

THE I M P A C T O F S E R V I C E Q U A L I T Y O N C U S T O M E R S A T I S F A C T I O N I N
L U X U R Y H O T E L I N M E L A K A

J O A N N E T A N

Report submitted in fulfilment of the requirement for the degree of Bachelor of
Technology Management (Hons) in High Technology Marketing

Faculty of Technology Management and Technopreneurship
University Teknikal Malaysia Melaka

J U N E 2 0 1 9

VERIFICATION BY SUPERVISOR

I hereby declare that I had read this thesis and in my opinion, this thesis is adequate in terms of scope and quality for the award Bachelor of Technology Management
(High Technology Marketing)

Signature :

Name of supervisor : **Dr. Aniruddin Bin Ahamat**

Date :

Signature :

Name of Panel : **Prof. Madya Dr. Haslinda Binti Musa**

Date :

DECLARATION OF ORIGINAL WORK

I, JOANNE TAN (950131-01-5982)

“I hereby declare that this thesis and the work presented in it are my own except for the quotations and summaries that have been duly knowledge.”

Signature :

Name : JOANNE TAN

Date :

DEDICATION

This research paper is wholeheartedly dedicated
to my beloved parents

who have been my ultimate sources of inspiration.

They always gave us strength when we thought of giving up, who continually
provide their moral, spiritual, emotional and financial support.

To my relatives, supervisor, friends and classmates who shared their words of advice
and encouragement to finish this research project.

ACKNOWLEDGEMENT

Firstly, I would like to express my sincere gratitude to my supervisor, Dr Aniruddin Bin Ahamat for his patient, advice, encouragement and guidance that was valuable to me. Without Dr. Aniruddin help and guidance, this project would not be completed successfully.

Besides my supervisor, I would like to thank UTeM for offering a comfortable learning environments, provide learning resources and information that assisted for me in my research. I also want to offer my special thanks to my panel Prof. Madya Dr. Haslinda Binti Misa who gave her constructive recommendations, opinion and valuable information on this project.

Finally, I wish to thank my parents and friends for their support and encouragement in completing my research.

ABSTRACT

In recent years, tourism is one of the major industries which have high demand and the customer is central to the hotel industry and customer satisfaction is a vital element in service quality assessment as the higher customer satisfaction that help to create customer value and directly increase customer loyalty. The main objective of this study is to examine the impact of service quality on customer satisfaction in luxury hotel in Melaka by using SERVPERF model. Besides, this study is to identify the dimensions of service quality that affecting customer satisfaction in luxury hotel in Melaka. It is conceptualized that service quality is determined by five dimensions include tangible, reliability, responsiveness, assurance and empathy. Specifically, performance-only measurement scale (SERVPERF) was conducted to distribute questionnaires to customers stayed in four and five stars hotels in Melaka. The quantitative method are used in this research. A total of 387 respondents are collected by using convenient sampling. The reliability of data was conducted by using SPSS software. From the findings of this study revealed that except responsiveness, all the other four dimensions include tangible, reliability, assurance and empathy are significantly related to customer satisfaction. Among these, empathy is found to be the most influential determinant to customer satisfaction, followed by tangible, assurance and reliability. Thus, this study concluded that understanding the perceptions of customers and their relative importance of these dimensions will definitely help managers to enhance customer satisfaction in luxury hotel in Melaka.

Keywords: Luxury hotel, Service quality, SERVPERF dimensions, Customer satisfaction

ABSTRAK

Dalam tahun-tahun kebelakangan ini, pelancongan merupakan salah satu industri utama yang mempunyai permintaan yang tinggi dan pelanggan adalah pusat kepada industri hotel dan kepuasan pelanggan merupakan elemen penting dalam penilaian kualiti perkhidmatan sebagai kepuasan pelanggan yang lebih tinggi yang membantu mewujudkan nilai pelanggan dan meningkatkan pelanggan secara langsung kesetiaan. Objektif utama kajian ini adalah untuk mengkaji kesan kualiti perkhidmatan terhadap kepuasan pelanggan di hotel mewah di Melaka dengan menggunakan model SERVPERF. Selain itu, kajian ini adalah untuk mengenal pasti dimensi kualiti perkhidmatan yang mempengaruhi kepuasan pelanggan di hotel mewah di Melaka. Ia dikonsepkan bahawa kualiti perkhidmatan ditentukan oleh lima dimensi termasuk ketara, kebolehpercayaan, responsif, jaminan dan empati. Secara khusus, skala pengukuran prestasi (SERVPERF) telah dijalankan untuk mengagihkan soal selidik kepada para pelanggan yang tinggal di hotel empat dan lima bintang di Melaka. Kaedah kuantitatif digunakan dalam kajian ini. Seramai 387 responden dikumpulkan menggunakan persampelan yang mudah. Kebolehpercayaan data dilakukan dengan menggunakan perisian SPSS. Dari pada penemuan kajian ini menunjukkan bahawa kecuali respons, semua empat dimensi yang lain termasuk ketara, kebolehpercayaan, jaminan dan empati adalah berkaitan dengan kepuasan pelanggan. Antara ini, empati didapati penentu yang paling berpengaruh terhadap kepuasan pelanggan, diikuti dengan ketara, jaminan dan kebolehpercayaan. Oleh itu, kajian ini menyimpulkan bahawa memahami persepsi pelanggan dan kepentingan relatif dimensi ini pasti akan membantu para pengurus untuk meningkatkan kepuasan pelanggan di hotel mewah di Melaka.

Kata kunci: Hotel mewah, Kualiti perkhidmatan, Dimensi SERVPERF, Kepuasan pelanggan.

TABLE OF CONTENT

CHAPTER	CONTENT	PAGES
	DECLARATI ON OF ORI G I NAL WORK	ii
	DEDI CATI ON	iii
	ACKNOWLEDGE MENT	iv
	ABSTRACT	v
	ABSTRAK	vi
	TABLE OF CONTENT	vii
	LISTS OF TABLES	x
	LISTS OF FI GURES	xi
	LISTS OF ABBREVI ATI ONS	xii
	LISTS OF APPENDI CES	xiv
CHAPTER 1	INTRODUCTI ON	
	1. 1 Background of Study	1
	1. 2 Proble mSt at ement	3
	1. 3 Research Questi ons	4
	1. 4 Research Objecti ves	4
	1. 5 Scope of Study	5
	1. 6 S ignifi cant of Study	5
	1. 7 Su mmar y	6
CHAPTER 2	LI TERATURE REVI EW	
	2. 1 Defi niti on of Luxury Hot el	7
	2. 2 Defi niti on of Ser vice Quality	8

CHAPTER	CONTENT	PAGES
	2.3 SERVPERF Dimensions	9
	2.4 The Five Basic Service Quality Dimensions	11
	2.4.1 Tangible	11
	2.4.2 Reliability	12
	2.4.3 Responsiveness	13
	2.4.4 Assurance	15
	2.4.5 Empathy	16
	2.5 Customer Satisfaction	17
	2.6 Relationship between Service Quality and Customer Satisfaction	18
	2.7 Theoretical Framework SERVPERF Model Theory	19
	2.8 Conceptual Framework	21
	2.9 Hypothesis Testing	22
	2.10 Summary	23
CHAPTER 3	RESEARCH METHODOLOGY	
	3.1 Research Method	24
	3.2 Research Design	25
	3.2.1 Descriptive Research	25
	3.3 Methodological Choices	25
	3.4 Data Sources	26
	3.4.1 Primary Data	26
	3.4.2 Secondary Data	27
	3.5 Research Strategy	27
	3.5.1 Survey Research	27
	3.5.2 Questionnaire Design	28

CHAPTER	CONTENT	PAGES
	3.5.3 Sampling Technique	29
	3.6 Data Analysis Tools	31
	3.6.1 H_1 Test	31
	3.6.2 Reliability	32
	3.6.3 Descriptive Statistics	32
	3.6.4 Pearson's Correlation Coefficient	33
	3.6.5 Multiple Regression Analysis	34
	3.6.6 Statistical Package for Social Sciences (SPSS)	35
	3.7 Time Horizon	35
	3.8 Summary	35
 CHAPTER 4	 ANALYSIS RESULT AND DISCUSSION OF FINDINGS	
	4.1 Reliability Analysis	37
	4.1.1 Reliability Test for Overall Research	38
	4.2 Descriptive Analysis of Demographic	39
	4.2.1 Gender	39
	4.2.2 Age Group	40
	4.2.3 Marital Status	41
	4.2.4 Education Background	43
	4.2.5 Employment Status	44
	4.2.6 Frequency of check-in at the luxury hotel per year	46
	4.2.7 Travel purpose	47
	4.2.8 Length of stay at the luxury hotel	48
	4.3 Descriptive Analysis	49

CHAPTER	CONTENT	PAGES
	4.4 Pearson Correlation Coefficient Analysis	50
	4.5 Multiple Regression Analysis	53
	4.5.1 Hypothesis Testing	57
	4.6 Discussion of Findings	60
	4.7 Summary	64
 CHAPTER 5	 CONCLUSION AND RECOMMENDATIONS	
	5.1 Summary of Findings	65
	5.2 Implication of the Research	67
	5.3 Limitations of the Study	68
	5.4 Recommendations for Future Research	68
	5.5 Conclusion	69
	 REFERENCES	 70
	APPENDICES	77
	A Questionnaire	77
	B Gantt Chart of Final Year Project (FYP) 1	83
	C Gantt Chart of Final Year Project (FYP) 2	84

LIST OF TABLES

TABLES	TITLE	PAGES
2.1	Definition of Five Basic Dimensions in SERVPERF Model	10
3.1	Likert-Style Rating Scale	29
3.2	Determining Sample Size from a Given Population	30
3.3	Cronbach's Alpha Coefficient Range	32
3.4	Equation of Multiple Regression Analysis	34
4.1	Reliability of research	38
4.2	Statistics gender of respondents	39
4.3	Statistics age of respondents	40
4.4	Statistics marital status of respondents	41
4.5	Statistics education background of respondents	43
4.6	Statistics employment status of respondents	44
4.7	Statistics frequency of check in at luxury hotel per year	46
4.8	Statistics of travel purpose	47
4.9	Statistics length of stay at the luxury hotel	48
4.10	Descriptive analysis for all interval-scale Variable	49
4.11	Values of the Correlation Coefficient	50
4.12	Pearson Correlation Coefficient Analysis	51

TABLES	TITLE	PAGES
4.13	Model Summary	53
4.14	ANOVA	54
4.15	Coefficient	55
4.16	Summary Result of Pearson Correlation Coefficient	60
4.17	Summary Results of Hypotheses Testing	62

LIST OF FIGURES

FIGURES	TITLE	PAGES
2.1	SERVPERF Model	19
2.2	Conceptual Framework	21
4.1	Gender of respondents	39
4.2	Age of respondents	40
4.3	Marital status of respondents	42
4.4	Education Background of respondents	43
4.5	Employment status of respondents	45
4.6	Frequency of check in at luxury hotel per year	46
4.7	Travel purpose	47
4.8	Length of stay at the luxury hotel	48

LIST OF ABBREVIATIONS

UTeM	Universiti Teknikal Malaysia Melaka
SPSS	Statistical Package for Social Science
T	Tangible
RB	Reliability
RS	Responsiveness
A	Assurance
E	Empathy
CS	Customer Satisfaction

LIST OF APPENDICES

APPENDICES	TITLE	PAGES
A	Questionnaire	77
B	Gantt Chart of Final Year Project (FYP) 1	83
C	Gantt Chart of Final Year Project (FYP) 2	84

CHAPTER ONE

INTRODUCTION

This chapter introduces the background of the study regarding the impact of service quality on customer satisfaction in luxury hotel in Melaka. There are also problem statement, research questions and objectives, the scope of study and significant of study will be discussed in this chapter.

1.1 Background of Study

In recent year, tourism had emerged as one of the major industries in the economic sector in Malaysia. According to Malaysian Tourism Board statistics (2017) showed that Malaysia had reached a total of 25.9 million tourist arrivals and incoming tourist receipts are achieved RM2.1 billion in 2017 years. The travel and tourism are growing fast and as a major contributor toward Malaysia Gross Domestic Product (GDP), which was 4.8 per cent in 2017 years reported by The World Travel and Tourism Council Report (WTC) (2018).

No wadays, Melaka is one of the most famous tourist destinations due to its well preserved cultural heritage. The demand for the hospitality sector in Melaka was expected to evolve as with the increasing number of tourists. Thus, the hotel industry has been developing rapidly in recent year in order to satisfy the demand of tourists. The rapid developing in the hotel sector within the Melaka will help to boost the

economy and tourism sector. Thus, it also demonstrated that intense competition exists that the hotels have in their fight for larger market share (Ahmad, 2014).

In this era of fierce competition and challenges, the hotel business must strive to concentrate on meeting the needs and expectations of customers because customer satisfaction has been a strategic issue for the past few years (Zai baf, et al., 2013). Customer satisfaction is considered as influencing the customer repurchase intention, loyalty and retention indirectly significant to increase the company profitability and future returns (H-garaihy, 2013). Further, Wilkins et al., (2010) highlighted that the higher level of service quality that contributes to customer satisfaction, loyalty, enhances repurchase behaviour and aimed to sustain in the hospitality business environment.

Service quality has become a critical issue in the tourism and hospitality sector (Cheng et al., 2012). In this increasingly competitive market, offering superior service quality is regarded as a key factor as it is a critical source of the competitive edge which determines the success or failure of the tourism and hospitality business (Tsaura et al., 2014). Thus, the hotel business pays attention to customers' expectation and tries to satisfy them by offering excellent customer service that customer always expected from the service provider in order to keep satisfied and loyalty customers (Lim, 2014). Hence, it is significant to measure the service quality as it is defined as a key asset for an organization which able influence on customer satisfaction among hotel sector.

However, there have been several studies on how to establish measurement and operational scale for the assessment and evaluation of service quality (Parteloukas, Asopo, & Buwag, 2012). There was the previous study shown the utilized of SERVPERF model to evaluate service quality for examining the main factors influencing on customer's satisfaction (Shafiq et al, 2013). Thus, the purpose of this research is to investigate the relationship between service quality and customer satisfaction in luxury hotel in Melaka. Since customers have their own perception and attitude toward service quality. As a result, it is significant to understand how well the service quality influence on customer satisfaction and indirectly significant to build customer retention and loyalty.

1.2 Problem Statement

In the Malaysia context, hotel service has recently been regarded as one of the main businesses that constitute the tourism industry, and considered as one of the fast-growing industries in the past few years. In an increasingly competitive market, hotel business strives to improve themselves and always update their service in order to attract customers (Minh et al., 2015). As the customer has more aware of their needs and requirements and they demand a high level of service quality (Panteloukas et al., 2012). Further, the changing of customer perceptions and expectations makes it difficult to evaluate and manage service effectively. Therefore, it is essential for service providers to concentrate on the most important service dimension as a measurement scale.

Besides, many existing literature revealed that most of the research investigating service quality in various industries such as banking, telecommunication and restaurants (Fauz Mh'd Khamis & Rosemaliza AbRashid, 2018; Temba, 2013; Quang Nguyen et al., 2018). There is still faces the challenges on quality of service which leads to customer satisfaction by maintaining customers who are loyal to the services sector. However, there are very few numbers of studies on hospitality in Malaysia currently (Khan & Fash, 2014) particular in Melaka. Also, most of the previous studies conducted in small and medium size hotel (Syed Zamberi et al., 2018; Dennis A Rauch et al., 2015). To address these issues, the research can be conducted in hotels outside the mid-scale segments. This is because it is considered not meaningful exercise for understanding the customer perception of quality in the midscale hotel since customers looking for more affordable accommodations mainly of the contrast between price and quality (Dennis et al., 2015).

As a result, this study is attempted to fill the gap in the literature which is intended to examine the dimensions of service quality that affecting customer satisfaction in luxury hotel in Melaka. Further, this study also evaluates the relationship between service quality and customer satisfaction.

1.3 Research Questions

The research questions are fundamental parts of this research since it would decide on the area of concern and determine the appropriate methodology. There are a few questions are developed and stated as follow

- i. What is the relationship between service quality and customer satisfaction in luxury hotel in Melaka?
- ii. What are dimensions of service quality that affecting customer satisfaction in luxury hotel in Melaka?
- iii. What are the most significant dimensions of service quality that influences customer satisfaction in luxury hotel in Melaka?

1.4 Research Objectives

The objective of the study was to examine the impact of service quality on customer satisfaction in luxury hotel in Melaka. In order to achieve the research purpose, research objectives were established as a guideline through this research. The research objectives were stated as below

- i. To investigate the relationship between service quality and customer satisfaction in luxury hotel in Melaka.
- ii. To identify the dimensions of service quality that affecting customer satisfaction in luxury hotel in Melaka.
- iii. To examine the most significant dimensions of service quality that influences customer satisfaction in luxury hotel in Melaka.

1.5 Scope of Study

The scope of the study for this research was to examine the impact of service quality on customer satisfaction in luxury hotel in Melaka. The service quality dimensions to be identified including tangible, reliability, responsiveness, assurance and empathy (Abebe Tessler, Aisa Hussain, & Ahmad, 2016; Minh et al., 2015; Temb, 2013). Besides, this research was conducted and focused on the tourist visiting in luxury hotel in Melaka. This is because Melaka is regarded as one of the popular tourist destinations and becomes a top-pick holiday gateway due to its unique heritage. By referring to Chief Minister Datuk Seri Idris Haron (2018), from The Star Online claimed that the population of tourist in Melaka had reached around 16.7 million in the year 2017. In this research, the researcher had selected 384 respondents as the sample size who have to visit in high-end hotel Melaka. Also, SERVPERF model is adopted in this research. The study will be conducted within a given point of time and the research instrument that will be used are the web questionnaires with closed-end questions.

1.6 Significant of Study

In this competitive environment, the hotel organization must understand the consumers' needs and wants to fulfil their satisfaction was a strategic issue recently. Customer satisfaction is referred to as influencing the repurchasing aim and significantly increase profitability, helps maintain customer loyalty and retention. Yet, consumers have become more concerned about the service provided by the hotelier nowadays. Hence, it is very significant for the hotelier to identify how the quality of service will affecting customer satisfaction in the hotel sector which is important in the competitive service business nowadays.

In addition, this research findings will benefit the hotel sector that focuses in Malaysia as information provides a valuable insight which might help the management of hotels to acquire the knowledge and better understanding in order to develop the appropriate strategy and planning. Therefore, this study is important to better

understand the customer perception toward the service quality among the hotel industry. By understanding the current customers, this study provides deeper insight for the hotelier to build up the service quality performance which increases customer satisfaction and maintain their profitability in the marketplace. Other than that, the findings of this study may be used as a point of reference for future researchers to their work if there is lack of previous research regarding the impact of service quality on customer satisfaction in luxury hotel in Melaka.

1.7 Summary

This chapter of this research aims to introduce an overview of the study. The background of study related the impact of service quality on customer satisfaction in luxury hotel in Melaka. Also, the problem statement that generates knowledge gap throughout this research. The research questions and objectives have been stated in this chapter. The scope of the study focuses on the tourist to visit the high-end hotel in Melaka.

Additionally, the significant study is to contribute information to hotelier business as understanding customer satisfaction that assisted the hotel sector to improve service quality. Lastly, the researcher proceeds to the next chapter for further discussed the literature review

CHAPTER TWO

LITERATURE REVIEW

This chapter discusses the literature and related models to the research problem. This literature review explained the definition of the luxury hotel, service quality and customer satisfaction. The SERVPERF dimensions will be discussed, as representing independent variables such as tangible, reliability, responsiveness, assurance and empathy that affecting customer satisfaction, representing a dependent variable in the luxury hotel in Melaka. The theoretical framework and conceptual framework are described with the relevant variables and discussed how they were related in this study.

2.1 Definition of Luxury Hotel

The importance of luxury is essential to any society, but the experience of luxury varies from person to person (C Lu et al., 2015). The way each person experiences luxury depends on a "luxury mindset" (Berstein, 1999). The word "luxury" comes from "Luxus" which means "soft or luxurious life, (excessive) indulgence and luxuriousness, opulence" (Tynan et al., 2010). Also, Tynan et al., (2010) defined the luxury product as "premium prices, high quality and non-essential products and services that seem to be rare, prestigious, unique, and authentic and provide high levels of emotional and symbolic values through customer experiences. In other words, there are previous studies showed that intrinsically motivated consumers of luxury products

tend to be the focus on the actual quality of products and their ability to offer self-directed pleasure, proposing that buying luxury products may be a great way to satisfy self-esteem (Truong and Mc Coll, 2011).

In addition, pricing is an indicator of luxury (A Khattab & Aldehayat, 2011), with high prices of distinguishing luxury hotels from non-luxury hotels. Although the luxury is often defined by premium prices in economics, it is generally agreed that the definition of luxury is considerably subjective, where ordinary endpoint and the starting point of luxury are a matter of degree of consumer judgment (Miller and Mills, 2012; Tynan et al., 2010; Vigneron and Johnson, 2004). Therefore, it is essential to investigate the service quality from consumer's perspectives among luxury hotel. It is important to seek what values are they concern from luxury hospitality services.

Past studies revealed that most research investigating service quality in hotels have been conducted in mid-scale and economy hotels (Unesh, 2005; Minh et al., 2015; Dennis et al., 2015; Syed Zamberli et al., 2018). In addition, hotel developers showed that the majority of the development will take place outside the traditional mid-scale and economic segments, with many hotel brands developing unique concepts and brands aimed at attracting the 'next generation' of tourists. However, how do these hotel developers and operators create unique concepts that will appeal to the 'next generation' of tourists without appropriate information as to how service quality is conceptualized by luxury hotel customers? Therefore, service quality research must be conducted in luxury hotels.

2.2 Definition of Service Quality

There are several researchers who have defined service quality in different manners. According to Parasuraman, Berry and Zeithmal (1985) viewed service quality is differences between perception and expectation of customer toward service quality. This seems to coincide with Roest and Pieters (1997), defined the service quality is the relative and cognitive difference between empirical norms and performance of service benefits. While other researcher defined service quality as a