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PERCEPTION OF SERVICE QUALITY ON CUSTOMER SATISFACTION OF HOTEL
SERVICES IN MALACCA CITY

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The thesis is submitted in partial fulfillment of the requirements for the award of Bachelor of
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DECLARATION OF ORIGINAL WORK

“I hereby declare that this project paper is the result of my independent work except the summary and experts that have been specifically acknowledgement”

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DEDICATION

Special thanks to:

My beloved parent

Siblings

Friends

My supervisor:

Prof. Dr. Ahmad Rozelan Yunus

For all the spirituals and moral support that had been given to me all the time.

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ABSTRACT

The current study measures the customer satisfaction level of service quality through interaction quality, physical environment quality, and outcome quality in three-, four- and five-star hotels of Malacca City, and presents a hypothesized model for customer satisfaction using performance-only scale. The measuring instrument was administered to 250 hotel customers for this purpose. The results of the path analysis showed that quality of interaction, physical environment and quality of results have a significant positive effect on customer satisfaction. The hypothesized model and results are discussed in detail.

ABSTRAK

Kajian semasa ini mengukur tahap kepuasan pelanggan kualiti perkhidmatan melalui kualiti interaksi, kualiti alam sekitar fizikal, dan kualiti hasil di hotel tiga, empat dan lima bintang di Melaka, dan membentangkan model hipotesis untuk kepuasan pelanggan menggunakan skala prestasi sahaja . Instrumen ukur telah diberikan kepada 250 pelanggan hotel untuk tujuan ini. Keputusan analisis jalan menunjukkan bahawa kualiti interaksi, persekitaran fizikal dan kualiti hasil mempunyai kesan positif yang signifikan terhadap kepuasan pelanggan. Model dan hasil hipotesis dibincangkan secara terperinci.

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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

This research study aim is to determine the impact of service quality theory on hospitality industry, more specifically in lodge sector that give effect on customer satisfaction and increase awareness of Malaysia hospitality.

The basic idea of this research will be explain in this chapter. It is a general introduction on the focus of this research. This chapter will cover background of study, problem statement, research question, research objectives, scope of study, limitation, and significance of study and the structure of whole thesis.

1.2 BACKGROUND OF STUDY

1.2.1 HOSPITALITY INDUSTRY

What is the hospitality industry? The hospitality industry is much broader than most other industries. The hospitality industry applies to nearly any company that is focused on customer satisfaction. While this industry is very broad, there are some defining aspects that are important to understand.

The hospitality industry revolves around providing excellent customer service in a wide variety of positions. The hospitality industry includes a wide range of businesses, including restaurants, bars, hotels, resorts, casinos, cruise ships, and theme parks. There are many different kinds of hospitality industry jobs, including many of the positions available at hotels, restaurants, vacation destinations, and event planning services. While modern technology and automation have certainly changed many aspects of how establishments serve and entertain people, it still takes a lot of hands to make things run smoothly in the hospitality industry. For people who love working with customers and enjoy the travel, tourism, and leisure activity market, the hospitality industry may be just the right fit.

1.2.2 HOSPITALITY INDUSTRY IN MALAYSIA

In Malaysia, the hospitality industry has experienced a positive increase consistent with the growth of global hospitality industry in recent years. Zain (as cited in Lean and Chor, 2010) has highlighted that Malaysia which has visited by 16.4 million visitors in year 2005 has been awarded as the second most visited destination in Asia in that year. The arrivals of tourists have increased 7.2% compared to 2008 (Ministry of Tourism Malaysia, 2009). Despite the slower growth of Malaysia economy due to global economic crisis and concerns regarding H1N1 flu, the tourism industry has rebounded quickly. Besides, Malaysia hotel occupancy rate in 2009 was at 60.9% (Ministry of Tourism Malaysia, 2009).

Pan Pacific Kuala Lumpur International Airport Hotel has voted as the World's Leading Airport Hotel for second year running in 2009 (World Travel Awards, 2009). Such awards show Malaysia hospitality industry has world-class standard. In addition to being ranked among the top 10 tourist destinations in the world, Malaysia has also been recognized as the World's 5th Best Shopping Destination by Expedia UK 2016 and 'Medical Travel Destination of the Year' for the third consecutive year at the International Medical Travel Journal's Medical Travel Awards 2017. The development of hotel and tourism projects is encouraged in line with the promotion of Malaysia as an attractive tourist destination as well as a regional center for trade and commerce.

1.3 PROBLEM STATEMENT

Hospitality is one of the major contributors to global economic growth and the largest, fastest growing industry. The hospitality related service has become more and more significance in recent years (Tsaur and Lin, 2004; Barros, 2005). Concurrent with the growth of hospitality industry, it has triggered a complementary need for growth in hospitality information. Thus, research has become an important tool for private and public sectors in this industry to gather information on the hospitality.

Moreover, the hospitality industry is regarded as a global competitive industry (Claver & Pereira, 2006). The hospitality firms have to in touch with the markets in terms of recent trends and changes. They need to have through understanding of hospitality industry. Through a better understanding of hospitality and understand its uniqueness in our country, the hospitality firms are able to know better about the hospitality and can build competitive strategy.

There many research been done in hospitality industry but only a little research conducted on Malaysia hospitality. There are many types of services that has its own characteristic such as English service, American service, Arab service, Thai service and many other services. Each of it have their own way to provide services. However, most of the public does not aware about the Malaysia hospitality and its characteristic. In other word, Malaysia hospitality does not have an clear edge. This study aims to explore the way that hospitality firms in this country provide in Malaysia way that exceed the customer expectation.

1.4 RESEARCH QUESTION

This research question acts as the guideline for the study. The following are the research question for this research:

- What is the most hospitality service factor that affect the customer satisfaction?
- How does the service quality can be related to customer satisfaction?

1.5 RESEARCH OBJECTIVE

Research objectives are the promise which this research will find out the result answer the research question. The following are the research question objectives for this study:

- To analyze the most services quality that affect customer satisfaction in hospitality industry.
- To analyze the relationship between service quality and customer satisfaction in the hospitality sector.

1.6 SCOPE OF STUDY

This study is focus on the hospitality data which related to hospitality in Melaka state. This is because this study is a case study on hotel that located in Melaka state. Since this sector set as hospitality, so the scope of data will only obtain about the hospitality.

1.7 LIMITATION AND KEY ASUMPTION OF THE STUDY

There are few limitations that have been identified in this study. Firstly, this research identifies the relationship between the service quality and customer satisfaction in the hospitality industry in Melaka. Furthermore, this research will analyze SERVQUAL Model in order to confirm which service quality most affected on customer satisfaction at hotel in Melaka. Therefore, this research only applicable for the hotel in Melaka only. Lastly, the researcher assumed that all respondents have provided an honest and correct answer and they do understand the definition of customer satisfaction.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

The researcher will obtain from basic knowledge from the respective sector like this study is hospitality sector. The researcher will also obtain the theory or method from the pass study. The SERVQUAL theory would apply in this study in order to study the service quality that exceed the customer satisfaction. This chapter explain definition of term SERVQUAL theory, customer satisfaction, customer perception and hypothesis would be made by the researcher.

2.2 CUSTOMER SATISFACTION (CSAT)

Customer satisfaction (CSAT) is a term used to describe a scenario when an exchange meets the needs and expectation of its user. It represents the provision of goods and services that meet the customer expectancy in terms of quality and service in relation to the price paid. In a business term, customer satisfaction also can be used to measure the expectation of customer regarding product or services supply. It also can be defined as the number of customer or percentage of total customer whose gives feedback which exceed the specified satisfaction goals.

Customer satisfaction (CSAT) is seen as a key performance indicator within business and often being part of the balanced scoreboard. In business, customer satisfaction has become the key element of business strategy as it seen as a key differentiator (Gitman, Lawrence J.; Carl D. McDaniel, 2005). Customer satisfaction provides a leading indicator of consumer intentions and loyalty (Farris, Paul W.; Neil T. Bendle; Phillip E. Pfeifer; David J. Reibstein, 2010). It is also said by the same author that customer satisfaction data are among the most frequent collected indicator of market perceptions. The collected data will be analyses and the distribution of the data send a message about the importance of tending to customer. It is importance to ensure the customer to have a positive experience

There is another metric that are related to the satisfaction and act as second most important metric. It is defined as “The percentage of surveyed customer is satisfied with product, and they might recommend it to another person”. This metric known as willingness to recommend. On a scale a five-point scale, if the person rate 5 as their satisfaction level, it can be a good impression to the firm product or services. Vice versa, the firm will hurt if the person rates their satisfaction as 1 and the firm will receive negative comment about it product or service in customer prospective

2.3 SERVICE QUALITY

Service quality according to Lewis and Booms (1983) is the comparison of perceived expectation (E) of a service with perceived performance (P). This concept gives rise to the equation of $SQ = P - E$. This service quality concept is originally come from the expectancy – disconfirmation paradigm. Parasuraman (1998) states that service quality is the word of mouth from customers from past experience. In general, service quality is the comparison made by the customer which compare perceived service with expected service and the customer will be disappointed if the service could not reach the expected service. For example, in case of Philea Resort and Spa that located in Ayer Keroh, Malacca is reign in the luxury brand five-star category hotel. While the Kings Green hotel is placed in four-star category, Imperial Heritage Hotel were positioned three-star category and Aurora Hotel the two-star economy brand, were categorized differently. Still, the customer will have high expectation for the quality of Philea Resort & Spa. The measurement of customer service can be influence by the subjective matter which is depend on the conformation of the expected benefit customer received with the perceived result.

Parasuraman et al (1988) also introduced the instrument of 22-item scale which is called as SERVQUAL. This instrument used for measuring the service quality which has been widely adopted across the industries. The core of the SERVQUAL are depend to the five dimension of of service quality which accomplished by indirect comparison between the pre-purchase expectation and post-purchase perception of company performance. Parasuraman et al. (1988) also state that service quality can be define as arithmetic differences between customer expectation and perception across the 22 item scale in the SERVQUAL.

Although the SERVQUAL approach helps in measuring the service quality, there are still have researcher who have criticized this approach. The criticisms are charged by Peter et al. (1993) and Brown et al. (1993) which is relates to the indirect score approach. Both of the states that the differences score approach. The approach causes poor reliability than their component scores. Regarding the measurement of the expectation, SERVQUAL scale of the expectation are influence by the different types of expectation. Some example of expectation that triggered by the scale approach include ideal, minimum tolerable and product normative expectation. However, the measurement of performance perception not argued under the same criticisms.

Service quality are very difficult to define and measure because of the intangible nature of the services that subjectively experienced based on the situation occur. As for the result, service quality are seen as having two basic dimension.

Technical Quality : What is the customer receives as a result of interaction with the services firm. (Exp. A meal in a restaurant, a bed in a hotel)

Functional Quality : The method or expressive nature of the service delivered (Exp. Courtesy, attentiveness, promptness)

It is easy to evaluate technical quality causes it can be measure objectively but it is difficult for functional technical as it is subjectively experienced by the customer.

According to Albert Caruana on his research on 2002, he has study of Service quality effect and customer satisfaction mediation role in service loyalty. This researcher mainly focused on the factors that affecting the service loyalty and customer satisfaction and also the factors that affecting the service quality. This research also figures out the requirement need for the mediation model to hold present. This research data was collected almost equally split in order to increase the reliability of the data collected. The findings of the result show that service quality acts on service loyalty through the customer satisfaction. It also shows that while gender and marital status did not provide a basis for differentiation between the constructs, education and age play an important role in determining the different perceptions of customers about the research studied.