measured the service quality of boutique and business hotels in Bangkok. Their study

found that the service quality of hotels in Thailand was moderately low. In turn, they found that hotels were not able to deliver services as expected as the customer's perception is lower than the expectation.

#### Hypothesis 4

This research has found support for hypothesis 4 as there is a significant relationship between service quality gaps (tangibles, reliability, responsiveness, assurance, and empathy) and overall customer loyalty toward midscale Bangkok hotels. The higher the positive service quality gap (gap score = perception - expectation), the higher the customer loyalty. This supports a number of studies (e.g. Akbar, 2010; Chang-Hsi, Hsiu-Chen, & Gow-Liang, 2006; C. Lin, 2005; Motlagh et. al., 2013) which endorsed that service quality has an influence on customer loyalty.

The service quality gaps also have a statistically significant correlation with repeat purchase and word of mouth. According to Skogland and Siquaw (2004), this means customers have the intention to choose this hotel more often in the future, and are willing to recommend the hotel to their friends and family.

Nonetheless, this research found no relationship between service quality gaps and price insensitivity. More importantly, it appeared that midscale-hotel customers have a high level of price sensitivity. This means customers are sensitive to the hotel's room rate and are willing to switch to competing hotels for lower rates. Such a finding is different from previous studies that loyal customers are price-insensitive (Khan, 2013) and are less likely to switch to competing hotels because of price (Bowen & Chen, 2001).

It is noteworthy that service quality gaps have no relationship with price insensitivity. This finding is possibly related to the characteristics of the target population which is customers staying at midscale hotels in Bangkok. Three possible interpretations are presented below.

Firstly, midscale hotel customers are price sensitive as they look for good quality and value for money (Tselepidakis, 2013). Secondly, midscale hotels in Bangkok have suffered from a lack of product differentiation. A large volume of supply means it becomes increasingly difficult for a hotel to establish a unique selling point and positioning to differentiate them from competitors (Pathnadabutr, 2012). Thirdly, midscale hotels do not enjoy customer brand loyalty and repeat visits like established five-star hotels (Pathnadabutr, 2012).

Therefore, achieving and maintaining the loyalty of midscale hotel customers is more challenging than other hotel segments (Tselepidakis, 2013), particularly due to the characteristic of midscale hotel customers who are generally price-sensitive.

## **Managerial Implications**

By exploring the influence of service quality gaps on customer loyalty using a case study of midscale Bangkok hotels, there are a number of managerial implications.

Firstly, customers' perception of service quality is related to their frequency of stay at midscale hotels outside Thailand. In general, customers who stayed at midscale hotels outside Thailand more often appear to be less satisfied than those who have stayed less often.

Such an issue could derive from the fact that midscale hotels lack a unique selling point and provide similar products and services. In turn, customers who frequently stayed at midscale hotels are less excited by those services, and therefore midscale hotels need to provide a 'wow factor' which enhances the customers' perception toward service quality. For example, the hotel could offer a personalized greeting for each customer, and provide fresh flowers or a present in the guestroom. Doing so would increase the customers' perception of 'value for money', which would certainly exceed their expectations.

Secondly, there are significant positive gaps (gap = perception - expectation) in terms of service quality delivered by midscale hotels in Bangkok. This means those hotels have done exceptionally well with their service quality as they have exceeded their customers' expectations in all service quality dimensions. Although 'tangibles' is the service quality dimension with the highest positive gap, it should be pointed out however that 'assurance' and 'empathy' are two of the least positive gaps.

To achieve a competitive advantage in terms of assurance, it is recommended that midscale hotels provide training to their staff particularly on product knowledge, foreign languages, and communication skills. This would empower their staff to gain a higher level of trust from the customers. In addition, the empathy dimension could be improved through training as well. By highlighting the importance of personalized services, the hotel staff will be able to provide customers with individualized attention that makes customers feel special. Again, it is all about the 'wow factor' that differentiates one midscale hotel from another.

Thirdly, there is a significant relationship between service quality gaps and overall customer loyalty. Service quality gaps also have an influence on repeat purchase and word of mouth; however, service quality gaps have no influence on price insensitivity. This issue underlines a crucial challenge for midscale hotels as customers are mostly willing to switch to other hotels for lower room rates. As discussed earlier in this chapter, midscale hotel customers are generally price sensitive because they look for good quality and value for money.

To cope with such a challenge, it is suggested that midscale hotels employ a marketing communication campaign with repeat customers in order to build positive word of mouth. This campaign should highlight the hotel's "great services & value for money products" and include special promotions that are only offered to valued customers. The marketing message should be carefully crafted in order to make the customers feel special and honored for receiving this special privilege.



## **Theoretical Contribution**

Results of this research have contributed to the gaps in relevant literature in a number of ways. Firstly, this research argued that there is no significant relationship between most demographic profile items and the expectations/perceptions of service quality. However findings did support tourism literature in that previous hotel-stay experiences have an influence on customers' perception of service quality.

Secondly, this research has provided theoretical contributions to the area of service quality research in the midscale hotel context. Whilst previous service quality studies conducted in Thailand have reported that hotels' service quality did not exceed the customers' expectation, this research revealed otherwise that midscale hotels' service quality has exceeded the expectation in all service quality dimensions.

Thirdly, the findings in this research support existing literature in that service quality gaps have a relationship with overall customer loyalty, repeat purchase, and word of mouth. Unlike previous studies, this research has pointed out, however that there is no significant relationship between service quality gaps and price insensitivity.

## **Limitations and Recommendations for Future Study**

There are certain limitations in this research. Although this research has demonstrated significant findings, these findings were derived from 325 samples who are customers of midscale hotels in Bangkok. These findings may lack generalizability although it was taken from a relevant population of interest. Therefore, it is recommended that a higher number of samples should be considered in future studies.

The second limitation is in the use of adapted measurement scales in order to measure customer expectations and perceptions of service quality (tangibles, reliability, responsiveness, assurance, and empathy) and customer loyalty (repeat purchase, word of mouth, and price insensitivity). Although these scales have been adapted from previous studies, they may not be relevant to service quality studies that collect data from other hotel segments, such as budget or luxury hotels. In turn, the characteristics of each hotel segment should be taken into consideration before implementing the same measurement scales with a different hotel segment.

Finally, this research has collected data on customer perspectives to examine the gaps between customer expectations and perceptions toward service quality. It should be pointed out, however, that other gaps have not been explored in this research. For instance, future studies could examine the service-quality expectation gaps between the hotel staff and customers. Another possibility is to study such gaps using a qualitative research, such as in-depth interviews, to examine the customers' expectation and perception toward their stay at the hotel.

## **Summary**

This research has achieved its aim by examining the influence of midscale Bangkok hotels' service quality gaps on customer loyalty. Its findings have provided in-depth and substantially meaningful insights and understanding toward the service quality gaps of midscale hotels in Bangkok, and how such gaps influence customer loyalty.

More importantly, this research has not only presented key managerial implications for the hotel industry, particularly midscale hotels, but also provides tourism academics with a number of theoretical contributions. In turn, it is envisaged that both the managerial implications and theoretical contributions of this research have contributed to better management of service quality and customer loyalty for the midscale hotel segment, and potentially for the tourism industry in general.

## APPENDIX 1: QUESTIONNAIRE



This questionnaire is a part of a research project funded and approved by Dhurakij Pundit University, Bangkok. The objective of the research is to evaluate customer expectation and perception levels towards service quality of midscale hotels (3-4 star hotels) in Bangkok.

For any queries, please contact Asst. Prof. Dr. Kom Campiranon, DPU International College (DPUIC), Dhurakij Pundit University at kom@dpu.ac.th or call 0-2954-7300 Ext. 645.

### Part 1: Service Quality

Directions: The following set of statements relate to your perception of service quality based on your experience at the hotel. Please tick ( ☒ ) the level that best reflects your attitude.

- What was your level of expectation of service quality BEFORE staying at this hotel?
- What was your level of perception of service quality AFTER staying at this hotel?

The score levels are: 1 = Very low, 2 = Low, 3 = Moderate, 4 = High, 5 = Very high

Level of Expectation (BEFORE)					Questions	Level of Perception (AFTER)				
Low —————→ High						Low —————→ High				
1	2	3	4	5		1	2	3	4	5
					1. The hotel has visually appealing facilities.					
					2. Materials associated with the services are adequate (soap, shampoo, towel, etc.).					
					3. Hotel staff appear neat and tidy (uniforms and personal grooming).					
					4. Hotel staff provide consistent services (providing the same services and associated materials every time).					
					5. Hotel staff keep accurate records (reservations, guest records, bills, orders, etc.).					
					6. Hotel staff perform the services right from the first time.					
					7. Hotel staff are always willing to serve customers.					
					8. Hotel staff are always available when needed.					
					9. Hotel staff provide prompt service.					
					10. Hotel staff have knowledge to provide information and assistance to guests in areas they may require help (shopping, museums, places of interest, etc.).					
					11. Hotel staff have in-depth occupational knowledge (professional skills, foreign language, communication skills, etc.).					

Level of Expectation (BEFORE)					Questions	Level of Perception (AFTER)				
Low —————→ High						Low —————→ High				
1	2	3	4	5		1	2	3	4	5
					12. Hotel staff instill confidence in guests.					
					13. Hotel staff give guests individualized attention that makes guests feel special.					
					14. Hotel staff understand the specific needs of guests.					
					15. The hotel provides flexibility in services according to guest demands.					

## Part 2: Demographic Profile

Directions: Please answer each of the following questions to provide information about yourself. This demographic information will be kept confidential and will be used only for research purposes.

1. What is your gender?

☐ Male ☐ Female

2. What is your marital status?

☐ Single ☐ Married ☐ Widowed ☐ Divorced

3. What is your age? \_\_\_\_\_

4. What is your nationality? \_\_\_\_\_

5. What is your educational level?

☐ High school or lower ☐ Bachelor degree  
☐ Master degree ☐ Doctoral degree

6. What is your occupation?

☐ Government official ☐ Employee ☐ Owner / Private business ☐ Student  
☐ Other (please specify \_\_\_\_\_)

7. What is your monthly income?

- ☐ 1,500 USD or less      ☐ 1,501 – 3,000 USD      ☐ 3,001 – 4,500 USD  
☐ 4,501 – 6,000 USD      ☐ More than 6,000 USD

8. How often do you stay at midscale hotels (3-4 stars) **in Thailand** per year?

- ☐ 3 times or less      ☐ 4-6 times      ☐ 7-9 times      ☐ 10 times or more

9. How often do you stay at midscale hotels (3-4 stars) **outside Thailand** per year?

- ☐ 3 times or less      ☐ 4-6 times      ☐ 7-9 times      ☐ 10 times or more

10. When you stay at a midscale hotel in Bangkok, what was the main purpose of your stay?

- ☐ Leisure      ☐ Business

11. Please choose the sources of information that you used when choosing midscale hotels in Bangkok (you can choose more than one):

- ☐ Billboard    ☐ Brochure    ☐ Family & friends    ☐ Magazine    ☐ Newspaper  
☐ Social media    ☐ Website    ☐ Other (Please specify \_\_\_\_\_)

12. Would you stay at this hotel again in the near future?

- ☐ Very likely      ☐ Likely      ☐ Neutral      ☐ Unlikely      ☐ Very unlikely

13. Would you recommend this hotel to your friends and family?

- ☐ Very likely      ☐ Likely      ☐ Neutral      ☐ Unlikely      ☐ Very unlikely

14. If a competing hotel offers a better rate or discount, would you switch to that hotel?

- ☐ Very likely      ☐ Likely      ☐ Neutral      ☐ Unlikely      ☐ Very unlikely

Thank you for your participation in this questionnaire

## REFERENCES

- Aaker, D., Kumar, V., & Day, G. (2004). *Marketing Research* (8th ed.). New York: John Wiley & Sons, Inc.
- Akbar, S. e. a. (2010). Revitalization of Service Quality to Gain Customer Satisfaction and Loyalty. *International Journal of Business and Management*, 5(6), 113-122.
- Amnatcharoenrit, A. (2013). 2013: A banner year for Thailand hotel industry. Retrieved 4 April, 2013, from <http://www.asianewsnet.net/2013-A-banner-year-for-Thailand-hotel-industry-42367.html>
- Bangkok Post. (2014). Unrest deters foreign tourists. Retrieved from <http://www.bangkokpost.com/business/tourism/404054/unrest-deters-foreign-tourists>
- Barrass, C. (2002). Marketing for Tourism. In R. Sharpley (Ed.), *The Tourism Business: An Introduction* (pp. 397-423). Great Britain: Business Education Publishers Limited.
- Blešiš et al. (2011). Research of Expected and Perceived Service Quality in Hotel Management. *Journal of Tourism*, 11(11).
- Blue Maumau. (2013). Best Western, Days Inn Have Strongest Brand Loyalty in Midscale and Economy Hotels. Retrieved from <http://www.blumaumau.org/12381/best-western-days-inn-top-customer-loyalty-midscale-economy-hotels>
- Boon-itt, S., & Rompho, N. (2012). Measuring Service Quality Dimensions: An Empirical Analysis of Thai Hotel Industry. *International Journal of Business Administration*, 3(5), 52-63.
- Bowen, J., & Chen, S. (2001). The relationship between customer loyalty and customer satisfaction. *International Journal of Contemporary Hospitality Management*, 13(4/5), 213-217.
- Brassett, J., L., R., & Watson, M. (2010). The Political Economy of the Subprime Crisis: The Economics, Politics and Ethics of Response. *New Political Economy*, 15(1).
- Business Monitor International. (2013). Thailand Tourism Report Q3 2013. Retrieved from [http://www.fastmr.com/prod/607200\\_thailand\\_tourism\\_report\\_q3\\_2013.aspx](http://www.fastmr.com/prod/607200_thailand_tourism_report_q3_2013.aspx)
- CBRE. (2013). Investment trends: Asia Pacific Q1 2013. Retrieved from [http://www.cbre.co.th/media/research\\_file/766/AP\\_Inv\\_Trends\\_Q1\\_2013.pdf](http://www.cbre.co.th/media/research_file/766/AP_Inv_Trends_Q1_2013.pdf)
- Chang-Hsi, Y., Hsiu-Chen, C., & Gow-Liang, H. (2006). A Study of Service Quality, Customer Satisfaction and Loyalty in Taiwanese Leisure Industry. *Journal of American Academy of Business, Cambridge*, 9(1), 126-132.
- Chompupor, P., & Ghuangpeng, S. (2013). *Factors affecting customer satisfactions of a local hotel*. Paper presented at the 1st Annual PSU Phuket International Conference, Phuket.
- Clow, K., Kurtz, D., Ozment, J., & Ong, B. (1997). The antecedents of consumer expectations of services: an empirical study across four industries. *Journal of Services Marketing*, 11(4), 230 - 248.
- Colliers International. (2010). Bangkok luxury and upper scale market. Retrieved from [http://www.colliers.co.th/images/agency/Hotel\\_Q3-2010\\_w.pdf](http://www.colliers.co.th/images/agency/Hotel_Q3-2010_w.pdf)
- Cooper, C., Fletcher, J., Gilbert, D., & Wanhill, S. (2000). *Tourism Principles and Practice* (2nd ed.). New York: Longman Publishing.
- Crick, A., & Spencer, A. (2011). Hospitality quality: new directions and new challenges. *International Journal of Contemporary Hospitality Management*, 23(4).
- Eisen, D. (2013). Midscale development hits a sweet spot. Retrieved from <http://www.hotelmanagement.net/market-segments/midscale-development-hits-a-sweet-spot-24695>

- EIU ViewsWire. (2003). Thailand: Tourism. Retrieved May 17th, 2005, from <http://proquest.umi.com/pqdlink?did=664711181&sid=3&Fmt=3&clientId=20806&RQT=309&VName=PQD>
- Ganguli, S., & Roy, S. (2010). Generic technology-based service quality dimensions in banking: Impact on customer satisfaction and loyalty. *International Journal of Bank Marketing*, 29(2).
- HCA Travel News. (2013). Bangkok faces hotel room oversupply. Retrieved from <http://www.hotelcircleasia.com/bangkok-faces-looming-hotel-room-oversupply/>
- J.D. Power. (2013). 2013 North America Hotel Guest Satisfaction Index Study. Retrieved from <http://www.jdpower.com/consumer-ratings/travel/ratings/909201570/2013-North+America+Hotel+Guest+Satisfaction+Index+Study/index.htm>
- Javalgi et al. (1997). Service loyalty: implications for service providers. *The Journal of Services Marketing*, 11(3), 165-179.
- Jones Lang LaSalle. (2013). The hotel investor. Retrieved from <http://www.joneslanglasalle.com/Documents/HotelsHospitality/JLL-The-Hotel-Investor-Oct-2013.pdf>
- Kandampully, J., & Suhartanto, D. (2000). Customer loyalty in the hotel industry: the role of customer satisfaction and image. *International Journal of Contemporary Hospitality Management*, 12(6), 346-351.
- Khan, M. (2013). Customers Loyalty: Concept & Definition (A Review). *International Journal of Information, Business and Management*, 5(3), 168-191.
- Kim, J., & Canina, L. (2010). On the Importance of Market Identification. In C. Enz (Ed.), *The Cornell School of Hotel Administration Handbook of Applied Hospitality Strategy*: Sage.
- King, D. (2011). Middle-class woes hit midscale hotels as recession drags. Retrieved from <http://www.travelweekly.com/travel-news/hotel-news/middle-class-woes-hit-midscale-hotels-as-recession-drags/>
- Kotler, P., Bowen, J., & Makens, J. (2006). *Marketing for Hospitality and Tourism* (4th ed.). New Jersey: Prentice Hall.
- Kotler, P., & Keller, K. (2008). *Marketing Management* (13th ed.). England: Prentice Hall.
- Koumelis, T. (2004). Focus on Thailand Hotel Industry Continues to Attract Interest. Retrieved November 15, 2004, from [http://www.traveldailynews.com/new.asp?newid=18423&subcategory\\_id=59](http://www.traveldailynews.com/new.asp?newid=18423&subcategory_id=59)
- Langdon, A. (2013). Thailand's midscale hotels: a latent investment opportunity? Retrieved from [http://www.ttgasia.com/article.php?article\\_id=21407](http://www.ttgasia.com/article.php?article_id=21407)
- Laws, E. (2004). *Improving Tourism and Hospitality Services*. Wallingford: CABI Publishing.
- Lin, C. (2005). *Relationship between guest perceptions of service quality and customer loyalty in the hotel industry in south Florida*. Lynn University.
- Lin, Y. (2011). The Impact of Service Encounters on Behavioral Intentions to Online Hotel Reservation. *Journal of American Academy of Business*, 16(2), 262-269.
- Marcec, D. (2011). Midscale Hotels Take Competition to the Breakfast Table. Retrieved from [http://ehotelier.com/hospitality-news/item.php?id=A22011\\_0\\_11\\_0\\_M](http://ehotelier.com/hospitality-news/item.php?id=A22011_0_11_0_M)
- Marković et al. (2013). A study of expected and perceived service quality in Croatian and Slovenian hotel industry. *European Journal of Tourism Research*, 6(1).
- Markovic, S., & Raspor, S. (2010). Measuring Perceived Service Quality Using servqual: A Case Study of the Croatian Hotel Industry. *Management*, 5.
- Markovic, S., Raspor, S., & Segaric, K. (2010). *Customer satisfaction and customer loyalty measurement in hotel settings: An empirical analysis*. Paper presented at the Biennial International Congress., Croatia.

- McMullan, R., & Gilmore, A. (2008). Customer loyalty: an empirical study. *European Journal of Marketing*, 42(9/10), 1084-1094.
- Ministry of Tourism and Sports. (2014). Tourist Arrivals in Thailand. Retrieved from <http://www.tourism.go.th>
- Motlagh et. al. (2013). How Does Service Quality Lead to Loyalty in the Hotel Industry in Iran. *Research Journal of Applied Sciences, Engineering and Technology*, 5(2), 374-379.
- Parasuraman, A., Zeithaml, V., & Berry, L. (1988). ServQualL: A multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing*, 64(1).
- Pathnadabutr, A. (2012). Hotel Oversupply in Bangkok shows no sign of Slowing down. Retrieved from <http://www.thailand-business-news.com/real-estate/36122-hotel-oversupply-in-bangkok-shows-no-sign-of-slowing-down.html>
- Rittichainuwat, B., Qu, H., & Brown, T. (2001). Thailand's International Travel Image: Mostly Favorable. *Cornell Hotel and Restaurant Administration Quarterly*, 42(2), 82.
- Rogers, T. (2003). *Conferences and Conventions: A Global Industry*. Oxford: Butterworth-Heinemann.
- Seyanont, A. (2007). *A comparative study of the service quality of casual dining restaurants in Phuket: Perspective of Thai and international customers*. Oklahoma State University.
- Skaliotis, V., & Sääf, H. (2006). *Why the brand? The challenge for mid-scale hotels*. Goteborg University.
- Skogland, I., & Siguaw, J. (2004). Are your satisfied customers loyal? *Cornell Hotel and Restaurant Administration Quarterly*, 45(3).
- Sriyam, A. (2010). *Customer satisfaction towards service quality of front office staff at the hotel*. Srinakharinwirot University.
- STR. (2013a). 2013 STR global chain scales. Retrieved from [http://www.strglobal.com/documents/STRGlobal\\_Chain\\_Scales.pdf](http://www.strglobal.com/documents/STRGlobal_Chain_Scales.pdf)
- STR. (2013b). Glossary. Retrieved from <http://www.strglobal.com/Resources/Glossary.aspx>
- Thai Websites. (2013). Thailand : Tourist Arrivals from 1998 till First Quarter 2013. Retrieved from <http://www.thaiwebsites.com/tourism.asp>
- Tselepidakis, Y. (2013). *The Use of Twitter by Luxury and Midscale Hotels*. University of New Hampshire.
- Vatjanasaregagul, L. (2007). *The relationship of service quality, consumer decision factors and brand equity*. Nova Southeastern University.
- Victorino, L., Verma, R., Plaschka, G., & Dev, C. (2005). Service innovation and customer choices in the hospitality industry. *Managing Service Quality*, 15(6), 555-576.
- Vogt, M., & Wittayakorn, C. (1998). Determinants of the Demand for Thailand's Exports of Tourism. *Applied Economics*, 30(6), 711-715.
- Yamane, T. (1973). *Statistics: An Introductory Analysis* (3rd ed.). New York: Harper and Row Publication.
- Zikmund, W. (2003). *Business Research Methods* (7th ed.). Ohio: Thomson/South-Western.