AN INTEGRATED SERVQUAL AND GAP MODEL IN EVALUATING CUSTOMER SATISFACTION IN BUDGET HOTELS IN NAIROBI CITY COUNTY, KENYA

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T/130/25667/2011

A RESEARCH THESIS SUBMITTED IN FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF DOCTOR OF PHILOSOPHY IN THE SCHOOL OF HOSPITALITY AND TOURISM OF KENYATTA UNIVERSITY

MARCH, 2019
DECLARATION

This Thesis is my original work and to the best of my knowledge has not been presented for an award in any other University.

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DEDICATION

This work is dedicated to my dear family; my husband Clement our children Ian and Kevin for being patient with me during my absence. They provided me with moral support to complete the thesis.
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# ABBREVIATIONS AND ACRONYMS

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<tr>
<td>CBD</td>
<td>Central Business District</td>
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<tr>
<td>GoK</td>
<td>Government of Kenya</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
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<td>HR</td>
<td>Human Resources</td>
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<tr>
<td>ISO</td>
<td>International Organization for Standardization</td>
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<td>IT</td>
<td>Information Technology</td>
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<td>KNBS</td>
<td>Kenya National Bureau of Statistics</td>
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<td>KNTS</td>
<td>Kenya National Tourism Strategy</td>
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<td>KTB</td>
<td>Kenya Tourist Board</td>
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<td>MoT</td>
<td>Ministry of Tourism</td>
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<td>TRA</td>
<td>Tourism Regulatory Authority</td>
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<tr>
<td>UNWTO</td>
<td>United Nations World Tourism Organization</td>
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<td>WB</td>
<td>World Bank</td>
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<td>WTO</td>
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OPERATIONAL DEFINITION OF TERMS

Budget Hotels: According to this study, a budget hotel is a hospitality establishment that offers accommodation and a limited range of food and beverage services and amenities. The main target market is price sensitive customers for short stays and aim at giving the customers satisfactory core product at a reasonable price. The price range for these establishments for single room bed and breakfast is between Ksh. 3400 to 8500. For this study the hotels had over 20 rooms and excluded camps, casinos, restaurant and pub establishments that offered accommodation and limited food and beverages services.

Customer satisfaction: This is measure of how well the budget hotels’ products and services met or surpassed customer expectations.

Gap Model: The gap model of service quality is a conceptual model of service quality. It is a framework for identifying inconsistency between perception of an organization and the customer’s perceived quality of a service.

Job Satisfaction: This can be defined as the extent to which people are satisfied or dissatisfied with their work.

Perceived Service Quality: This is the outcome of comparing the real experience with the expectation of a customer before consuming the service.

Service Design: The organizational environment provides certain variables that will affect service delivery. They include the hotel design, structure and layout, standard operating procedures and communication channels. The Managers in these hotels form certain perceptions
on what they think the customers will expect. They therefore develop designs, standards and marketing strategies for service delivery in an effort to meet the clients’ needs.

**Service Profit Chain:** This model stipulates that employee loyalty and customer loyalty are the main driving forces behind a company’s profitability.

**Service Quality:** The difference between customer expectations regarding a service to be received and perceptions of the customer on the service being received.

**SERVQUAL:** This is a tool for the measurement service quality using the five specific dimensions of service: reliability, responsiveness, assurance, empathy and tangibles.

**SERVICECAPE:** The physical environment of the hotel setting comprising buildings, equipment used, decor, ambience, colour, atmosphere, layout, signage and symbols.
ABSTRACT

Increasingly, hotel industry has witnessed rapid growth in the 21st century and as a result competition within the industry has also intensified. This competition has been fueled by the preoccupation of service quality to add value and strengthen the complete guest experience. However, a major challenge facing the sector is the aspect of service quality particularly in budget hotels which target price sensitive customers. These hotels provide the customers with satisfactory core product at a reasonable price but tend to focus more on profits than on customer satisfaction. The services offered are not standardized and service quality variability is a challenge. The study used an integrated SERVQUAL and Gap model to evaluate customer satisfaction in budget hotels in Nairobi City County, Kenya. The specific objectives of the study were to determine the effect of service design on customer satisfaction, establish the effect of service delivery on customer satisfaction and determine the moderating effect of management perception of service quality on customer satisfaction in budget hotels in Nairobi City County, Kenya. The study adopted a cross sectional survey design and was conducted in 50 budget hotels. A sample size of 334 drawn from the hotel managers, customers and employees were involved in this study. Systematic random sampling technique was used to select the study sample for customers and employees. Data were collected through use of questionnaires and interviews. Both descriptive and inferential statistics was used in data analysis. The study hypotheses were tested was tested using multiple regression (ANOVA) and qualitative data from management perception was analyzed using qualitative data analysis (QCA). The regression analysis indicated that all five dimensions of service quality in service design were significant (0.000) when tested at 95% confidence level. The model was found to be significant. Correlation analysis indicated that the service design factors that had significant impact were realization of assured service in reliability (p = .044 < .05), responsiveness in informing the customers about the time of service delivery (p = .000< .05) and empathy in that operating hours are convenient to customers (p = .030 < .05). The other variables did not have significant values. The results indicate that there are gaps in the budget hotels under study between service design and customer satisfaction. Relationship between service delivery and customer satisfaction was found to be positive but not all the variables were significant. The study findings indicated that four variables; good location (p = .115 > .05), closeness to main city facilities (p = .527 > .05), someone recommended hotel (p = .665 > .05), and good experiences from the hotel (p = .458 > .05) did not have no significant values. This implied that these variables did not have an effect on customer satisfaction resulting in a gap between service delivery and customer satisfaction. This indicated that the service delivery did fully not meet customer expectations. Management perception was found to have a moderating effect between service quality and customer satisfaction. The study concluded that although managers seemed to have a reasonably good understanding of the customer and developed service designs for quality service delivery, the services delivered still fell short of customer expectations. The study therefore recommends that to enhance customer satisfaction, management needs to focus on the changing needs of their customers and develop service designs that will offer service delivery that satisfies the customer. The study makes some contribution to the body of knowledge as an integrated model in evaluating customer satisfaction.
CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter gives an insight into the study by discussing customer satisfaction, service quality concept and budget hotels. It also gives background information on Kenya and an overview of the tourism industry in the country with particular emphasis to the budget hotels. Furthermore, it addresses the statement of the problem, objectives of the study, research hypothesis, significance of the study and anticipated output, limitation of the study and concludes with the study conceptual framework.

1.1 Background to the Study

Customer satisfaction is one of the ultimate goals for any organization. According to Babajide, (2011), customer satisfaction can be defined as the perception of the customer on the service provided by the service provider. It is an assessment of the fulfilment of the “promised service”. The fulfilment may be over achieved resulting in customer satisfaction or under fulfilled and thus creating customer dissatisfaction (Oliver, 1997). Customers are key to the success of any business organization and their satisfaction is paramount as it has been proven that customer satisfaction and provision of service quality helps improve overall organizational performance (Magi & Julander, 1996, p. 40). Organizations today are increasingly obliged to provide more services in addition what they provide as products and services to their customers. (David Armano, 2009). Furthermore, in today’s dynamic market place, there is a paradigm shift from the traditional marketing philosophies and strategies of the 1950s that was production based to customer centric culture. This new concept is customer driven and focuses on understanding, attracting, retaining and building long-term customer relationships that are profit and growth oriented (Saravanan, R., and Rao, K.S. 2007, Gronroos, C. 1994).

For quality service delivery to occur, is imperative that the factors that influence customer satisfaction are understood and translated to service designs by management. This ensures that the service provider delivers products and services that
are in congruence with the customer demands (Gibson, 2005). Due to the critical importance of customer satisfaction, a lot of research has been focused on investigating customer satisfaction determinants. Studies conducted by Boshoff and Gray (2004), state that customer satisfaction is not only inherent in the service performance alone but it encompasses the service and the customers perception of service attributes associated with the service. According to Atkinson (1988) some of the key determinants of customer satisfaction in a hotel include cleanliness, security in and around the premises, value for money and staff courtesy. Furthermore, a study by Knutson (1988) also found that room cleanliness, comfort, convenience of location, service promptness, safety and security and friendliness of employees as paramount in customer satisfaction. Another study conducted in Serena Kivu by Mubiri (2016) found that the quality of food, beverages, rooms, beds, beddings, comprise the tangible aspect that offer customer satisfaction in a hotel setting while the intangible aspects are influenced by the staff providing the service to the customers (Singh & Dewan, 2009).

Another study conducted by Choi and Chu (2001) indicated that quality of staff, room qualities and value for money were the three main determinants of customer satisfaction. However, another study conducted by Nurminen (2007), found that cost is not the main cause of dissatisfaction for customers but low quality of products and services offered to the customers. Ultimately, the quality of goods and services is key when it comes to customer satisfaction (Peters and Pikkemaat, 2005).

1.1.1 Customer Satisfaction
Customer satisfaction and service quality have in the past few decades become a key area of concern for both the industry practitioner and academicians. (Holjevac, Marković, and Raspor, 2001). Whereas customer satisfaction relates to a particular transaction, service quality is a universal judgement that relates to the superiority of the service (Parasuraman, Zeithaml, Berry, 1988). They established that the two concepts are correlated because instances of satisfaction over time results in perception of service quality and therefore the two constructs can be measured by the same attributes. Furthermore, research has also shown that both concepts are closely related and they have a great impact on the general performance of organizations
(Gundersen, Heide and Olsson, 1996) as well as overall customer satisfaction (Oliver, 1997).

As a dependent variable in this study, it is therefore expected that the customers’ satisfaction levels will vary depending on the customers’ predisposition, attitudes and perceptions of the hotel products and services and related service attributes (Ueltschy, Laroche, Eggert and Bindl, 2007). In this study, customer satisfaction is dependent on the quality of service provided in the budget hotels. The quality of services is expressed through the gap between what is planned (as planned), under a particular manifestation of services and the physical realization of the benefit (as presented), commonly defined by customer perception (Zeithaml and Bitner, 2003). In this sense, the quality of services is valued on the subjective level, expressed through the hotel certification systems, which measure a level of quality necessary to maintain a permanent, market recognition and endorsement (Jonker and Pennik, 2010).

1.1.2 Service Quality

Hotels play a critical role in satisfying hotel guest demands and the quality provision of hotel products and services is of great importance. The hospitality sector is under increasing pressure to demonstrate that their services are customer-focused and that continuous performance improvement is being delivered. Given the financial and resource constraints under which service organizations must manage it is essential that customer expectations are properly understood and measured from the customers’ perspective, and any gaps in service quality are identified (Omolo, 2011). In this study, the service quality attributes and service delivery are the independent variables and customer satisfaction is dependent on them. The service quality attributes are the five dimensions of SERVQUAL that make the service design and service delivery attributes comprise good location, value for money, security, quality of service, referrals and convenience.

The management of the hotels have certain perceptions of customer expectations. These perceptions include both tangible and intangible aspects of hotel products and services and they believe that customers considered location, good physical facilities,
value for money, good food and drinks, pleasant ambience, general hygiene and cleanliness of the hotel, professional and courteous staff as service deliverables that impact on customer satisfaction. This information assists the management in identifying cost-effective ways of closing service quality gaps and of prioritizing which gaps to focus on a critical decision given scarce resources. They also use it to design and develop service designs and operational systems in an effort to satisfy the customer. Service design is an architecture that involves planning and organization of individuals, facilities and infrastructure of a service so as to improve its quality and interaction between the provider of service and the consumer of services. In this study, the service design encompasses the five dimensions of SERVQUAL that include the physical environment or otherwise referred to as the servicescape (Bitner, 2006) comprising buildings, décor, ambience, layout, signage/symbols and the intangible aspects of the service comprising empathy, reliability, responsiveness and assurance. Service design enables the flow of service to be efficient, effective, and convenient to satisfy customer needs. When the products and services offered meet customers’ expectations, then customer satisfaction will be the outcome.

Customers on the other hand have their own expectations and perceptions of the service delivered and when the expectations are not met, service gaps arise. Customer expectations may be influenced by personal needs and requirements, experience from the past, the promised product or service and word of mouth recommendations. Customer perception is based on actual service delivery after the service has been provided and also the fulfilment of the promise through external communication from the service provider. In this study, the level of customer satisfaction was measured using the five dimensions of the SERVQUAL and the gaps were assessed using the Gap model of service quality by Zeithaml, Parasuraman and Berry (1990).

Since tourism has been identified as one of the major sectors that spur development, there is need to upgrade the services offered in hotels and ensure that a minimum threshold for service quality is set up by the industry stakeholders (Kamau and Waudo, 2012, Rehman, Ardebili and Aslam 2013). Unfortunately, according to Akama, 2000 the emphasis has been more on expansion of hotels and increasing number of tourists at the expense of social-cultural and environmental issues which influence the development and quality of the tourism product (Kuria et al., 2011). For
instance, some hotels have structural deficiencies that degrade and constrain the quality of the product, congestion in some areas leading to deterioration of the product, environmental pollution and ecological considerations. In addition, the lack of adequate training of hospitality staff, inadequate finance for product improvement, marketing and tourism promotion by Kenya Tourism Board (KTB) and the high cost/erratic supply of utilities are an impediment to its development and growth (KTF, 2013).

The factors mentioned above have a negative impact on the overall guest experience in the hotels leading to service delivery gaps since the customers’ expectations are not adequately met (Akama, 2000). Furthermore, due to the unique characteristics of service, the service delivery in budget hotels is invariably inconsistent. This is because services are what differentiate hotels of the same category from each other, it is therefore imperative that a lot of emphasis be placed on improving service quality. This will enable the hotels to enhance on performance and for Kenya to meet its vision 2030 (Kamau and Waudo, 2012).

1.1.3 Budget Hotels

Hotels in Kenya are classified from one to five stars (Kamau and Waudo, 2012). Previous hotel classification had been conducted in 2003 but the findings are outdated as the industry has been very dynamic and has witnessed growth in hotel establishments both international standards and budget hotels. The recent classification exercise was conducted in 2015 but not all hotels were classified due to the stringent requirements that some hotels could not attain. The concept of budget hotels still has no established definition and it is therefore not easy to fit them into existing categories of hotels. Besides, there is not yet a single, fully comprehensive “budget hotel” definition.

However, in some academic studies budget hotels were considered as a concept that laid a lot of emphasis on the establishments that provide decent accommodation and limited offer on food and beverages rather than on quality of service (Gilbert and Arnold, 2009). In their opinion, budget hotels offer consistent low risk accommodation at peripheral sites where food and beverage facilities are often minimal but good accommodation standards. Other studies identified budget hotels as
small establishments with limited facilities that offer no frills and are synonymous with limited service hotels (Fiorentino, 1995 and TRI Hospitality Consulting, 2007). According to them, budget hotels are generally equated with one- or two-star hotel accommodation. The provision of clean, comfortable rooms is the core service element of budget hotels (TRI, 2007 and Blanco and Frood, 2011).

Given the above definitions the researcher defined budget hotels as medium sized hotels that offer limited accommodation facilities, charge reasonable prices of between Ksh 3500 to Ksh 8500 on bed and breakfast and they target short night stay customers whose stay is between one to three nights (Hartline and Jones, 2013). The hotels are medium in size ranging from ten rooms and above, target price sensitive customers aimed at giving customers satisfactory core product at a reasonable price. They provide decent, affordable accommodation and catering services that include food and beverages. While most of the high-end international hotels are chain hotels owned by conglomerates and foreigners, budget hotels target the medium to low end market, they are mainly locally owned and small to medium scale in size (GoK, 2003). Moreover, budget hotels are not recognized nor categorized in Kenya.

The lack of classification has had a negative an impact on service delivery and thus customer dissatisfaction in these hotels. The services offered in budget hotels are not standardized and the provision service quality consistently is a challenge due to the variability of the service (Ministry of Tourism, 2014). This aspect of unstandardized product and service raises a concern on service delivery. The budget hotels face the challenge of offering quality products and services that consistently meet customer expectations. This may be due to lack of adequate policies to control and regulate their operations (Kuria et al., 2011). It may also be due the fact that the targeted market which is the informal sector has not been given as much attention like the other sectors (Kamau and Waudo, 2012).

The unique characteristics of budget hotels coupled with the lack of a regulated framework for their operations raises an issue of concern in the attainment of customer satisfaction in the hotel industry in Kenya. This is because the number of budget hotels in Kenya is large and if Kenya is to increase its tourism revenue, remain relevant and sustainable then there is need to improve on service quality. Therefore, a
lot of emphasis should be placed on improving service quality in the budget hotels in order to ensure efficiency as well as improved service (Kimani, Kagira and Kendi, 2011). Zeithaml and Bitner (2003) also affirm that there is need to keep in tandem with technological innovations and trends in the hotel industry in order to remain relevant and sustainable (Wafula, 2012). Furthermore, due to the dynamic nature of the hospitality industry, continuous improvement of products and services is necessary (Peters & Pikkemaat, 2005).

1.1.4 Hotel and Tourism Industry

The hospitality industry is one of the world’s major industries. It comprises of diverse activities, which include the hotel industry (Reimer and Kuehn, 2015). The growth of the service industries has created a demand for research into their operations and marketing. The budget hotels in the hospitality sector success can be seen as one of the key components of growth in the industry. However, in the pursuit of service growth and success, much depends on the performance of the industry which also flows from the quality of the services that are rendered (Naseem, Ejaz and Malik, 2011).

One perceived problem found by the budget hotels is the differences in the quality of the services that are delivered by entities in the industry. As competing firms expand, all operations at a given price level tend to become similar, and thus, service quality and its management by industry players therefore become the key differentiation factor. The customer has become more discerning, knowledgeable in an environment that everything is consumed as “real time”. From customers' point of view, hotel services are intangible and heterogeneous, therefore service quality plays an important role in influencing customer's consumption and post-consumption processes (Garcia and Caro, 2013).

Tourism is one of the fastest growing industries in the world. Over the last six decades, the sector has witnessed tremendous growth through expansion and diversification. According to UNWTO (2014) international tourist arrivals in 2014 grew by 4.4% with an additional 48 million more than in 2013, reaching a new milestone of 1,135 million arrivals. This is despite the global economic and political challenges that the sector faced in the year like terrorism attacks, the aftermath of
Ebola outbreak in West African countries and the euro zone crisis which were in debt crisis and were witnessed when a group of ten central and eastern European banks asked for a bailout (Ravald and Grönross, 1996).

Traditional markets in the Americas took the lead with a growth of 8.0 % compared with emerging markets in Europe that recorded a moderate growth of 3.0%. Asia and Pacific emerged the strongest across all UNWTO regions which include; Africa, the Americas, East Asia and the Pacific, Europe, the Middle East and South Asia with a growth of 7% thus emerging as the highest growth (Kristensen, et al., 2009). Africa experienced a slightly modest increases of 2% and hit a new mark of 56 million international tourist arrivals. Generally, international tourism arrivals are expected to increase by an average of 43million per annum to reach 1.8 billion by 2030. The forecast for 2015 indicates a 3% to 4% growth over the previous year. In terms of revenue, a record US $ 1,245 billion in receipts was recorded in 2014 in the world economy which reflected an increase of 3.7 % over the previous year (UNWTO, 2014).

Tourism in Kenya has been recognized as one of the key drivers of economic growth. According to KNBS (2014), tourism is one of the economic factors for development and poverty reduction. This is because tourism has a great multiplier effect that is able to catalyze growth in all sectors of the economy namely agriculture, manufacturing, energy, transport and financial services. It therefore has a positive impact on the local economy due the demand that it creates for employment, food supplies and other consumables. It also has a multi-faceted access and therefore its economic dimension derives inputs from the social, cultural and environmental aspects. Furthermore, it leads to spontaneous increase in value of real estate within the proximity of the hotel. However, its success is dependent on effective marketplace value, quality of the products/service developed and the prevailing political and socio-economic environment.

Traditionally, Kenya’s major international tourist market has been from the western countries mainly Europe (43%) and USA (13%). China, South Asia and the Far East are the new emerging markets with great potential. The country receives 23% international tourist from the Africa region (UNWTO, 2014). The relative importance
of tourism in Kenya’s economy has risen steadily over the last 40 years (GoK, 2007). In terms of revenue, it ranks third after tea and horticulture as the major foreign exchange earner. It contributes more than 10% to the country’s GDP and 7.3% of direct and indirect employment direct (World bank, 2013). It has also been identified as one of the pillars in Kenya’s Vision 2030 and it is therefore being treated as a priority area (Kuria, Wanderi and Ondigi, 2011). The sector has been performing well and it was anticipated that international arrivals would reach the 2 million mark by the end of 2012. However, the sector has experienced a downward trend for the last four years with numbers decreasing from 1.785 million in 2011 to 1.780 million in 2012; from 1.5 million in 2013 to 1.3 million in 2014. The decline could be attributed to the euro zone crisis coupled with perceived insecurity in the country (Economic survey, 2014) that led to increased travel advisories from traditional markets and the aftermath of Ebola outbreak in West African countries. The situation is yet to improve and the recent September, 2013 attack on the Westgate Mall, Nairobi and continued threats by Al Shabaab insurgencies who continue to pose a threat to the once vibrant industry. Also, increased flight costs, insecurity fears and increased taxes have affected the tourist numbers (MoT, 2014).

Tourism earnings decreased by 2.6% from Ksh. 97.9 billion in 2011 to Ksh. 94 billion in 2013, Ksh. 87.1 billion in 2014 and Ksh. 84.6 billion in 2015 (Economic Survey, 2016). The Tourism sector in general and the hotel sub segment in particular has a great potential for growth. It is, therefore, imperative that security measures as well as improved service quality be given priority to reverse the continued downward trend. This is because the sector not only improves the quality of life but also creates job opportunities that help reduce poverty.

The tourism sector needs to undertake measures to improve service delivery to be able to deliver acceptable service quality standards (Wafula, 2012). Service quality (SQ) has to do with perceived customer expectations and the provision of quality service in hotels this would make Kenya gain competitive advantage as a preferred tourist destination and compete favorably in the region and international markets. This is because the provision of service quality enables an organization competitive positioning in the service industry (Pizam and Ellis 1999, Akbaba, 2006, Fening, Pesakovic and Amaria, 2008, Rehman et al., 2013). The provision of service quality
in Kenyan hotels will propel the sector to generate the much-needed revenues amidst the existing backdrop of terrorism attacks that have led to a recent decline in tourism numbers (Ministry of Tourism, 2014). There is therefore the need to focus on the service quality and service gaps in the budget hotels with a view to improving them to a level that meets the customer’s expectations. It is therefore understandable that improving the quality of service will ultimately drive customer satisfaction. SERVQUAL plays a great role in measuring what influences customers’ evaluations of factors determining perceived service quality like empathy, reliability, responsiveness, and assurances (Gremler and Gwinner, 2000). Tanford, Raab and Kim (2013) further suggest that, SERVQUAL is best used in the service setting because of the unique characteristics of services (intangibility, perishability, inseparability and heterogeneity).

1.2 Problem Statement

Studies have shown that service quality is the key to success and survival in today’s competitive environment (Ladhari, 2012; Garcia and Caro, 2013; Reimer and Kuehn, 2015). As a result, organizations that succeed today are those that have the competitive advantage of being able to provide products and services that meet and exceed customer expectations (Wicks and Roethlein, 2013).

Hotels play a critical role in ensuring customer satisfaction of their customers. Furthermore, competition within the tourism industry is fuelled by the preoccupation of service quality to add value and strengthen the complete tourism experience (Eshghi, Roy and Ganguli, 2015). A review of customer satisfaction in the hospitality industry identifies the key drivers to customer satisfaction, namely: tangibles, reliability, responsiveness, assurance and empathy. However, Curry and Sinclair, 2012; Pampallis, 2013; Carpenter and Moore, 2015, disagree on the relative importance of these factors to customer satisfaction.

In Kenya, hotel businesses have suffered most because of the declining performance of the country’s tourism sector (KTB, 2015). Moreover, studies indicate that service quality in budget hotels is almost invariably inconsistent according to a study done by Kimani, Kagira and Kendi, 2011. This is because budget hotels lack standardization
of quality service provision and also the focus tends to be on basic accommodation facilities, convenience, accessibility and low rates at the expense of service quality (Wafula, 2012). The ultimate result is that customer expectations are not fully met leading to customer dissatisfaction.

Recent reviews by trip advisor (2013) in 68 out of 96 budget hotels in Nairobi indicate that service quality in these hotels is below average leaving guests dissatisfied. In the reviews, a sample of the complaints included remarks such as cheap hotels, terrible service, unsmiling weird looking staff, tired physical facilities, unfriendly service, dirty premises and discourteous staff. This indicates the dissatisfaction of the guests as the services have been below customer expectations. There have also been complaints from key stakeholders in the tourism sector that includes tour operators and driver/tour guides that the services in the budget hotels are wanting.

Studies conducted to examine the relationship between the dimensions of service and customer satisfaction established that service quality has a positive impact on customer satisfaction (Minh, Ha, Phan and Matsui, 2015; Lin, Yuanyuan and Huiqin, 2014; Watiki, 2014; Hooper, Coughlan and Mullen, 2013; Mohsin et al., 2011; Aldehayyat, 2011; Karunaratne and Jayawardena, 2010).

The studies by Minh et al., (2015) and Karunaratne and Jayawardena (2010) were done across different geographical and social-cultural contexts thus creating a contextual gap for this study. Studies by Lin et al., (2014) and Hooper et al., (2013) were done using the service design attributes as the variables and therefore resulting in a conceptual gap for the current study. While studies by Watiki (2014), Mohsin et al., 2011 and Aldehayyat (2011) used different theoretical models for assessing customer satisfaction.

Studies conducted on the differences between managers perception of service quality and customer expectations indicate that there are differences between the two (Nightingale, 2016). The results showed that management’s perception of service quality differed greatly with the perceptions of customers, colleagues and staff. The existence of gaps between consumer expectation and management perception, as well
as between service quality specification and service delivery ultimately results in a gap in perceived service quality (Babajide, 2011). These findings have also been supported by Wei and Reid (2009) and Choy and Zhang (1986) who found that hotel managers in China had inadequate understanding of tourist expectations due to differences in their cultural upbringing. However, a study conducted by Lewis (2007), Kong and Jogaratnam (2007) and Nel (1993) on measurement of the service quality gap indicated that for most part management had a good understanding of customer expectations.

The above studies were all carried out across different geographical and social-cultural context and different service quality dimensions were used. The studies gave conflicting results with respect to the service quality dimensions on customer satisfaction. It is therefore noted that research and challenges in evaluating service quality in the hospitality industry remains.

The current study was conducted in budget hotels in Nairobi thus creating and opportunity to include Kenya’s hotels in the field of studies conducted on the effect of service quality on customer satisfaction in hotels. The current study involved the use of an integrated model of the SERVQUAL and Gap models in evaluating customer satisfaction in budget hotels in Nairobi, Kenya. The SERVQUAL five dimensions of service quality were the independent variables tested against customer satisfaction as the dependent variable. This study wanted to identify whether there are gaps between service design and customer satisfaction and whether there is a relationship between service delivery and customer satisfaction in budget hotels in Nairobi City County, Kenya.

1.3 Purpose of the Study

The main purpose of the study was to evaluate the level of customer satisfaction in budget hotels through an integrated SERVQUAL and Gap model. Furthermore, the study aimed at establishing what the hotels could do differently in an effort to improve their service quality and overall customer satisfaction.
1.4 Objectives of the Study

The study took into consideration the general and specific objectives as listed below.

1.4.1 General Objective

The general objective of the study was to integrate SERVQUAL and Gap model in evaluating customer satisfaction in budget hotels in Nairobi City County, Kenya.

1.4.2 Specific Objectives

1. To determine the effect of service design on customer satisfaction in budget hotels in Nairobi City County, Kenya.

2. To establish the effect of service delivery on customer satisfaction in budget hotels in Nairobi City County, Kenya.

3. To determine the moderating effect of management perception of service quality on customer satisfaction in budget hotels in Nairobi City County, Kenya.

1.5 Research Hypotheses

The study was also designed to test the following null hypotheses:

H₀₁: There is no significant relationship between service design and customer satisfaction in budget hotels in Nairobi City County, Kenya

H₀₂: There is no significant relationship between service delivery and service quality in budget hotels in Nairobi City County, Kenya

H₀₃: Management perception has no moderating effect on the relationship between service quality and customer satisfaction in budget hotels in Nairobi City County, Kenya.

1.6 Significance of the Study

The study aimed to point out how management can use service improvements to ensure logical and integrated quality service delivery to satisfy customers thereby decreasing service quality gaps.
The study provided valuable insight for government agencies that deal with budget hotel sector in policy making regarding customer service. Hence, the result of this research may be used as a foundation to develop strategies to improve service delivery in the sector. Through gaining understanding of the service quality and its impact on service delivery, the relevant government agencies are in a better position to align their strategy in a bid of attracting this important market which leads to improved revenues and profitability. Various organizations such as; Tourism Regulatory Authority (TRA), Kenya Tourism Board (KTB) and Kenya Association of Hotelkeepers and Caterers (KAHC were also beneficiaries of this research work through provision of information to their stakeholders.

The outcome of the study benefited budget hotels in the tourism and hospitality industry in Kenya. The hotels got an integrated framework that synchronizes service quality and service gaps to assess customer satisfaction. Having knowledge about customers’ expectations enlightened hotel managers in identifying service delivery improvements required to attain customer satisfaction for their hotel guests.

The study was beneficial to the customer as the results of the study can be used to enhance the level of customer satisfaction in budget hotels in Nairobi City County, Kenya. The improvement in service delivery in budget hotels ultimately leads to customer satisfaction. This can help the country realize gains in the sector and make it a preferred destination of choice for customers.

The study was useful to other scholars who may use it for future reference and moreover, it suggested areas for further research. This is because the study contributed to existing knowledge by evaluating customer satisfaction using an integrated approach of the SERVQUAL and gap model in budget hotels in Nairobi City County, Kenya.

The study had some research gains in that it contributed to additional knowledge to the body of knowledge in the area of budget hotels. This is because the integration of the two service quality models had not been done before. The study also provided an opportunity for the researcher to acquire more knowledge and excel in the field of academic research.
1.7 Limitations

The outcome of this research was affected by three main limitations. First, there was the fear by respondents. Generally, there was an inherent fear by respondents to fill out the questionnaires. The respondents were anxious on how they are expected to respond to the questionnaires and also uncertain of how their feedback would be perceived. There was also the fear by respondents that the information that they gave may be used for other purposes other than the intended purpose. The researcher overcame this limitation by assuring the respondents that the research was solely for academic purpose and that the information would be treated with utmost confidentiality. In addition, permission to administer the questionnaires was initially sought from the management and the researcher provided the research permit that indicated notice and period for the study.

Second, the time for filing the questionnaire created a challenge for the respondents. The method of drop and pick was dependent on the availability of the respondents at the time of dropping the questionnaires and also the convenience of the respondents. For instance, at the agreed time of picking the questionnaire, the researcher would find that the respondent had not finalized on the questionnaire and would request for a new pick up date and at times the customer would not be available thus requiring the researcher to return on another day for pick up. To resolve this challenge, the researcher extended the time for respondents for the filling out the questionnaires and follow up through reminders. For employees, the shift and off days schedule created logistical challenges that were overcome by frequent repeat visits to the hotel establishments. However, continued persistence and good customer relations with the management enabled the researcher to overcome this limitation thereby resulting in a good response rate.

1.8 Conceptual Framework

Based on the theoretical perspective of SERVQUAL and the Gap model by Zeithaml, Parasuraman and Berry (1990), the researcher developed the conceptual framework (Figure 1.1). The conceptual framework is modeled on the assumption that customer satisfaction is dependent on the five dimensions of SERVQUAL; tangibility,
empathy, responsiveness, reliability and assurance which in this study made up the service design.

Management in the hotel sector have certain perceptions about customer expectations. The managers believe that they know what satisfies the customer. The Managers then translate the perceptions of what they believe the customer expects into service design. The service design variables represent physical facilities, decor, ambience, the service setting and layout, the staffing, uniforms and the standardized operating procedures. In this study, the design variables have been categorized to represent the five dimensions of SERVQUAL and they are the independent variables. When these designs translate into quality service, customer satisfaction is achieved. The designs developed do not always translate into quality service delivery leading to the service gap (Gap 1, H01).

When the actual service delivery occurs, the outcome is customer satisfaction or dissatisfaction. Customers on the other hand have their own expectations and perceptions of the service delivery. The service delivery comprised the independent variables; good location, value for money, security, quality service, good referral and convenience. When service delivered meets the expectations of the customer satisfaction is attained and if the service delivery falls short of customer expectations, there is a gap (Gap 2, H02).

Management perception was the moderating variable and when the Management perception of customer expectation equals customer perception, the customer is satisfied and if not then the customer is dissatisfied (Gap 3, H03).

Customer satisfaction was the dependent variable and therefore customer satisfaction was dependent on service design, customer expectation with management perceptions as the moderating variable.
CONCEPTUAL FRAMEWORK

Figure 1.1: Conceptual Framework

**Independent Variable**
- **SERVICE DESIGN**
  - Tangibility
  - Empathy
  - Responsiveness
  - Reliability
  - Assurance

- **SERVICE DELIVERY**
  - Good location
  - Value for money
  - Closeness to main city facilities
  - Additional services
  - Good Referrals
  - Good experiences

**Dependent Variable**
- **CUSTOMER SATISFACTION**

**Moderating Variable**
- **MANAGEMENT PERCEPTION**

**Key**
- $H_0$ - Hypothesis
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter discusses the theoretical and empirical literature review related to customer satisfaction and service quality. The literature reviewed was based on the theories underpinning the study which are the SERVQUAL model, the gap model and disconfirmation theory. Literature on the theoretical framework, independent variables, moderating and dependent was also reviewed followed by empirical literature review on service design and customer satisfaction, customer expectation and customer satisfaction and management perception and customer satisfaction. The chapter ended with the summary of reviewed gaps and the theoretical framework of the study.

2.1 Service Quality.

The literature reviewed was based on the independent variables which are service quality and customer expectation, management perception as the moderating variable and customer satisfaction as the dependent variable. Service quality has been defined differently by different researchers. Parasuraman et al., (1985), defined service quality as a comparative function between consumer expectations and actual service performance while Parasuraman, Zeithaml and Berry (1990), defined it as the difference between customer expectations regarding a service to be received and perceptions of the customer on the actual service received. On the other hand, Cronin & Taylor (1994), defined service quality as a form of attitude representing a long-run overall evaluation of service. Despite the varying definitions, the most widely accepted definition according to Chang, Chen and Hsu (2002), is the definition by Parasuraman et al., 1985.

Service quality is a key component in the success of any business and particularly in the Hotel industry. The world today is full of fierce competition making the provision of service quality crucial for subsistence and success for its significant influence on customer satisfaction and loyalty to organizations (Naseem, Ejaz and Malik, 2011).
Some researchers are of the view that service quality has resulted in increased satisfaction and enhanced customer loyalty (Garcia and Caro, 2013; Reimer and Kuehn, 2015). Moreover, given today’s socioeconomics conversion, service quality has become a critical driver of business performance.

The hotel industry has seen service quality as a means to differentiating themselves. This differentiation is brought in by the “soft skills” element of the staff involved in the service delivery. Management studies conducted indicate that employees play a major role in service delivery and they are the key determinants of establishing a competitive advantage and success an organization (Kayaman and Arasli, 2007). This is because in service, the staff are involved in the production, delivery and consumption of the service and they are in a position to evaluate the services provided in organizations (Kandampully, 2000). Customers normally assess service quality by comparing services they received with their desired services. Service quality therefore plays crucial role in value addition to the overall customer experience. According to Antony and Ghosh (2004) and Harvey (1998), service quality has traditionally been defined as the difference between customer expectations regarding a service to be received and perceptions of the customer on the service being received. Service quality is therefore evaluated from the customers view point and not the organizations. Competition in many service industry contexts forces firms to move beyond competing based on cost, to competing based on superior quality that satisfies and exceeds customer requirements (Lovelock and Witz, 2007).

In provision and receipt of service, there are three main categories of people involved, that is, the management, staff and customers (Marković, 2005). Each of them has different perspectives of quality of service provision thus giving rise to differences of perception of the service. Consequently, a series of gaps may arise between expectation and actual provision, and between perception of the service on the part of service provider and customer. Earlier studies by O’Loughlin and Coenders (2002), conceptualized service quality as the extent to which a service meets customer’ needs or expectations while Zeithaml and Bitner (2003) were of the view that service quality comprises the customers’ overall impression of the relative inferiority or superiority of the services. According to Groonroos and Martin (2006), quality consists of two segments; the procedural and the convivial dimensions. The procedural dimension
comprises the technical systems that are necessary in the provision of a service like the flow of service, the service timing, the anticipation of the customer of the expected service, customer feedback and the overall supervision of the service. Conviviality refers to the way the employees relate to the customers and it includes the body language and demeanor, the employee’s attitude, level of attentiveness or lack of it, recommendations on product or service offer and ability to solve problems. According to them, individual service organization maintain systems to provide the service continuously and efficiently to the customer. Consequently, the system allows a flow of services in such a way that no single part of the system is over-stretched, and delivers the service on time as per the client’s requirements.

Because of the very nature of services, every time a service is produced and consumed there are bound to be inconsistencies (gaps) in its delivery. The Gap model developed by Parasuraman, Berry and Zeithaml (1985) and revised by Zeithaml and Bitner (2003), represents a framework for identifying inconsistency between perception of an organization and the customer’s perceived quality of a service. For over two decades, the model has served as a framework for research in service marketing including hospitality marketing. The model offers an integrated approach of the consumer company relationship. According to this model, there are four specific gaps that lead to the fifth overall gap between customer expectations and perceived service. The researcher intends to integrate the two concepts in an effort to link performance and customer satisfaction/delight.

2.1.2 Service Quality in Budget Hotels

Budget hotels have the challenge of offering quality products and services to their customers. This could be due to the existence of inadequate policies to control and regulate their operations (Kuria et al., 2011). According to Kamau and Waudo, (2012), this may be due the fact that the targeted market which is the informal sector has not been given as much attention like the other sectors. Their main focus is offering decent accommodation and meals at a reasonable price as they target price sensitive customers. Their role in the hospitality industry is depicted by what the stand for as described by their definition. They are mainly individually owned and managed by the owners as the owners are very cost conscious. Staffing is minimal thus leading
to issues of service quality and customers are expected to participate more in the service provision like self-service counters for meals and refreshments. The service cannot be too personalized due to limited number of staff available.

Gilbert and Arnold (2009), defined budget hotel as limited service lodging establishments that offer the benefit of good value for money in standardized modern accommodation where quality is comparable to three- or four-star hotels and the rates lower by 25% to 30%. On the other hand, Brotherton and Shaw (1996) suggested that budget hotels offer clean simple rooms that are 150 or less in number with restaurants that are close by and lower room rates that are 25 to 50 per cent lower than those offered by mid-range hotels. According to Poorani and Smith (1995), budget hotels refer to cost conscious travelers, clean comfortable rooms, free morning coffee and room rates that are pocket friendly. Fiorentino (1995) stated that budget hotels are a new generation of small hotels offering limited facilities and with no frill price.

From the above definitions, it is therefore expected that budget hotels would offer no frills or expensive facilities. They are designed to meet a client’s minimum threshold for accommodation and catering facilities. Since tourism has been identified as one of the key sectors that spur economic development, there is need to upgrade the services offered in these hotels and ensure that a minimum threshold for service quality is set up by the industry stakeholders (Omolo, 2011). Zeithaml and Bitner (2003) asserts that it is also the need to keep in tandem with technological innovations and trends in the hotel industry in order to remain relevant and sustainable (Wafula, 2012). Great emphasis should therefore be placed on improving service quality in the budget hotels in order to ensure efficiency as well as improved service (Kimani et al., 2011).

2.1.3 Customers' Satisfaction in Hospitality

Customer satisfaction can be defined as measure of how well a company’s products and services meet or surpass customer expectations (Zeithaml and Bitner, 2003). It is one of the key performance indicators of a business in the competitive business environment where it is considered as the key differentiator and has increasingly become one of the key characteristics in business strategy (Knutson, 2008). Organizations need to retain existing customers and enhance company-customer
relationships in an effort to maintain organizations’ image, and make them re-purchase and become loyal (Gremler and Gwinner, 2000).

According to Tanford, Raab and Kim (2013) hotels place more emphasis on creating customer loyalty instead of focusing on the reasons for defection to other hotels. In their study, the authors identified the cause for the defections as affective emotional attachment and identification with the brand, the hotel’s commitment to reward programs, switching costs as well as value considerations (Kandampully and Suhartanto, 2013).

Customer expectations can be derived from events, activities and experiences that the customer thinks will happen (Kotler and Keller, 2006). The outcome of a service or experience is customer satisfaction or dissatisfaction. According to various researches, some of the factors attributed to customer satisfaction include location, value for money, hotel comfort, level of cleanliness and efficiency of service (Lin, Tsai, Wang, Su, and Shaw, 2011; Li, Ye and Law, 2013; Huertas-Garcia Huertas, García and Consolación, 2012; John and Phil, 2003). Furthermore, Chan and Wong (2006) suggests that apart from price, a good and convenient location coupled with good service are key determinants that influence customers’ hotel selection and overall customer satisfaction. Business travelers who comprise the target markets for budget hotels place a lot of emphasis on previous hotel experiences, word of mouth recommendations, convenient locations and good service.

Location is considered as one of the key determinants of customer satisfaction when choosing a hotel with aspects such as accessibility, proximity of hotel to major destinations of interest and the quality of the surrounding environment (Zhou, Ye, Pearce, and Wu, 2014). On accessibility, the hotel should be located in an area where transportation means are available such as the bus terminus, railway station and or airport. The proximity of the hotel to major attractions or business hub would enable the customer have easy access which would save on time and travel costs. The surrounding environment should be secure, have adequate opening hours for malls or supermarkets, and provide a clean and quiet environment.
2.1.4 Perceived Service Quality (PSQ)

According to Wang and Hing (2002), service quality may be defined as customer perception of how well a service meets or exceeds their expectations. The difference between consumer expectation and their perception of service quality constitutes the service quality gap. Oliver (2010) in his theory on service quality states that it is predicted that customers will judge quality as low if its performance fails to meet their expectations and high when the performance exceeds expectations.

According to Kaufman and Lane (2006) perceived service quality is the subjective perception of quality through various indirect measures of quality comparisons. Christopher (1994) conceptualized perceived service quality as the outcome of comparing the real experience with the expectation of a customer before consuming the service. Ladhari (2008) also suggests that the quality of service is dependent on two variables; expected service and perceived service.

Various studies conducted on customer perception of service quality in the hospitality industry indicate that there are service gaps as the hotels are not able to meet customer expectations. In a study conducted by Norman (2004) in Mauritius on hotel guest perceptions in Mauritius, found that the overall customer’s perception of service quality provided by the hotel industry fell below the guest’s expectations. However, the study found out that high levels of satisfaction can be achieved in hotels by mainly focusing on assurance and reliability.

Similar outcome was found by Renganathan (2011) in his study of Service Quality in Hospitality Services, Gap Model and Factor Analysis, in India whereby perceptions of service quality were found to be far lower than that of expectations. Furthermore, Mohsin, Hussain and Khan (2011) in their research on service quality in luxury hotels in Pakistan confirmed that perception scores fell below the expectation scores of service quality.

It is worthy to note that customer satisfaction is influenced by perceptions of service quality, product quality, and price as well as situational factors and personal factors and expectations of customer towards the service (Zeithaml and Bitner, 2003).
Personal factors such as the customer’s mood, the context, time the event takes place, the company that the customer has are bound to affect satisfaction. It is therefore imperative that Hotel managers place more emphasis on service quality elements to enhance customer satisfaction which will inadvertently boost hotel revenues. The environment and particularly the physical facilities provide “visual cues” as to the quality of service provided.

According to previous studies conducted on the physical setting of an organization, researchers propose that the physical setting may influence the customer’s ultimate satisfaction with the service provided (Zeithaml and Bitner, 2003; Shostack, 2011). The tangible elements in the physical environment is particularly important to the service sector such as hotels, banks, hospitals and retail stores (Oliver, 2010; Renganathan, 2011; Shahin, 2005). According to Zhou et al., (2014), the service setting that is depicted by the tangible elements plays a critical role in shaping customer expectations and even influencing the nature of customer experiences. The physical environment forms the Servicescape; the environment in which the service is assembled where the service provider and the customer interact combined with the tangible elements that facilitate the provision of a service (Booms and Bitner, 2011).

Carpenter and Moore (2014) also reported that physical environment had an influence on consumer satisfaction. Another study by Kang, Okamoto and Donovan (2004) revealed that the physical aspects of the establishment had the most powerful impact on the guests. The study investigated general hotel and ryokan guests’ perception of service quality using the SERVQUAL model.

Similarly, a study conducted by Countryman and Jang, (2006), to examine the atmospheric elements of color, lighting, layout, style, and furnishings that make up the physical environment of a hotel lobby, revealed that the physical environment has significant influence on overall guest perceptions and impressions. However, in contrast, Voon (2011) found out that the service scape had minimal impact on customer satisfaction and loyalty.
2.2 Theoretical Review

Theories conducted on service quality and customer satisfaction indicate that there is a close link between the two concepts (Sureshchandar, Rajendran and Anantharaman, 2002). Moreover, service quality has a strong effect on customer satisfaction. According to Jain and Gupta (2004), the survival and growth of most tourism businesses is dependent on customer satisfaction and service quality (Soria, Garcia and Garcia, 2005). The measurement of service quality has been a challenge since quality is defined as per the customer’s perceptions. This area of service quality has increased the interest of many researchers who have developed models on the subject. There are therefore several theories that are applicable in the evaluation of service quality that include the SERVQUAL model, Gap model and Disconfirmation theory.

2.2.1 SERVQUAL Theory

Extensive research carried out within the framework of service quality shows that service quality is a focused evaluation that reflects the customer's perception of specific dimensions of service (Renganathan, 2011, Parasuraman et al., 1985 and Zeithaml et al., 1996). The SERVQUAL model provides a suitable conceptual framework for research and service quality measurement in the service sector. The model measures service quality using the five dimensions: assurance, empathy, reliability, responsiveness, and tangibles. It is based on the definition of quality as a comparison of the expected and the perceived service quality according to the customer as well as a consideration of gaps in the process of service delivery. It is noteworthy to point out that service quality represents a multidimensional construction. The five dimensions of service link the following specific service characteristics, Tangibility refers to the appearance of physical facilities, equipment, personnel and communication materials that makes the product or service practical and usable by the customer (Al Rousan, 2011).

Employees are part of the tangible aspects in service as well as provide the intangible aspects of the service. They play a very significant role in the provision of goods and services in any business organization and particularly the service industry. This is because the services have unique characteristics that make them very different from
tangible goods sector. Many of the services are produced upon interaction moment of truth and consumed simultaneously (Anderson, 2012). This makes them unique, heterogeneous, intangible and perishable. According to Lovelock and Wirtz (2007), a service can be “defined as an act or performance offered by one party to another. The process may be tied to physical but performance is intangible and does not normally result in ownership or transfer of title”. Service organizations, Hotels included, are mainly labor intensive and face the challenge of ensuring consistency in the production and delivery of quality products and services. The key players in the production of a service are the service staff and it is therefore paramount that in evaluating the service delivery the intangible aspects such as the soft skills depicted in the SERVQUAL are considered.

Empathy relates to the provision of caring, individualized attention by the employees to the customers. Responsiveness is the willingness of employees to help customers and to provide prompt and quick service (Marković and Raspor, 2010; Knutson, 2010; Parasuraman et al., 1985). Reliability refers to the ability of the employees to deliver the promised service dependably and accurately (Reimer and Kuehn, 2015; Parasuraman et al., 1985; Tat and Raymound, 1999), while assurance is the provision of caring, individualized attention to customers. Each of these dimensions has different features and just like all dimensions have different impact on the final service quality, these features have varying influence on the grading of success of a single dimension.

However, despite its popularity and wide application, the SERVQUAL model has been subjected to numerous criticisms, both from the conceptual and operational aspect (Marković, 2005). According to Marković, (2005), the conceptual criticism of the SERVQUAL is that the model is based on an affirmation pattern rather than on the pattern of understanding and it is therefore not able to tie in with proven economical, statistical and psychological theories. He suggested that the SERVQUAL is geared towards the process of service delivery rather than on the result of service experience. He further argues that the five dimensions are not universal and that the number of dimensions that surround aspects of service quality are associated to the context.
On operational criticism of the SERVQUAL, the term “expectations” has multiple interpretations and as such has been operationalized differently by various researchers like Dabholkar et al., (2000); Gronroos (1990); Teas (1994). With regard to the disconfirmation model, the fit between service quality as measured using the SERVQUAL scale and the overall service quality measured directly through a single item scale was found to be poor (Boshoff and Gray, 2004; Babakus and Mangold, 1989; Carman, 1990; Finn and Lamb, 1991). In addition, over the years, consumers prefer to use the standards in evaluating services as opposed to expectations. Furthermore, the gap model has little evidence that proves that consumer evaluates service quality in light of perception-expectation gaps.

Needless to say, that SERVQUAL cannot measure the absolute expectations of service quality. This is because of the heterogeneous nature of a service; the consumer’s evaluation of a service may vary from one to the next moment of truth. Also, the nature of the human being is so complex and dynamic that the needs always keep changing. In addition, erroneous reactions are also bound to occur from the reverse polarity of scale elements and the Likert’s scale with 7 ratings was found to be inadequate (Lewis, 2007). Alternative scales for measuring service quality have been proposed (Brady and Cronin, 2003; Cronin and Taylor, 1994) but there is still no consensus as to which one of them is robust enough for measuring and comparing service quality. Also one of the major challenges posed by past studies has been the researchers’ preoccupation with the assessment of psychometric and methodological soundness of service scales within the context of service industries in developed countries. Moreover, very little research has been conducted on the applicability of these scales to service industries in developing countries (Jain and Gupta, 2004).

The SERVQUAL model has continued to receive criticism from different scholars for its shortcomings (Peter and Dieke, 2003). The use of a single generic scale for measuring service quality across a variety of service settings is in doubt and industry specific models have been developed (Ladhari, 2008). They argue that it needs to be tailor made to fit a specific service. Markovi and Raspor (2010) suggest that the dimensions of service quality may be affected by the types of service under study.
According to Cronin and Taylor (1992), the conceptualization of service quality as a gap between expectations and performance is not adequate. In their view, the concept of service quality should be the customers attitude towards the service as the concept of satisfaction is defined as the gap between expectation and performance. They favored a performance measure included in the scale and developed SERVPERF. Yuksel and Rimmington (1998) also concur with this view as they deem performance as the most reliable and valid measure of satisfaction. Furthermore, research done by Tontini and Picolo (2014) on the quantitative application of the SERVQUAL model in Croatian hotel industry indicated a negative SERVQUAL gap as the expectations of hotel guests were higher than their perception. Their findings indicate the rather high expectations of hotel guests regarding service quality.

Another scholar, Akan (1995) conducted a study on the relevance of SERVQUAL in the hospitality industry identified new dimensions of service quality and established their importance to customers. The new dimensions included accuracy of speed of service, solutions to problems, communication and transactions. Similarly, studies carried out by Akama and Kieti (2003) to measure tourist satisfaction in Kenya using the SERVQUAL also considered two additional dimensions of price and perceived value.

The main purpose of this study was to evaluate customer satisfaction using an integrated model that combines the gap analysis with the SERVQUAL model. This is because despite the criticisms on the SERVQUAL model, the model provides a suitable conceptual framework for research and service quality measurement in the service sector due to extensive research carried out using SERVQUAL (Coyle and Dale, 1993, Parasuraman et al., 1985) that indicates that service quality is a focused evaluation that reflects the customer's perception of specific dimensions of service. Furthermore, its popularity and wide application also makes it suitable for use in the hospitality sector.

Kano and SERVQUAL models are some of the common models used for the measurement of customer satisfaction in the service industry (Chan and Wong, 2006; Hartline and Jones, 2013). The choice of the model, modification and process is determined by the objectives of the study. For this research, the SERVQUAL was
found most appropriate given that the SERVQUAL has gained popularity and is widely used in a number in researches conducted in hospitality and Tourism sector. Therefore, the underpinning theories for this research are based on the SERVQUAL and the Gap models. The SERVQUAL is a gap analysis research instrument created by Zeithmal and Parasuraman (1985), while the gap model analysis defines service quality as a function of perception and expectations.

2.2.2 Integration of the SERVQUAL and the GAP model

The foundation the SERVQUAL is the gap model as proposed by Parasuraman, Zeithaml and Berry (1985, 1988). The researcher therefore developed an integrated model based on the premise of both the SERVQUAL and gap models (Conceptual framework Figure 1.1). The integrated model developed by the researcher combines the three gaps of service quality namely; gap between service quality and customer satisfaction perception (Gap 1); gap between service delivery and customer satisfaction (Gap 2) gap management perception and customer satisfaction (Gap 3). Integrating the gaps with the measurement tool (SERVQUAL) provided better insight for corrective action by management. Moreover, the integrated model enhanced the application validity of the two models just as related researches in recent years have shown that integration of gap analysis and importance-performance analysis (IPA) model and is able to enhance its application validity (Abalo, Varela, and Manzano, 2007; Fening et al., 2008; Chen, 2015; Choi and Chu, 2001). The researcher therefore reviewed related literature pertaining to the SERVQUAL and gap models.

The model is based on the premise that customer satisfaction is dependent on the service quality offered by the hotel and customer satisfaction was thus be the dependent variable in the model while the independent variables were be the five dimensions of the SERVQUAL; tangibility, empathy, responsiveness, reliability and assurance (Reichheld and Sasser, 1990). The researcher integrated the SERVQUAL and gap models in evaluating customer satisfaction in budget hotels in Nairobi.

Managers in the hotels form certain perceptions on what they think the customers will expect. The managers develop designs, standards and marketing strategies for service delivery in an effort to meet the clients’ needs. In the model, the perceptions of what the managers believe that the customers’ needs are reflected using the five
dimensions. Gaps exist between the management’ perception of service quality and the service quality specifications that they develop. It is noteworthy to point out that the designs that the managers develop do not always translate into customer satisfaction and therein lies quality (Gap 1). When the actual service delivery occurs, the outcome is customer satisfaction or dissatisfaction (Gap 2). The satisfaction will be dependent on the customers’ perception of service quality offered by the hotel.

On tangibility the organizational environment provides certain variables that will affect service delivery like the hotel architectural design and aesthetics, structure, layout, ambiance and personal grooming of the employees. Empathy, responsiveness, reliability and assurance is portrayed through the soft skills of the employees, their attitude and behavior when the service is being produced at the point of contact or moment of truth. The manager also develops service design of the service operations, develops operating standards by setting out standard operating procedures, specifications and communication channels that should ultimately result into customer satisfaction in the service delivery. However, due to the unique nature of services, the management perception of what the customer expects and the customer expectation more often than not varies. This creates a gap between managements perception of what the customers expects and the customer expectation (Gap 3). This is because of the assumption amongst service providers that they know best (Coyle and Dale, 1993).

Customer’s perception of service quality may be influenced by many factors among them the actual service delivery and the service staff, individual preferences/tastes, previous experiences, values and beliefs, word of mouth and trends. However, communication of the service or product to the customer is crucial as it is the external link between the customer and the hotel. This can be done through advertising and promotion by communicating the “promise”. When the hotel’s communications with customers promise a level of service performance that people, technology and processes that the hotel cannot deliver, a communication gap arises. This gap has been has not been captured in this study.

It is often said that the service that an employee gives is a reflection what he/she feels. If the employee is satisfied, then this was reflected in the service that he/she gives and
service versa. This brings in the aspect of internal service quality. Internal service quality in the organizational environment influences employee satisfaction in an organization. The employees in turn translate this satisfaction into their work output by giving quality service to customers who then get satisfied become loyal and ultimately increase in revenues and profits (Heskett et al., 1994).

The intervening variable was the Manager’s perception of service quality. The dependent variables were elements of customer satisfaction that range from extremely satisfied to extremely dissatisfied. This was evaluated on a seven-point Likert scale of the study. The researcher measured service quality in Hotels using the SERVQUAL tool and also to assess customer satisfaction as per the service attributes/elements by SERVQUAL (Parasuraman et al., 1985).

2.2.3 Gap Analysis Model

According to the Gap Model, service quality is the difference between consumer’s expectations and perceptions and is dependent on the internal gaps within the service organization. The gap analysis is a formal means of ascertaining gaps between the desired and actual levels of performance. Within the context of service quality, the gap analysis identifies the customer gap occurring between perceived service quality and expected service quality. Service providers aim to satisfy customers and fulfill their expectations by closing this customer gap. The gap concept assists in analyzing performance-value distances. This helps managers attain the degree of expected level in an effort to improve services or set improvement goals. The effectiveness and efficiency of an improved strategy for perceived service quality is anchored on an appropriate selection of service attributes in need of improvement (Zeithaml and Bitner, 2003).

On measurement of service quality, many researches argue that results of gap analysis were the most effective references to improve the overall service quality for business (Choi and Chu, 2001). Therefore, an understanding of the gap between the expected service and perceived service for customers is paramount. Meanwhile, businesses that desire to improve their service quality need to reduce all service gaps (Kayaman and Arasli, 2007; Kotler and Keller, 2006).
According to Fullerton’s (2005), service quality dimensions comprise physical environment quality, interaction quality and outcome quality while George and Jones (2008) also indicated that the physical environment accounts for the tangible features in services provision. Interaction quality relates to the high contact transactional effect between the customer and the service provider. Outcome quality can be defined as the customer’s evaluation of the result of the service act including the punctuality of the service provider as cited in Fullerton (2005).

As stated earlier, service quality can be defined as the gap between customer expectations and actual performance (Kandampully and Hu, 2007). The gap model (Figure 2.1) that is based on the expectation-confirmation theory, illustrates how consumers assess quality, taking into account the factors that contribute to determine quality in its various connotations: quality expected by customers, quality offered by firms, quality perceived by users after the service consumption. The Gap Model was first published in 1985 and then further modified and developed by the same authors (Gremler and Gwinner, 2000). Stemming from the definition of quality as the capability to satisfy consumer expectations, the Gap Model aims to identify the possible causes for a gap between expected quality and perceived quality. The model conceptualizes key concepts, strategies and decisions which are essential for the quality offer according to a sequence which starts from the consumer, identifies necessary actions for the firm to plan and offer a service, and go back to the consumer in the hub of the model: the comparison between expectations and perceptions.

This model proposes that service quality is a function of the differences between customer expectations and performance along quality dimensions and that it is dependent on the size and direction of the gap between the expected service (E) and perceived service (P); Q=P – E. According to this model, service quality is a function of perception and expectations (Figure 2.1).
THE GAP MODEL

Figure 2.1: The Gap Model (Parasuraman et al., 1985)

According to the Gap model, there are five major gaps in the service quality concept Parasuraman et al., (1985). Gap1: Customers’ expectations versus management perceptions as a result of the lack of a marketing research orientation, inadequate upward communication and too many layers of management. Gap2: Management perceptions versus service specifications as a result of inadequate commitment to service quality, a perception of unfeasibility, inadequate task standardization and an absence of goal setting. Gap3: Service specifications versus service delivery as a result of role ambiguity and conflict, poor employee-job fit and poor technology-job fit, inappropriate supervisory control systems, lack of perceived control and lack of
teamwork. Gap4: Service delivery versus external communication as a result of inadequate horizontal communications and propensity to over-promise. Gap5: The discrepancy between customer expectations and their perceptions of the service delivered as a result of the influences exerted from the customer side and the shortfalls (gaps) on the part of the service provider.

2.2.4 Disconfirmation Theory

The theories that best illustrate customer satisfaction are the disconfirmation theory and expectancy value concept. (Carpenter and Moore, 2014). The disconfirmation theory states that customers normally evaluate the product or service experience against standards that they have set for themselves (Oliver, 2010). If the actual service delivery or performance is equivalent to the standards set, then there is satisfaction and when the standards are not met, then there is disconfirmation. The expectancy value concept stipulates that the customers make judgments about a product or service, its benefits and the likely outcome of using or consuming the service or product. Normally, people learn to perform behaviours that they hope will result in positive outcomes (O'Loughlin and Coenders, 2002).

2.3 Empirical Literature Review

2.3.1 Service Design and Customer Satisfaction

Various studies have been carried out by different scholars to establish the relationship between the service quality dimensions and customer satisfaction. A study conducted on the relationship between customer satisfaction and service quality (Kuo, 2003; Sureshchandar et al., 2002; Sivadas and Prewitt, 2000; Liang and Zhang, 2009) showed that there is a positive relationship between customer satisfaction and service quality. In addition, Kotler and Keller, (2009), established that higher levels of quality leads to higher levels of customer satisfaction. Wang and Hing (2002), used the SERVQUAL model to test the hypothesis of the relationship between the five dimensions of service quality service quality. The results of their study found a strong relationship between service quality, satisfaction and behaviour intention. They also argued that service quality and satisfaction may be viewed as two separate constructs.
Another study by Bennett and Barkensjo (2005), indicated that the hypothesis of the
five dimensions of the SERVQUAL were “scientifically associated with the service
quality construct”.

Research has shown that there is a link between customer satisfaction, perceived
service quality and customer loyalty. A study conducted by Heskett et al., (1994)
revealed close links between the customer and employee satisfaction. Their findings
indicate that there is a relationship that links internal service quality, employee
satisfaction/productivity, value of services, customer satisfaction, loyalty and
ultimately increased company profits. Furthermore, it has been established that
organizations that have a more satisfied customer base also experience higher
economic returns (Aker and Jacobsson, 2005; Bolton, 1998). It is believed that the
relationship between service quality and customer satisfaction is relatively close
(Sureshchandar, Rajendran and Anantharaman, 2002). Research has also shown that
service quality has a significant impact on customer satisfaction (Minh et al., 2015).

The hotel service sector is people based and therefore requires the human element as
the major participant; the employees. This makes the industry labor intensive as there
is a lot of interaction with the customers for the service to be produced (O’Loughlin
and Coenders, 2002). Their performance has a great impact on the outcome of the
service due to distinct features of services that make it heterogeneous, intangible,
 perishable and simultaneous production. Behaviors and actions of employees who are
satisfied tend lead to favorable job performances which may in-turn result in customer
satisfaction. Their satisfaction in the job will may also reduce staff turn-over (Petrick,
behavior to customer satisfaction. The study showed that the extent of personal
 warmth displayed by the service employees towards the customer was positively and
significantly related to service quality perceptions and customer satisfaction.

In addition, Hansen et al., (2003) stated that customer commitment towards a service
organization is significantly dependent on the customer commitment to the customer
contact employee. Furthermore, Kong and Jogaratnam (2007), established that
employee personalization and courtesy were significant predictors of customer
satisfaction. Therefore, a customer’s decision remain loyal to a service company is
highly dependent on customer-contact employee behavior. It is thus important that employees are well motivated as this will lead to job satisfaction and job retention.

2.3.2 Service Delivery and Customer Satisfaction

Customers visiting budget hotels expect a certain level of the quality of services offered in terms of accommodation, food and beverage and other support services. Budget hotels mainly target business clients who do not expect luxuries as part of the offer but they expect the hotel to offer basic amenities that are comfortable and good food that has value for money (Wong and Chung, 2003). The value for money is essential as these customers are price sensitive and pricing strategy is key for any hotel that intends to attract the price conscious customer to the budget hotel.

The level of customer’s expectations differs from case to case (Davis, Lockwood and Pantelidis, 2012). If a guest stays in a certain hotel, with high level of its personnel courtesy and low prices but the interior or ambience fail to match the expected level, the guest expectations will form according to the case (Lockyer, 2011). Inappropriate ambience causes guests to decide not to stay in the hotel, but other guests, who are also aware of the modest interior, will decide to stay in the hotel since they expect courteous personnel and lower prices. That hotel meets minimum tolerable expectations to attract guests. However, for other profiles of guests, the level of expectations is higher since low price and courteous personnel cannot render compensation for inappropriate ambience (Olsson, 2013).

The confirmation of expectations is observed through the gap, i.e. the deviation which appeared between the guests expectations and delivered service. If their expectations meet the perception that means the guests are satisfied. When the perception outweighs the expectations, the guests are delighted. In case, the expectations are higher than the perception, it is assumed that the guests are dissatisfied (Falzon, 2011; Dawkins and Reichheld, 2010).
2.3.3 Management Perception and Customer Satisfaction

Management perception of customer needs or requirements is critical for the success of any organization. Management perception of service quality in relation to customer needs is an indicator that the organization seeks to fulfill customer expectations. Studies conducted on the differences between managers perception of service quality and customer expectations indicate that there are differences between the two (Nightingale, 2016). The results showed that management’s perception of service quality differed greatly with the perceptions of customers, colleagues and staff. The existence of gaps between consumer expectation and management perception, as well as between service quality specification and service delivery ultimately results in a gap in perceived service quality (Babajide, 2011). These findings have also been supported by Wei and Reid (2009) and Choy and Zhang 1986 who found that hotel managers in China had inadequate understanding of tourist expectations due to differences in their cultural upbringing.

Furthermore, an evaluation of service quality in the hospitality by Coyle and Dale (1993) established that considerable gaps exist between perceptions of the service provider and the customers. In their study, they found out that managers believed that staff competency and skills were the key factors in the service transaction, a view that the customers did not agree with. The customers were also of the view that the “tangible” elements of the service like décor, cleanliness were not as important as the managers believed they were. However, other studies conducted by Lewis (2007), Kong and Jogaratnam (2007) and Nel (1993) on measurement of the service quality gap indicated that for most part management had a good understanding of customer expectations.

2.4 Summary and Gaps from Reviewed Literature

A summary of reviewed literature on service quality showed that the dimensions of service quality have an impact on customer satisfaction. The review highlights the need to scrutinize the extent to which the services in the provided in the hotels meets customers’ needs. In the hotel industry, a review of the existing literature has shown that customer satisfaction is highly depended on service quality (Minh, Ha, Phan and Matsui, 2015; Lin, Yuanyuan and Huiqin, 2014; Watiki 2014; Hooper, Coughlan
and Mullen, 2013; Mohsin, Hussain and Khan, 2011; Aldehayyat, 2011; Karunaratne and Jayawardena, 2010).

Minh et al., (2015) conducted a study to examine the relationship between service quality and customer satisfaction in three-star hotels in the city of Da Nang, Vietnam. The variables were 23 service quality items covering the five dimensions of the SERVQUAL model. Questionnaires were administered to 432 respondents from 33 three-star hotels. Data was analyzed through regression analysis and the findings indicated significant correlations between the five dimensions of service quality and customer satisfaction.

Lin, et al., (2014) did a study on hotel service design from the perspective of the customer in Wuhan, China. The variables used were service requests and service design of the hotel. The study was a case study of a luxury hotel in urban China and the sample size was 120 customers who were randomly selected. The study used the Kano model from the perspective of the customer to analyze the correlation between the independent variables and customer satisfaction. The findings indicated that design factors have a significant relationship with customer satisfaction.

Watiki (2014) did a research to examine the relationship between service quality and customer satisfaction in hotels within Nairobi City County, Kenya. The variables used were the SERVQUAL five dimensions of service quality. The researcher adopted a descriptive design study. The population was 3412 hotel guests from star rated hotels in Nairobi, Kenya and the sample size was 358 hotel guests. The questionnaires were distributed proportionately to the 358 guests in the hotel. The study used SERVPERV model and data analyzed using Linear Regression. The findings showed that service quality had a statistically significant effect on customer satisfaction.

Hooper, Coughlan and Mullen (2013) conducted a study to examine whether the servicescape was an antecedent to service quality and behavioral intentions. The study was conducted in a retail store in Durban, Ireland. The variables were the physical attributes of the retail store including cleanliness, signage, arrangement and flow of service. The population comprised all customers who exited the retail store at the time of data collection. The sample size was 355 customers were intercepted as they left
the retail store and data was analyzed using confirmatory factor analysis (CFA) and structured equation modeling. The results showed that design is a significant contributor to behavioral intentions thus affirming the notion that it is important to manage the service environment in order to achieve customer satisfaction and repeat patronage.

Mohsin et al., 2011 did a study to assess service and product quality perceptions of guests staying in luxury hotels in Lahore, Pakistan. The study variables comprise attributes and services from operational areas; front office, room service, housekeeping and restaurants departments. The methodology used was survey and interview technique and the population comprised consenting guests who visited the four- and five-star hotels during the three month period of study. The total respondents were 226 hotel guests. Data was analyzed using descriptive statistics and Importance-Performance Analysis (IPA). The findings indicated that the guests were satisfied with housekeeping cleanliness and comfort in the room, food and beverage services, timely and prompt service by the staff at the hotel. The study variables were the five dimensions of SERVQUAL.

A study by Aldehayyat, 2011 was conducted in Jordan to measure hotel service quality performance from customers’ perspective. The target population comprised customers visiting three, four- and five-star hotels in two cities in Jordan. The sample population was 280 hotel guests and non-probability convenient sampling technique was applied. The researcher used SERVPERV model to measure customer satisfaction of the guests. Descriptive statistics and Pearson correlation were used to analyze the data. Findings indicated that empathy and tangible elements of the hotel had a significant effect on customer satisfaction.

Karunaratne and Jayawardena, (2010) did a study to evaluate the level of customer satisfaction of a 5-star hotel in Kandy district, Sri Lanka. The study variables comprised the five dimensions of SERVQUAL. The population was 300 hotel guests and 204 employees. Questionnaires were administered to the hotel guests while focus group discussions and perception survey was carried out on the employees. The sample size was 60 resident guests in the hotel. Data was analyzed using descriptive statistics and T-test. The findings showed that majority of the customers expressed
satisfaction with the overall service that they received in the hotel particularly on Tangibility, Responsiveness and Assurance.

The literature reviewed indicates that studies by were carried out across different geographical and social-cultural contexts and different service quality dimensions were used. A summary of the gaps is as shown in table 2.1

<table>
<thead>
<tr>
<th>Author</th>
<th>Study</th>
<th>Methodology</th>
<th>Main Findings</th>
<th>Research Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minh et al., (2015)</td>
<td>Measure perceived service quality and its impact on customer satisfaction</td>
<td>Survey questionnaire administered to 432 guests from 33 hotels in Da Nang, Vietnam</td>
<td>Results indicate that Reliability, Responsiveness, Assurance, and Empathy have significant impact on the customer satisfaction.</td>
<td>Contextual gap</td>
</tr>
<tr>
<td>Lin, et al., (2014)</td>
<td>Hotel service design from customer perspective</td>
<td>Case study of a luxury hotel in urban China and the sample size 120 guests randomly selected</td>
<td>Hotel design factors have significant relationship with customer satisfaction</td>
<td>Contextual gap Luxury hotel not same as budget hotel</td>
</tr>
<tr>
<td>Watiki (2014)</td>
<td>Examine relationship between service quality and customer satisfaction</td>
<td>Descriptive design study from a population of 3412 hotel guest from star rated hotels in Nairobi, Kenya. Questionnaires distributed 358 guests in the hotel. SERVPERV model used.</td>
<td>Service quality has a statistically significant effect on customer satisfaction.</td>
<td>Contextual as study was in star rated hotels Used SERVPERV while current study used SERQUAL</td>
</tr>
<tr>
<td>Hooper et al.,(2013)</td>
<td>Examine whether the servicescape was an antecedent to service quality and behavioral intentions</td>
<td>Population comprised all customers who exited the retail store at the time of data collection in Durban, Ireland. Sample size. 355</td>
<td>Design is a significant contributor to behavioral intentions and customer satisfaction</td>
<td>Contextual gap Used Confirmatory factor analysis (CFA) for analysis, while current study used regression</td>
</tr>
<tr>
<td>Study</td>
<td>Methodology</td>
<td>Findings</td>
<td>Contextual Gap</td>
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<tr>
<td>Mohsin et al., 2011</td>
<td>Assess service and product quality perceptions of guests staying in luxury hotels in Lahore, Pakistan.</td>
<td>Survey interview technique to 226 respondents. Guests were satisfied with housekeeping cleanliness and comfort in the room, food and beverage services, timely and prompt service by the staff at the hotel.</td>
<td>Contextual gap. Used IPA while current study used regression for analysis.</td>
<td></td>
</tr>
<tr>
<td>Aldehayyat, 2011</td>
<td>Measure hotel service quality performance from customers perspective</td>
<td>Target population comprised customers visiting three, four and five star hotels in two cities in Jordan. The sample population was 280 hotel guests and non-probability convenient sampling technique was applied. SERVPERV model used. -Positive statistical significance between the three dimensions of service Quality (Reliability, Responsiveness and Assurance) and the customer satisfaction. -No relationship was found with empathy and tangible.</td>
<td>Contextual gap. Used SERVPERV model while current study used SERVQUAL.</td>
<td></td>
</tr>
<tr>
<td>Karunaratne and Jayawarden (2010)</td>
<td>Evaluate the level of customer satisfaction of a 5 star hotel in Kandy district, Sri Lanka.</td>
<td>Population - 300 hotel guests and 204 employees. Questionnaires for 60 hotel guests while focus group discussions and perception survey for employees. Results indicated that Customers expressed satisfaction with the overall service that they received in the hotel particularly on Tangibility, Responsiveness and Assurance.</td>
<td>Contextual gap. Luxury hotels study while current study is budget hotels.</td>
<td></td>
</tr>
</tbody>
</table>
The gaps in Table 2.1 identified were contextual and conceptual gaps due to the different geographical locations of the previous studies conducted, the variables used, theoretical models, methodology and data analysis. To fill these gaps, the current study conducted to empirically investigate hotel service quality in Nairobi City County, Kenya using an integrated model of the SERVQUAL and Gap model.
CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter details the research process that was followed in conducting the study. It states the epistemological perspectives adopted by the researcher. Thereafter, the chapter gives a description of the research design, location of the study, target population, sampling techniques as well as sample size, study instruments, pre-testing of the instruments, data collection techniques and data analysis.

3.1 Research Philosophy

The study was based on epistemology philosophy. Epistemology can be defined in a broad sense as the study of knowledge (Gremler and Gwinner, 2000). In the extremes, knowledge can be viewed as objective and theoretically accessible to all, or else subjective and dependent on individual experience (Kandampully and Suhartanto, 2013). The conflicting issue with epistemology is whether or not the social world should be studied according to the same principles and procedures science (Gustafsson, 2005). In this study, the researcher adopted a positivist view of epistemology. The study assessed customer satisfaction in the budget hotels using the SERVQUAL and gap model basing on previous studies from where more knowledge was obtained. The study dealt with social phenomena, which is customer satisfaction from the customers’ point of view. The knowledge was developed through an objective measurement using the measurable theoretical perspective of SERVQUAL and the Gap model by Zeithaml, Parasuraman and Berry (1990).

3.1 Research Design

The study adopted a descriptive research design which is cross-sectional descriptive survey design. The research design was chosen due to its effectiveness, low cost and it enables easy access to information (Cooper and Schindler, 2006). The research design was based on the deductive approach. According to Saunders, Lewis and Thornhill (2009), this approach has certain important characteristics that makes it scientific.
Firstly, it facilitated the explanation of causal relationships between variables. Secondly, the approach dictated that the researcher remains independent of what was being observed. Thirdly, it allowed for the concepts to be operationalized in such a way that made it possible to measure the independent and dependent variables quantitatively. The fourth and final characteristic is that the approach allowed for generalization. For generalization to take place, it is important to select samples of sufficient numerical size.

This design enabled collection of large amounts of data from a large population. The data collected was standardized allowing ease of comparison of the data and it enabled the researcher to gain more control over the research process. Furthermore, the use of quantitative research design enabled the researcher to collect data that was quantifiable that could then be analyzed and correlations deduced from, for example the existing relationship between the SERVQUAL dimensions and customer satisfaction.

### 3.2 Study Setting

The study was carried out among budget hotels in Nairobi City County, Nairobi was purposively selected because it is the capital city of Kenya and the largest. Most international and local business meetings are held here. Income per capita is relatively higher than other parts of the country and 55% of the budget hotels are located here due to its central location as a business hub (Kenya National Bureau of Statistics, 2014). Therefore, the researcher found Nairobi City County the most suitable for this study.

A budget hotel is a hospitality establishment offering accommodation and a limited range of food and beverage services and amenities. The main target is price sensitive customers for short stays and aim at customers’ satisfactory core product at a reasonable price. The price range for these establishments for single room bed and breakfast was between Ksh. 3400 to 8500. For this study the hotels had over 20 rooms and excluded camps, casinos, restaurant and pub establishments that offered accommodation and limited food and beverages services.
Budget hotels were selected for the study because not many studies have been conducted on budget hotels in Kenya. In addition, the hotels are not categorized and they have no benchmark standard for their operations. These hotels were selected specifically because they provided examples of hotels in high traffic tourist destination offering basic accommodation and food and beverage offers. Customers and employees in the budget hotels were surveyed using a questionnaire while interviews were conducted for the managers.

3.3 Target Population

The study population comprised all hotels in Nairobi and the sampling frame was all budget hotels. There were 283 hotels in Nairobi (Appendix VII) that are duly registered by Tourism Regulatory Authority (TRA, 2014). This number includes the 50 budget hotels that were selected as budget hotels based on the definition of budget hotels (Appendix VIII). According to MAH (MAH, 2014), the budget hotels typically offer average accommodation with rates ranging between Ksh. 3,500 to Ksh. 8,500. These hotels were selected specifically because they provide examples of hotels in high traffic tourist destination with relatively sophisticated customer satisfaction measures.

3.4 Sample Size determination

A sample is a representative subset of a population (Nachmias and Nachmias, 1996). According to Denscombe (1998), the extreme upper limit of the sample size is 2000-3000 while the extreme lower limit is 30 cases for statistical data analysis. Cooper (2000) asserts that for survey design, a sample of at least 30 per cent is justifiable for the study.

The total respondents comprising managers, employees and customers in budget hotels within Nairobi County. The employees were targeted because in the service setting, employees play a key role as in the production and delivery of the service, they are part of the design or service setting. Their information on aspects pertaining the service can be corroborated with information collected from managers’ perception of service quality. It is for the purpose of triangulating the information provided which authenticates information provided by the respondents.
The population was estimated using internationally accepted ratio for staff to room is 1: 0.4 - 0.7 for budget hotels as shown in Appendix VIII (The Economic Times, 2012); while for customers the study used KNBS (2012) where the study indicated that the average occupancy rate in the budget hotels was 41%. The total number of managers in the target population was 50 and the employee and customers were as shown in Table 3.1 totaling to 2525 for sample size calculation using Christopher formula then reduced it using fishers.

### Table 3.1: Study Population

<table>
<thead>
<tr>
<th>Description</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotels (Managers)</td>
<td>50</td>
</tr>
<tr>
<td>Employees</td>
<td>1222</td>
</tr>
<tr>
<td>Customers</td>
<td>1253</td>
</tr>
<tr>
<td>Universal population</td>
<td>2525</td>
</tr>
</tbody>
</table>

The study used Fishers (1961) formula to determine the sample size since the target population was below 10,000 respondents (Table 3.1). In order to arrive at the sample size, the Cochran (1963) formula/method was first applied, and then the sample estimate was reduced using Fishers (1961).

**Cochran formula**

\[
 n_0 = \frac{Z^2 pq}{e^2} = 385 = \frac{1.96^2 \cdot 0.5 \cdot 0.5}{0.05^2}
\]

- \(n_0\) - the sample size
- \(Z\) - the abscissa of the normal curve that cuts off an area \(\sigma\) at the tails
- \(P\) – the estimated proportion of an attribute that is present in the population
- \(q\) - 1 - \(P\)
e—the desired level of precision

Fishers’ formula

\[
n = \frac{n_o}{1 + \left( \frac{n_o - 1}{N} \right)} = 334 = \frac{385}{1 + \left( \frac{385 - 1}{2525} \right)}
\]

Where \( n \) is the sample size and \( N \) is the population size.

The distribution of the three categories of respondents is as shown in table 3.2.

<table>
<thead>
<tr>
<th>Description</th>
<th>Target</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>50</td>
<td>6</td>
</tr>
<tr>
<td>Employees</td>
<td>1222</td>
<td>162</td>
</tr>
<tr>
<td>Customers</td>
<td>1253</td>
<td>166</td>
</tr>
<tr>
<td><strong>Total sample size</strong></td>
<td><strong>2525</strong></td>
<td><strong>334</strong></td>
</tr>
</tbody>
</table>

334 becomes the adequate sample size to represent a total population of 10,000 and above (Table 3.2) with 6 managers, 162 employees 166 customers from the 50 budget hotels in Nairobi, City County. However, the study adopted Fishers (1961) asserted that if the target is less than 10,000 the same number of 334 can be used.

3.4.1 Sampling Procedures

The study used systematic random sampling for both the customers and employees. For the customers, the number of rooms occupied were divided by the sample size.

For instance, if the number of rooms occupied in a particular hotel was 2, and sample size was 3, then the customer in every 7\(^{th}\) room was given the questionnaire to fill out.

For employees, the data collection involved all employees including front and back office staff. This is because in the service setting, all employees play a role in service delivery. Systematic random sampling was used whereby the number of employees in the hotel was divided by the sample size.
For example if a shift had 6 employees and sample size was 3, then every second employee who logged in during the shift based on the register was given the questionnaire to fill out.

The systematic random sampling technique is an unbiased surveying technique that ensures that every object has the same probability of being selected.

General Managers of the hotels were selected randomly from the six hotels. The register held at the HR records and the guest register were used as the sampling frame.

3.5 Research Instruments

The research instruments consisted of were questionnaire and an interview guide. The questionnaires were administered to the customers and employees in the hotels while managers were interviewed to provide data on their perception of service quality vis a vis customer expectation based on the five dimensions of the SERVQUAL. The study used structured and semi structured questionnaires comprising service design as per the five dimensions of the service quality; tangibility, empathy, responsibility, reliability and assurance and service delivery indicators (Appendix II b). The questionnaire was for the customers and it had two parts with the first part comprising bio data of the respondents and the second part covered service design elements, service delivery and customer satisfaction.

The questionnaire for employees had 2 parts with the first part comprising bio data of the respondents and the second part covered aspects of work environment. All the questionnaires were self-administered by the drop off and pick method between April and June 2015. The filled questionnaire was picked two to three days after drop off. The questionnaires were analysed to reflect the respondent’s views in an accurate manner. The study applied the service quality dimensions as the basis for information for the customer questionnaire and applied the Gap model to evaluate the levels of satisfaction levels ranging from extremely satisfied to extremely dissatisfied.

Interviews for this study were carried out with the hotel managers in the hotels. Interviews involve a set of assumptions and understandings about the situation which are normally associated with a casual conversation (Denscombe, 1998). Interviews
were therefore be used as a means of obtaining information from the hotel managers to measure the customer satisfaction. They are basically more resource intensive and unlike questionnaires, they gave the researcher more in-depth information about the topic of study. This was because the researcher elicited for information from the managers on one on one basis thereby clarifying and probing any issues that was relevant to the study.

3.5.1 Research Study Variables

The study variables were the independent variables consisting the service design as per the five dimensions of SERVQUAL, service delivery variables and the dependent variable was customer satisfaction. Each SERVQUAL variable had sub indicators that were tested using data collection instrument, the questionnaire. The service quality indicators that made up the service design were nineteen while service delivery comprised six sub indicators (Appendix II b). Management’s perception was the moderating variable and the interview guide comprised service quality dimensions as per SEREVQUAL.

3.7 Validity and Reliability

3.7.1 Validity

The study conducted a pre-test from one hotel where two interview guides and sixteen questionnaires were distributed in order to check validity and also to check if the structure meets the study objectives. It involved administering the questionnaire to respondents to check if the questions and responses were valid, reliable, appropriate, necessary or sufficient.

The questionnaires were administered to a small number of people who were drawn from the population of interest in this study. The survey was conducted in a budget hotel in Nairobi on 22nd April 2015 and the respondents were one Manager, 11 customers and 14 employees. The hotel selected did not form part of the hotels that the final data collection was picked from. The feedback from the survey was used in revising the questionnaire instrument before it was administered to the respondents in the study.
Validity is mainly concerned with the soundness and effectiveness of the measuring instrument (Kombo and Tromp, 2006). It refers to the extent to which the data collection methods accurately measure exactly what was intended to be measured.

Face validity was achieved where the instruments was subjected to expert analysis and opinion from two external experts who thoroughly checked the representativeness of the research instruments at face value and ascertained whether they measured the constructs of the study.

Further the study considered construct validity through restricting the questions to the conceptualization of the variables and ensure that the indicators of each variable fall with the same construct. The purpose of this check was to ensure that each measure adequately assessed the construct it is purported to assess.

3.7.2 Reliability

Reliability is defined as the degree to which measures are free from error and therefore yield consistent results, produces stable and consistent results. Cronbach’s Alpha (1951) is one of the most common reliability statistical measurements. Alpha; $\alpha$ is a commonly employed index of test reliability and it is expressed as a number between 0 and 1.

It determines the internal consistency, or average correlation of items in a survey instrument to measure its reliability. According to Kothari (2004) internal consistency describes the extent to which all the items in a test measure the same concept construct. The researcher therefore tested the reliability of the instrument, the questionnaire using Cronbach’s Coefficient Alpha ($\alpha$) whose threshold was tested at 0.7. The findings of the analysis indicated the alpha coefficient for the nineteen items is as shown in Table 3.3.
Table 3.3: Reliability Statistics

<table>
<thead>
<tr>
<th>Construct</th>
<th>No of Items</th>
<th>Cronbach’s Alpha</th>
<th>Ranking</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability</td>
<td>6</td>
<td>.920</td>
<td>1</td>
<td>Cronbach’s alpha of values ranging from above .7 is acceptable (Pallant, 2007)</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>3</td>
<td>.893</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Empathy</td>
<td>4</td>
<td>.844</td>
<td>3</td>
<td>considered acceptable</td>
</tr>
<tr>
<td>Tangibility</td>
<td>3</td>
<td>.785</td>
<td>4</td>
<td>(Pallant, 2007)</td>
</tr>
<tr>
<td>Assurance</td>
<td>3</td>
<td>.771</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

The results indicate a relatively high internal consistency for all the items with reliability having the highest cronbach’s value of .920 followed closely by responsiveness with .893. According to Pallant (2007), values ranging from .7 are considered acceptable.

3.8 Data Collection Procedure

Data were collected from all licensed budget hotels in Nairobi. Data was collected from both primary and secondary sources. However, secondary data was used to validate primary data. The researcher adopted several independent but interrelated approaches during the collection of data and information gathering. This included a survey of Hotels in Nairobi comprising interview schedules with Hotel Managers using semi-structured questionnaires and questionnaires to be administered to customers and employees present in the hotels at the time of conducting the survey.

3.9 Data Analysis

Data analysis was done using both descriptive and inferential statistical techniques. Data collected was sorted, classified and coded then tabulated for ease of analysis. Descriptive statistics was employed to analyze the data. Mean and measures of dispersion; standard deviation were used to describe demographic data of the respondents. The study tables and other graphical presentations were used to present the data collected for ease of understanding and analysis.

Inferential statistics included multiple regression, Analysis of Variance (ANOVA) and Pearson’s correlations. Multiple regression was used to test the hypothesis and
identify the model of best fit. ANOVA was used to test whether there were statistically significant differences between the means of independent variables while Pearson’s correlation coefficient which was used to examine the relationship between independent variables and dependent variables. Correlation coefficients greater than zero were considered as positive relationship while coefficient less than zero as an indicator of an inverse relationship. The significance of the relationship was tested to establish whether the pairs of the relationship in the correlation were significant.

Qualitative data was analyzed using Qualitative Content Analysis (QCA) based on thematic content of the data. The qualitative data was used as back up support for the research findings on the research questions and research hypothesis.

3.10 Ethical Consideration

During the planning and period of carrying out the research, as well as in reporting research findings, there were certain considerations and obligations that the researcher fulfilled in the course of the study that included confidentiality, objectivity and informed consent.

During the data collection, the management of selected hotels were approached by the researcher prior to conducting the research. They were informed about the nature of the study through a formal letter that request for permission to carry out data collection in their hotels, stating the objectives of the study. The confidentiality of the respondents was upheld and the information collected was for the study purpose only.

The study adhered to the principles of research and the research findings were strictly for academic purposes. The respondents were given assurance that the data collected would be treated with confidence and for the sole purpose of academic research. In addition, the researcher obtained a Permit to conduct the study.

Appropriate authorization to conduct research in the selected hotels in accordance with the university requirements was also sought prior to data collection. This included the letter of introduction from Kenyatta University to introduce the researcher. During the course of the study, utmost care was taken and reliable research tools were used in the course of research to ensure that data collected was true and hence conclusive.
The data collected was with the consent of the management in the budget hotels who were informed about the intended study and purpose. The managers therefore, were aware that the study was for academic purpose only.
CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter describes the analysis of data research findings through use of descriptive and inferential statistics. It gives an overview of the socio demographic profile of the respondents followed by presentation of the findings, discussion and study implications of the research objectives and hypothesis of the study.

Data were analyzed and hypothesis tested to evaluate customer satisfaction levels between the service design and customer’s satisfaction, service delivery and perceived service quality and determine the mediating effect of management perception on customer satisfaction in the budget hotels in Nairobi City County. The chapter ends with a revised conceptual framework based on the findings and hypothesis testing.

4.2 Response Rate

The response rate for the managers, customers and employees is as indicated Table 4.1.

Table 4. 1: Table of Respondents

<table>
<thead>
<tr>
<th>Category-Respondents</th>
<th>No. administered</th>
<th>No. of respondents received</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>6</td>
<td>6</td>
<td>100%</td>
</tr>
<tr>
<td>Customers</td>
<td>166</td>
<td>158</td>
<td>95%</td>
</tr>
<tr>
<td>Employees</td>
<td>162</td>
<td>154</td>
<td>95%</td>
</tr>
<tr>
<td>Non response</td>
<td>0</td>
<td>16</td>
<td>4%</td>
</tr>
<tr>
<td>Total</td>
<td>334</td>
<td>318</td>
<td>95%</td>
</tr>
</tbody>
</table>
Six budget hotels were randomly sampled for Managers interviews. All the interviewees of this study were Managers of budget hotels and they all participated in the interview. This represents 100 percent response rate which is statistically satisfactory and could be used as a basis for drawing conclusions. This is because acquisition of more data in qualitative research may not have necessarily resulted in more information because according to Huberman and Miles (1994).

A total of 158 out of 166 customers responded to the questionnaires. This represented 95.16 per cent response rate which is sufficient for drawing statistical conclusions. According to Mugenda and Mugenda (2009) a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. The customers were targeted for the survey because they were in a better position to provide data on customer service quality expectations.

A total of 154 out of 162 employees responded to the questionnaires. This represents 95.06 percent response rate which is also statistically sufficient in drawing viable conclusions. Employees were targeted as respondents as they were better placed to give actual data on work environment which is related to the service design in hotels. Descriptive statistics was used in the analysis and presentation of the data.

**4.3 Socio-demographics of the Respondents**

The socio demographics of the respondents were analyzed. This included, gender, age, level of education and number of visits for the customers and in addition, the number of years worked for the employees
4.3.1 Gender of Respondents

The gender distribution is as indicated in Table 4.2.

### Table 4.2: Gender of the Respondents

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Total responded</th>
<th>Male</th>
<th>Percentage</th>
<th>Female</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>6</td>
<td>5</td>
<td>83%</td>
<td>1</td>
<td>17%</td>
</tr>
<tr>
<td>Customers</td>
<td>153</td>
<td>84</td>
<td>55%</td>
<td>69</td>
<td>45%</td>
</tr>
<tr>
<td>Employees</td>
<td>149</td>
<td>80</td>
<td>54%</td>
<td>69</td>
<td>46%</td>
</tr>
</tbody>
</table>

The findings on gender distribution indicates that customer respondents comprised 55% male and 45% female. The gender disparity of male dominance was a result of male customer’s tendency to visit budget hotels unlike their female counterparts who preferred other categories of hotels as indicated by trip advisor (2013) and KTB (2015). Five of the respondents did not indicate their gender.

Gender distribution for employees indicated that 54% of the employees were male and 46% were female. This shows that the budget hotels sampled had a higher number of male employees than female. These results could be an indication of the tradition of male dominance in the industry where hotels mostly preferred the male gender.

In Kenya, the hospitality industry is male dominated particularly at top levels of management and women are made to work in specific departments like front office, housekeeping, human resources and marketing. This could be attributed to traditional norms and cultural upbringing which greatly informs social life (Baum, Amoah and Spivack, 1997; Chan and Wong, 2006). The findings on gender parity are an indication of male dominance in the hotel industry in budget hotels in Kenya. It is also noteworthy to point out that gender parity influences customer of service quality as customers tend to have particular preferences.
Five out of the six managers interviewed were male and one female. This is an indication of the male dominance in the hotel industry where female employees are fewer especially in top management positions. The managers were targeted for the interviews because they were in a better position to provide data on perceptions on customer service quality expectations.

These findings concur with researches carried out in the hospitality industry that indicates that the hotel and tourism industry has remained male-dominated, particularly the upper echelons of management. According to Zhong (2006) the industry is male dominated at the top level with women taking less than 40% of all managerial and supervisory positions in the international hospitality industry. This is despite the fact that globally, women make up close to 70% of the total work force in the hospitality industry (Sinclair, 1997).

4.3.2 Age of Respondents

The age of the customer is an important factor in determining the customer's perception on service quality which is directly affected by the hotel design because. This is because customers have different demographics and preferences. This could be a pointer to the higher frequency visitations by this group to the budget hotels more especially to those with Wi-Fi for the digital generation. It could also be an indicator to the changing demographics of hotel visitors. Figure 4.1 shows the age distribution of the customers.

![Age Distribution](image)

**Figure 4.1: Age distribution of the customers**
The findings indicated that out of the 158 of the customers from various budget hotels, 28 percent (44) were below 30 years, whereas 9 percent (14) were above 50 years old. The findings indicate that the greatest percentage of the customers, thus 62% fall within the age bracket of 31-50 years (Figure 4.1).

The majority of employees (47%) were between 20-30 years and 35% were below 40 years old (Figure 4.2). The results are an indication of a youthful workforce and it is reflection of the typical age of people working in hotels in Kenya. The nature of work requires agility and speed which is found in the younger generation while on the other hand managers need to have experience and should thus be a little older.

![Figure 4.2: Age distribution of employees](image)

For hotel managers, out of the Six hotels where managers were interviewed, fifty-two per cent of the managers were found to be above 40 years old, each with over fifteen years’ experience in the hotel industry. Employees’ age and experience influences the levels of perception on service quality in hotels. Employees who have work experience in a particular field are in a better position to perceive what the customer expects.
4.3.2 Level of Education of Respondents

Majority of the respondents (customers) interviewed had qualification above O-level (secondary) representing 88 percent, thus 61 percent had college qualifications and 27 percent had university qualifications as shown in the figure 4.3.

![Level of education](image)

**Figure 4.3: level of Customers’ education**

Majority of the employees had qualification above O-level (secondary) representing 88 percent, thus 61 percent had college qualifications and 27 percent had university qualifications as shown in figure 4.4.

![Level of education](image)

**Figure 4.4: Level of Employees’ education**
The results indicated that majority of the employees had high literacy levels. High literacy levels of employees indicated good level of knowledge and understanding which is necessary for effective communication to the customers in the hotels. Over eighty-five per cent of the customers had college level of education and above with only one per cent having primary level of education. This indicates relatively high literacy levels among the customers. This is a normal distribution of the education profile in Kenya because literacy levels have regional disparities with urban areas like Nairobi having higher rates than rural areas. A National Adult Literacy Survey conducted in 2007 revealed that Kenya had a national adult literacy rate of 61.5 per cent with Nairobi having the highest rate of 87.1 per cent (KNBS, 2007). The study also revealed that literacy is much higher among the young than the old population. However, most it was at primary level not secondary or advanced level.

4.3.3 Number of Visits by Customer

Analysis undertaken based on the number of repeat clientele indicated that in terms of frequency of visits to the establishment, majority of the respondents representing 52 per cent had visited the facilities more than once, whereas 48 percent of the respondents are first timers (Figure 4.5).

![Figure 4.5: Number of visits](image-url)
This therefore means that the customers had repeat visits to the hotel, an indication of satisfaction after the first visit. It would therefore mean that overall the customers were satisfied with the service quality offered as per the five dimensions of service quality. The findings therefore demonstrate that there are minimal gaps between the expectations of the customer and their perceived service quality.

### 4.3.4 Number of Years Worked (Employees)

The results showed that majority of employees (53%) had worked for between one and five years (Figure 4.6). The duration of stay for employees has an impact on service quality as high staff turnover has a negative impact on service delivery and recruiting staff also has cost implications to the organization.

![Figure 4. 6: Number of years worked in the hotel](image)

This is because the biggest competitive advantage that any organization can have is having the right people in the right jobs and a firm’s intellectual capital is increasingly critical for sustained competitiveness (Boudreau & Ramstad, 2003; Brotherton and Shaw, 1996; Boshoff and Gray, 2004).

Further analysis indicated that most (86%) of the employees work in guest contact areas mainly in Rooms division and Food and Beverage departments while support departments had the least number of employees (24%). This is shown in Figure 4.7.
4.4 Descriptive Statistics

The general objective of the study was to integrate SERVQUAL and Gap model in evaluating customer satisfaction in budget hotels in Nairobi City County, Kenya. Service design and service delivery were the independent variables and customer satisfaction was the dependent variable.

4.4.1 Service Design

The first objective of this study was to determine the effect of service design on customer satisfaction in budget hotels in Nairobi City County, Kenya. The variables were Tangibility in hotels modern equipment, Reliability in providing the promised services at the promised time, Responsiveness in informing the customers about the time of services delivery, Assurance for customers to feel secure in their dealing with the hotel and Empathy in Understanding of the personnel when focusing on customers’ interests as independent variables. Analysis was conducted and the mean and standard deviation are as shown in Table 4.3.

![Figure 4. 7: Disaggregation by Departments](image)
Table 4.3: Mean and Standard deviation for Service Design

<table>
<thead>
<tr>
<th>Service Design</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assurance for customers to feel secure in their dealings with the hotel</td>
<td>152</td>
<td>6.11</td>
<td>1.123</td>
</tr>
<tr>
<td>Reliability of realization of assured service</td>
<td>152</td>
<td>5.59</td>
<td>1.226</td>
</tr>
<tr>
<td>Empathy in that operating hours are convenient to customers</td>
<td>153</td>
<td>6.02</td>
<td>0.847</td>
</tr>
<tr>
<td>Tangibility in hotels modern equipment</td>
<td>155</td>
<td>5.32</td>
<td>1.783</td>
</tr>
<tr>
<td>Responsiveness in prompt service delivery to customers</td>
<td>154</td>
<td>5.78</td>
<td>1.222</td>
</tr>
<tr>
<td>Customer satisfaction in that their expectations about the services offered in the hotel meet the required standards</td>
<td>153</td>
<td>5.90</td>
<td>1.142</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td></td>
<td>144</td>
<td></td>
</tr>
</tbody>
</table>

Results from Table 4.3 indicated that the service design variables of tangibility, empathy, responsiveness, reliability and assurance had a mean above 5 with assurance having the highest mean of 6.11. The results show that the customers agreed that they consider design variables when choosing a hotel on a Likert scale of 1 to 7 (where 1 is the least score and 7 the highest score). Customer satisfaction had a mean of 5.90. The standard deviation shows that the distribution is normal with most of the values ranging above 1.1 except Empathy that had the lowest dispersion with standard deviation of 0.847. It also had a high mean of 6.02. This indicates that Empathy was one of the variables that contributed to customer satisfaction in the hotels. The results indicate that most of the customers were in agreement that the service design had an effect on customer satisfaction.

4.4.2 Service Delivery

The second objective of this study was to establish the effect of service delivery on customer satisfaction in budget hotels in Nairobi City County, Kenya. Customer satisfaction can be measured either as compliment or a complaint, where complement occurs when the perception of customer of the service delivered supersedes the expectation of customer, while complaint occurs when expectation supersedes the perception. The study used seven variables as independent variables to represent...
factors that influence customer satisfaction when choosing a hotel. The service delivery variables were; Good location, Food prices, Closeness to main city facilities, Additional services provided like sauna, treatments and other services, Someone recommended hotel to me, Quality of services offered, I have good experiences from this hotel, whereas the level of customer satisfaction was measured on a Likert scale of 1 to 7, where 1 was the lowest score and 7 the highest score. Statistical analysis was conducted on the variables indicating the mean and standard deviation (Table 4.4).

### Table 4.4: Service Delivery

<table>
<thead>
<tr>
<th>Service Delivery</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good location</td>
<td>158</td>
<td>5.80</td>
<td>1.479</td>
</tr>
<tr>
<td>Food prices</td>
<td>153</td>
<td>5.67</td>
<td>1.337</td>
</tr>
<tr>
<td>Closeness to main city facilities</td>
<td>151</td>
<td>5.51</td>
<td>1.708</td>
</tr>
<tr>
<td>Additional services provided like sauna, treatments and other</td>
<td>149</td>
<td>4.20</td>
<td>1.997</td>
</tr>
<tr>
<td>Someone recommended hotel to me</td>
<td>151</td>
<td>5.42</td>
<td>1.671</td>
</tr>
<tr>
<td>Quality of services offered</td>
<td>149</td>
<td>5.95</td>
<td>1.218</td>
</tr>
<tr>
<td>I have good experiences from this hotel</td>
<td>153</td>
<td>5.65</td>
<td>1.378</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>136</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Results from Table 4.4 indicated that most the service delivery variables had a mean above 5 except Additional services which had mean of 4.20. The standard deviation shows that the distribution is normal with most of the values ranging above 1.2 and 1.6 except Additional services that had the highest dispersion with a standard deviation of 1.997. The results show that the customers agreed that they consider service delivery variables when choosing a hotel on a Likert scale of 1 to 7 (where 1 is the least score and 7 the highest score). Customer satisfaction on quality of services
offered by the hotel had a mean of 5.65. The results indicate that most of the customers were satisfied with the service delivery in the hotel.

4.4.3 Management Perception on Customer Satisfaction

The third objective was to determine the moderating effect of management perception on customer satisfaction in budget hotels in Nairobi City County, Kenya. The study analyzed the qualitative data from the interviews conducted on Managers’ perceptions on customer expectations in budget hotels. Managements’ perception of service quality was the guiding factor in deciding what they perceived the customer expected. The researcher used qualitative research as it was found to be most appropriate because it involved perceptions of Managers on customer expectations. In addition, qualitative research is unbiased, in depth, valid and reliable (Naseem et al., 2011). The data was analyzed using qualitative content analysis (QCA).

In this study, the perceptions of what the managers believe that the customers want was represented by the five dimensions of tangibility, empathy, responsiveness, reliability and assurance. This is because the managers translate their perceptions of customer expectations into service designs that enable service delivery in the hotels. When Management’s perception of what the customer expects is fully translated into designs and specifications, then the outcome is quality service delivery that exceeds customer expectation.

The findings revealed that respondents were of the opinion that first impressions are lasting impressions and therefore the physical facilities, general ambience of the hotel, staff grooming, restaurant and bar offer should be of high quality to ensure the delivery of quality service. Such aspects such as comfortable beds, provision of non-smoking areas, conference room availability and support services had significant impact on customer satisfaction. The hotel managers in budget hotels, therefore seemed to understand the aspects of service quality that appealed to the customer.
4.4 Regression Analysis

Regression analysis was conducted through use of SPSS (version 17) computer software as it is more user friendly and most appropriate for analysis of Management related attitudinal responses (Nyororo, 2006).

4.4.1 Hypotheses Testing

Multiple regression was used to test hypotheses significance level. The independent variables were regressed on customer satisfaction indicators. Multiple regression findings test the direct relationship between service design, service delivery and customer satisfaction.

4.4.2 Service Design and Customer Satisfaction

The study undertook to test the following null hypothesis:

H₀₁: There is no significant relationship between service design and customer satisfaction of budget hotels in Nairobi, Kenya

Table 4.5: Model Summary of Service Design and Customer satisfaction

<table>
<thead>
<tr>
<th>Model Summary</th>
<th></th>
<th></th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>R</td>
<td>R Square</td>
<td>Adjusted R Square</td>
</tr>
<tr>
<td>1</td>
<td>.808a</td>
<td>.653</td>
<td></td>
</tr>
</tbody>
</table>

The results from the analysis indicated that R squared is .653. This meant that the service quality variables in service design explained approximately 65.30% percent of variation in customer satisfaction. Other factors contributed 34.7% towards customer satisfaction. The analysis also indicated that all five dimensions were found to be significant (0.000) when tested at 95% confidence level. The model was found to be significant.

The study conducted an Analysis of variance (ANOVA) to establish whether there existed a significance relationship between service design and customer satisfaction and also to test significance of the regression model. The null hypothesis H₀₁; “There is no significant relationship between service design and customer satisfaction in budget hotels in Nairobi, Kenya” was tested. The independent variables were tested to
determine how they affected the dependent variable of customer satisfaction. The model of the regression equation model that was tested is:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon \]

Where; 
- \( Y \) = Customer satisfaction
- \( \beta_0 \) = Constant Term
- \( \beta_i \) = Beta coefficients
- \( X_1 \) = Tangibility
- \( X_2 \) = Reliability
- \( X_3 \) = Responsiveness
- \( X_4 \) = Assurance
- \( X_5 \) = Empathy
- \( \epsilon_i \) = Error term (Composite of other types of individual differences not explicitly identified in the model)

If the probability test value of any of the variables representing the customers satisfaction happens to be less than 0.05 when tested at 95% confidence level, then the variable will be treated as significant and has an effect on the dependent variable; customer expectation. Table 4.6 shows the results.

**Table 4.6: Analysis of Variance (ANOVA)**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>96.509</td>
<td>19</td>
<td>5.079</td>
<td>10.120</td>
<td>.000p</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>51.196</td>
<td>102</td>
<td>.502</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>147.705</td>
<td>121</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Customer satisfaction in that their expectations about the services offered in the hotel meet the required standards

From the analysis, significance \( F=0.000 \), which is less than \( p=0.05 \) and therefore the model is statistically significant. This implies that the model can be used for prediction purposes.

Correlation analysis between service design and customer satisfaction was conducted to examine the relationship and strength of the relationship. Table 4.7 indicates the results.
Table 4.7: Co-efficient of Service Design and Customer Satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficients</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>.225</td>
<td>.616</td>
<td>.366</td>
</tr>
<tr>
<td>Tangibility in hotels modern equipment</td>
<td>.100</td>
<td>.078</td>
<td>.132</td>
</tr>
<tr>
<td>Tangibility in appearance of staff is attractive</td>
<td>.121</td>
<td>.081</td>
<td>.130</td>
</tr>
<tr>
<td>Tangibility in the hotels upgrades of their facilities regularly</td>
<td>.040</td>
<td>.086</td>
<td>.049</td>
</tr>
<tr>
<td>Reliability of realization of assured service</td>
<td>-.202</td>
<td>.099</td>
<td>-.198</td>
</tr>
<tr>
<td>Reliability in solving customer problems</td>
<td>-.151</td>
<td>.094</td>
<td>-.172</td>
</tr>
<tr>
<td>Reliability in delivering the appropriate service from the first visit onwards</td>
<td>.155</td>
<td>.120</td>
<td>.159</td>
</tr>
<tr>
<td>Reliability in providing the promised service at the promised time</td>
<td>.115</td>
<td>.109</td>
<td>.126</td>
</tr>
<tr>
<td>Reliability in insisting on zero deficit policy</td>
<td>-.126</td>
<td>.104</td>
<td>-.141</td>
</tr>
<tr>
<td>Reliability in willingness of personnel to respond to customer needs</td>
<td>.040</td>
<td>.113</td>
<td>.038</td>
</tr>
<tr>
<td>Responsiveness in prompt service delivery to customers</td>
<td>-.142</td>
<td>.118</td>
<td>-.142</td>
</tr>
<tr>
<td>Responsiveness in informing the customers about the time of service delivery</td>
<td>.523</td>
<td>.130</td>
<td>.571</td>
</tr>
<tr>
<td>Responsiveness of personnel who instill confidence</td>
<td>.025</td>
<td>.116</td>
<td>.026</td>
</tr>
<tr>
<td>Assurance for customers to feel secure in their dealings with the hotel</td>
<td>.045</td>
<td>.107</td>
<td>.042</td>
</tr>
<tr>
<td>Assurance for courtesy of the personnel</td>
<td>.007</td>
<td>.134</td>
<td>.006</td>
</tr>
<tr>
<td>Assurance in knowledge of personnel to answer the customer questions</td>
<td>.031</td>
<td>.098</td>
<td>.038</td>
</tr>
</tbody>
</table>
There are a specific number of staffs in a given area in the hotel who ensure customers are served as appropriate.

Understanding of the personnel when focusing on customer interests

Understanding in that in case of a complaint the staff are fast to respond

Empathy in that operating hours are convenient to customers

<table>
<thead>
<tr>
<th></th>
<th>.107</th>
<th>.111</th>
<th>.106</th>
<th>.965</th>
<th>.337</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-.071</td>
<td>.117</td>
<td>-.072</td>
<td>-.609</td>
<td>.544</td>
</tr>
<tr>
<td></td>
<td>.090</td>
<td>.107</td>
<td>.101</td>
<td>.837</td>
<td>.404</td>
</tr>
<tr>
<td></td>
<td>.255</td>
<td>.116</td>
<td>.185</td>
<td>2.197</td>
<td>.030</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Customer satisfaction in that their expectations about the services offered in the hotel meet the required standards

The regression analysis showed that there is a positive correlation between service design and customer satisfaction on tangibility with all the variables indicating positive coefficients as follows; hotels modern equipment $\beta=.100$, appearance of staff is attractive $\beta=.121$, hotels upgrades of their facilities regularly $\beta=.040$).

Three of the variables in reliability indicated positive relationships; reliability in delivering the appropriate service from the first visit onwards ($\beta=.155$), reliability in providing the promised service at the promised time ($\beta=.115$), and reliability in willingness of personnel to respond to customer needs ($\beta=.040$). However, three of the variables showed negative relationships; reliability of realization of assured service ($\beta=-.202$), reliability in solving customer problems ($\beta=-.151$) and reliability in insisting on zero deficit policy ($\beta=-.126$).

The study results indicated that out of the six variables in reliability, only reliability of realization of assured service had significant values $p = .044 < .05$. This showed that the other five variables were not significant indicating that realization of assured service had an impact on customer satisfaction. Furthermore, the relationship was negative, indicating customer dissatisfaction. One unit increase in reliability (reliability of realization of assured service) lead to 0.202 unit decrease in customer satisfaction. The results for reliability also indicated that reliability for “zero deficit policy and solving customer problems” had negative beta coefficients that were not
significant. This suggested that any unit increase in reliability of “insisting on zero deficit” or “solving customer problems” would lead to customer dissatisfaction.

The results indicated reliability variables solving customer problems, delivering the appropriate service from the first visit onwards, and providing the promised service at the promised time, insisting on zero deficit policy and willingness of personnel to respond to customer needs.

Responsiveness prompt service delivery to customers indicated a negative relationship with \( \beta = -.142 \). Thus, a unit increase in prompt service delivery led to a unit decrease in customer satisfaction. This implies that customers in budget hotels are not necessarily keen on promptness of service delivery so long as the service is delivered. Responsiveness of personnel who instill confidence indicated very weak relationships with coefficients; and \( \beta = .025 \). Responsiveness in informing the customers about the time of service delivery had moderate coefficients \( \beta = .523 \). One variable in responsiveness showed significant results; Responsiveness in informing the customers about the time of service delivery \( p = .000 < .05 \). Responsiveness of personnel who instill confidence and Responsiveness in prompt service delivery to customers.

Assurance results indicated positive relationships among all the variables but they were not significant when tested at 95% confidence level. Assurance had low coefficients indicating weak positive relationship between service design and customer satisfaction. The coefficients were; assurance for customers to feel secure in their dealings with the hotel \( \beta = .045 \), assurance for courtesy of the personnel \( \beta = .007 \), assurance in knowledge of personnel to answer the customer questions \( \beta = .031 \) and assurance that there are specific number of staffs in a given area in the hotel who ensure customers are served as appropriate \( \beta = .107 \).

Results on empathy indicated positive relationships on two variables; understanding in that in case of a complaint the staff are fast to respond \( \beta = .090 \) and empathy in that operating hours are convenient to customers \( \beta = .255 \) while one variable showed a negative relationship; empathy in that operating hours are convenient to customers \( \beta = -.071 \). The test on significance indicted that only the indicators; empathy in that operating hours are convenient to customers had significant results \( p = .030 < .05 \).
The other variables on empathy were not significant. This indicated gaps between service design and customer satisfaction in budget hotels under study and therefore the null hypothesis was accepted for the sub variables; Understanding of the personnel when focusing on customer interests \((p = .544 > .05)\), and Understanding in that in case of a complaint the staff are fast to respond \((p = .404 > .05)\).

### 4.4.3 Discussions

The study examined the effect of service design on customer satisfaction and found that there exists a relationship between service design variables of tangibility, reliability, responsiveness, empathy and assurance and customer satisfaction. However, not all the relationships were positive. The variables in tangibility; hotels modern equipment appearance of staff is attractive, hotels upgrade of their facilities regularly showed positive relationships. This indicates that service design including staff the general outlook of staff presentation has an impact on customer satisfaction. The findings concur with findings by Kandampully and Suhartanto, 2013 which suggested that increased degree of positive relationship between service quality and customer satisfaction occurs where face-to-face dealing between customer and employee is maintained.

As earlier stated in the literature review, the physical environment plays an important role in shaping customer expectations and even influencing the customer experience. The results of this study on Tangibility also concurs with research done by Bitner (2006) on the servicescape who suggested that the service setting plays a crucial role in not only shaping the customers’ expectations but also for differentiating service offers and influencing the overall service outcome for the customers.

The results also concur with findings from a study conducted in Japan by Kang, Okamoto and Donovan (2004). The study investigated general hotel and ryokan guests’ perception of service quality using the SERVQUAL model. The results revealed that the physical aspects of the establishment had the most powerful impact on the guests. The findings are also supported by findings by Countryman and Jang (2006), who found that the physical environment has significant influence on overall guest perceptions and impressions.
Reliability of realization of assured service reliability in solving customer problems and reliability in insisting on zero deficit policy had negative relationships. The results on reliability indicated that a unit increase in reliability in delivering the appropriate service from the first visit onwards, reliability in providing the promised service at the promised time and reliability in willingness of personnel to respond to customer needs led to a unit increase in customer satisfaction. However, a unit increase in reliability of realization of assured service, reliability in solving customer problems and reliability in insisting on zero deficit policy did not necessarily increase customer satisfaction. This was an indication that customers were not fussy because they did not expect luxurious products and services in comparison to high end star rated hotels. The results were an indication that there are gaps between the service design and customer satisfaction. The findings imply that there are significant variances between service design and customer satisfaction in budget hotels in Nairobi.

The findings on responsiveness suggest a positive relationship between responsiveness in informing customers about time of service delivery and customer satisfaction. Thus, a unit increase on information dissemination to customers about the time of service delivery and a unit increase in responsiveness of personnel who instill confidence informing the customers both led to a unit increase in customer satisfaction. This implies that managers should ensure that customer information is delivered appropriately and on time to the customers and the employees should have adequate knowledge of the products and services available. Training to staff working in the budget hotels should be enhanced to improve on service delivery.

The study findings concur with a study by Mohsin et al., 2011 who did a study to assess service and product quality perceptions of guests staying in luxury hotels in Lahore, Pakistan. Mohsin et al., 2011 found that the guests were satisfied with housekeeping cleanliness and comfort in the room, food and beverage services, timely and prompt service by the staff at the hotel.
Findings on assurance variable indicated that an increase in assurance for customers to feel secure in their dealings with the hotel, assurance for courtesy of the personnel, assurance in knowledge of personnel to answer the customer questions and assurance that there are specific number of staffs in a given area in the hotel who ensure customers are served as appropriate will lead to a unit increase in customer satisfaction. This implies that employees need to impact on their customers’ satisfaction with assured service they expect and deliver on it. This would instill confidence to the customers’ who visited the budget hotels. This observation suggested that the hotel management should focus on improving employee communication skills, providing friendly style of communication with guests.

The findings concur with findings by Naseem et al., (2011) who proposed that assurance as a service quality dimension significantly enhance customer satisfaction. The study recommends that if employees display trustworthy behavior, the satisfaction level of customers can be enhanced significantly. It may also positively influence repurchase intension of customers.

The results on empathy signified that an increase in understanding cases of a complaint as well as staff fast response as well as empathy in operating hours that were convenient to customers led to an increase in customer satisfaction. This reflects on the importance on the tangible aspects of the employee on empathy and responsiveness for ensuring customer satisfaction. The managerial implication is for management to ensure that the staff demonstrate professionalism, courtesy and prompt service when dealing with the customer as the service quality is in the “soft skills”. When customers know that the service provider appreciates and values their patronage, the customers feel much more valued and are likely to be satisfied and therefore their expectations met.

The findings support current literature which lays emphasis on the quality of interactions between the employee and the customer whereby the employee’s knowledge, attitude and behavior in the service production plays a key role. This suggests that the human element or soft skills have the highest impact on service quality (Brady and Cronin, 2003; Babin et al., 2003; Zeithaml et al., 1996). Customers are known to expect personalised service and having reliable employees who
empathize and offer personal warmth in the service delivery will ultimately make the customers more satisfied with the service provision (Prayag, 2007).

The findings are also in agreement with the results of a study conducted by Peter and Dieke (2003), that customer satisfaction is significantly impacted by empathy. In their study, they stated that empathy makes customers contended and in the long-run serves as an important predictor in improving the customer satisfaction as well as performance of the organization. Renganathan (2011) empirically investigated the role of empathy in service quality and its impact on customer satisfaction. It was established that customers treated emphatically are more often visitors and prone to forgive any mistakes that may occur. Empathy creates an emotional relationship with customer, providing customer a touch of importance for business. This leads to retention and creation of new customer’s pool.

However, a unit increase in empathy operating hours that are convenient to customers led to a unit decrease in customer perceptions. Thus, it is imperative for employee to ensure they understand customers’ need and they engage in a friendly and professional manner. Phillips (2009) asserts that customers may remain unsatisfied with service quality if a gap is left in empathy.

From the co-efficient results, service design factors that had significant impact were realization of assured service in reliability, responsiveness in informing the customers about the time of service delivery and empathy in that operating hours are convenient to customers. The results indicate that there are gaps in the budget hotels under study between service design and customer satisfaction in tangibility, assurance and most of the variables in responsiveness, and empathy. This is because that despite the existence of relationships between the independent and dependent variable, most of them were not significant.

The study findings imply that the budget hotels were falling short of satisfying their customer needs in some of these aspects. The hotels were not fulfilling their promises on products and services promised. They are not delivering “the promise” on tangibility, responsiveness and assurance. The findings of this study also support the problem statement that indicated that budget hotels in Kenya had a challenge with service quality delivery. As stated earlier in chapter one, the owners of these
establishments place much more emphasis on profitability than on satisfying the customer.

These findings are similar with studies conducted in the hospitality industry on service quality. A study conducted by Kayaman and Arasli (2007) on hotel guest perceptions in Mauritius revealed that customer perception of service quality provided by the hotels was below their expectations. Furthermore, studies conducted by Mohsin, Hussain and Khan (2011) on service quality in budget hotels in Pakistan confirmed that perception scores fell below the expectation scores of service quality.

The study findings also concur with a study done by Renganathan (2011) on Service Quality in Hospitality Services, Gap Model and Factor Analysis in India which had similar results showing that perceptions of service quality were far lower than that of expectations. The results also concur with findings of a research done by Markovi and Raspor (2010) on the quantitative application of the SERVQUAL model in Croatian hotel industry which indicated a negative SERVQUAL gap as the expectations of hotel guests were higher than their perception. The study results indicate the rather high expectations of hotel guests regarding service quality.

The regression analysis indicated significant relationships between service design and customer satisfaction (F=0.000), which is less than p=0.05 and therefore the model is statistically significant. Regression analysis showed that R squared was 0.653 suggesting that service quality variables in service design explained approximately 65.30% percent of variation in customer satisfaction. The analysis also indicated that all five dimensions were found to be significant (0.000) when tested at 95% confidence level. The model was found to be significant. This implies that the model can be used for prediction purposes. The null hypothesis was therefore rejected. This implied that there exists a relationship between service design and customer satisfaction in budget hotels in Nairobi City County. The model equation will thus be as follows; Customer satisfaction = 0.225 - 0.202 realization of assured service in reliability + 0.523 responsiveness in informing the customers about the time of service delivery +0.255 convenient operating hours + e.

Research has shown that for quality service delivery to occur, is imperative that the factors that influence customer satisfaction are understood and translated to service
designs by management. This enables the service provider to delivers products and services that are in congruence with the customer demands (Gibson, 2005). The findings from the study revealed that service design had effect on customer satisfaction. The findings of this study are in line with other studies conducted on the impact of service design on customer satisfaction (Minh, Ha, Phan and Matsui, 2015; Lin, Yuanyuan and Huiqin, 2014; Watiki 2014; Hooper, Coughlan and Mullen, 2013; Mohsin, Hussain and Khan, 2011; Aldehawayat, 2011; Karunaratne and Jayawarden, 2010).

Minh et al., 2015, in their study on the relationship between service quality and customer satisfaction in three-star hotels in the city of Da Nang, Vietnam found significant correlations between the five dimensions of service quality and customer satisfaction. Another study conducted by Lin, et al., 2014, in China on hotel service design from the perspective of the customer also found that design factors have a significant relationship with customer satisfaction. The findings of this study are in line with earlier studies conducted on service design. The studies have shown that the physical environment has an impact on service outcome and customer’s satisfaction (Bitner, 2006; John and Phil, 2003). The results of the study are an indication that improved physical outlook leads to an increase in customer support. It has also been established that customers normally seek for evidence of “quality” of the intangible aspects of service from the tangible elements like the buildings of the hotel, the physical layout, ambience and décor, the professionally groomed staff among others.

It has also been noted that a poorly designed setting is bound to affect free movement for the customer around the facility and therefore service delivery through increased service time and waiting time (Prayag, 2007). Moreover, the service setting has been found to affect loyalty intention (Harris and Ezeh, 2008; Cronin and Taylor, 1992; Curry and Sinclair, 2012). Increasingly, continuous improvements of the physical facilities will ultimately have a positive impact on overall customer satisfaction which will ultimately translate to revisit intention and customer loyalty (Cronin and Taylor, 1992). However, the study findings contrasted with a study done by Voon, 2011 on
service environments of restaurants which found that the servicescape had minimal impact on customer satisfaction.

In conclusion, the above findings indicate that customer satisfaction involved the whole service experience that included the physical environment, the ambience, comfort, the value proposition, professional courtesy of the staff and sense of security and assurance. In addition, the customer plays a role in the service production and therefore the socio demographics of the customers could impact on the service outcome. According to Kong and Jogaratnam (2007) responsiveness in business has become a measure of the extent to which the service provided meets the customer’s expectations. Hotels have found that in order to increase profits and market share, they should pay much attention to service design and the corresponding service quality dimensions.

4.4.4 Service Delivery and Customer Satisfaction

The analysis was tested using Regression analysis. The objective was to reject/accept the null hypothesis based on the criteria of 5% sig level. If p-value ≤ 0.05, the null hypothesis is rejected or otherwise. The study undertook to test the following null hypothesis:

H₀₂: There is no significant relationship between service delivery and customer satisfaction in budget hotels in Nairobi City County, Kenya

Table 4.8 shows the regression results.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.413a</td>
<td>.171</td>
<td>.116</td>
<td>.805</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), I have good experiences from this hotel, Additional services provided like sauna, treatments and other, Good location, Someone recommended hotel to me, Quality of services offered, Closeness to main city facilities, Food prices
The results from the analysis indicated that R squared is 0.171. This meant that the service delivery variables explained approximately 17.0% percent of variation in customer satisfaction. Other factors contribute 83.0% towards customer satisfaction.

The study conducted an Analysis of variance (ANOVA) to establish whether there exists a significance relationship between service delivery and customer satisfaction and also to test significance of the regression model. The null hypothesis \( H_0 \); “There is no significant relationship between service delivery and customer satisfaction in budget hotels in Nairobi, Kenya” was tested.

If the probability test value of any of the variables representing the customers satisfaction happens to be less than 0.05 when tested at 95% confidence level, then the variable will be treated as significant and has an effect on the dependent variable; customer expectation. The analysis indicated that the service delivery variables were found to be significant (0.005) when tested at 95% confidence level (Table 4.11).

Table 4.9 shows the results

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>14.276</td>
<td>7</td>
<td>2.039</td>
<td>3.144</td>
<td>0.005</td>
</tr>
<tr>
<td>Residual</td>
<td>69.411</td>
<td>107</td>
<td>.649</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>83.687</td>
<td>114</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Customer satisfaction in that their expectations about the services offered in the hotel meet the required standards
b. Predictors: (Constant), I have good experiences from this hotel, Additional services provided like sauna, treatments and other, Good location, Someone recommended hotel to me, Quality of services offered, Closeness to main city facilities, Food prices

From the analysis, significance F=0.005, which is less than p=0.05 and therefore the model is statistically significant. This implies that the model can be used for prediction purposes. Correlation analysis between service design and customer satisfaction was conducted to examine the relationship and strength of the relationship. Table 4.10 indicates the results.
Table 4. 10: Co-efficient of Service Delivery and Customer Satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficients&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Standardized Coefficient</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unstandardized Coefficients</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>4.601</td>
<td>.489</td>
<td>9.415</td>
</tr>
<tr>
<td></td>
<td>Good location</td>
<td>.145</td>
<td>.091</td>
<td>.210</td>
</tr>
<tr>
<td></td>
<td>Food prices</td>
<td>-.184</td>
<td>.080</td>
<td>-.269</td>
</tr>
<tr>
<td></td>
<td>Closeness to main city facilities</td>
<td>-.043</td>
<td>.067</td>
<td>-.072</td>
</tr>
<tr>
<td></td>
<td>Additional services provided like sauna, treatments and other</td>
<td>.091</td>
<td>.045</td>
<td>.200</td>
</tr>
<tr>
<td></td>
<td>Someone recommended hotel to me</td>
<td>.022</td>
<td>.050</td>
<td>.042</td>
</tr>
<tr>
<td></td>
<td>Quality of services offered</td>
<td>.138</td>
<td>.062</td>
<td>.232</td>
</tr>
<tr>
<td></td>
<td>I have good experiences from this hotel</td>
<td>.057</td>
<td>.077</td>
<td>.078</td>
</tr>
</tbody>
</table>

The regression analysis showed that that there is a positive correlation between service delivery and customer satisfaction on the variables good location, additional services provided, someone recommended hotel, quality of service offered and good experiences from the hotel with the variables indicating positive coefficients as follows; good location $\beta = .145$, additional services $\beta = .091$, someone recommended hotel $\beta = .022$, quality of services offered, $\beta = .0138$, and good experience $\beta = .057$.

Two variables in service delivery; food prices and closeness main city facilities indicated negative relationships with coefficients $\beta = -.0184$ and $\beta = -.043$ respectively.
The study results indicated that out of the seven variables in service delivery, three variables; food prices \((p = .023 < .05)\), additional services \((p = .047 < .05)\) and quality of services \((p = .028 < .05)\) had significant values.

**4.4.5 Discussions**

The second objective of this study was to establish the effect of service delivery on customer satisfaction in budget hotels in Nairobi City County, Kenya. This objective was tied to null hypothesis \(H_02\); “There is no significant relationship between and service delivery in budget hotels in Nairobi City County, Kenya.

The study examined the effect of service delivery on customer satisfaction and found that there exists a relationship between service delivery variables; good location, food prices, closeness to main city facilities, additional services provided, someone recommended hotel, quality of service offered and good experiences from the hotel. The variables good location, additional services provided, someone recommended hotel, quality of service offered and good experiences from the hotel had positive coefficients indicating positive relationship. The study findings were in line with researches conducted in the field of customer satisfaction which indicate that quality service delivery has a great impact on customer satisfaction. This concurs with findings by Peters and Pikkemaat, 2005, who suggested that the quality of goods and services is paramount when it comes to customer satisfaction.

The results showing negative relationship between food prices and customer satisfaction indicated an inverse relationship which meant that an increase in price led to customer dissatisfaction. This illustration affirms the notion that budget hotel target customers are price sensitive and any change in price affects their buying behavior and satisfaction levels. These findings concur with a study Choi and Chu, 2001 that suggested that value for money was one of the three main determinants of customer satisfaction together with quality of staff and room qualities. However, the findings contrast with a study conducted by Nurminen, 2007 who stated that cost is not the main cause of dissatisfaction for customers but low quality of products and services offered to the customers.
The test on significance show that three of the variables; food prices, additional services provided and quality of services provide had significant values. These findings indicate that these variables had an impact on customer satisfaction whereas the other four variables good location, closeness to main city facilities, someone recommended hotel and good experiences from the hotel were not significant indicating that they did not have an impact on customer satisfaction. The findings concur with a study conducted by Mubiri, 2016 in Serena Kivu which found that the quality of food, beverages, rooms, beds, beddings, comprise the tangible aspect that offer customer satisfaction in a hotel setting.

The study findings indicated that some of the variables had no significant values indicates that the four variables; good location (p = .115 > .05), closeness to main city facilities (p = .527 > .05), someone recommended hotel (p = .665 > .05), and good experiences from the hotel (p = .458 > .05) had no significant impact on customer satisfaction. This implies that these variables do not have an effect on customer satisfaction resulting in gap between service delivery and customer satisfaction. This indicates that the service delivery did fully not meet customer expectations. The findings concur with Alin, 2010, whose study revealed a positive gap between customers’ expectations and perceptions meaning that perceptions were higher than expectations.

The findings also concur with the study conducted by Kimani, et al., 2011 who in their study established that service quality in budget hotels is almost invariably inconsistent. The study findings support the problem statement of this study that stated that budget hotels were not delivering the promise according to customer expectations.

4.4.6 Management Perception and Customer Satisfaction

The third objective was to determine the moderating effect of management perception of service quality on customer satisfaction in budget hotels in Nairobi City County, Kenya. This objective was tied to null hypothesis H₃; Management perception has no moderating effect on the relationship between service quality and customer satisfaction in budget hotels in Nairobi City County, Kenya. According to the gap
model, a gap exists between the management’ perception of service quality and the service quality specifications that they develop. It is noteworthy to point out that the designs that the managers develop do not always translate into quality service delivery and therein lies the service gap.

4.4.7 Qualitative Content Analysis (QCA) of Management Perception on Service Quality

The study examined the moderating effect of management perception of service quality on customer satisfaction service. The hotel managers were interviewed and data was analyzed using qualitative content analysis. The management perception of service quality was based on thematic areas on that were anchored on the five dimensions of the SERVQUAL. The dimensions include tangibility, empathy, responsiveness, reliability and assurance. Table 4.11 shows the results of the findings of the content analysis carried out on the qualitative data.
Table 4. 11: Qualitative Content Analysis (QCA) of Management Perception on Service Quality

<table>
<thead>
<tr>
<th>Themes</th>
<th>Description</th>
<th>Cited by</th>
</tr>
</thead>
</table>
| Tangibility| • Physical facilities available in the hotels had first and lasting impressions on customers and therefore the physical facilities, general ambience of the hotel, modern rooms and well-groomed staff are aspects that ensure quality service delivery.  
• Adequate and comfortable furniture in hotel, provision of nonsmoking areas and availability of conference room and support services had significant impact on customer satisfaction.  
• Guest expect quality food and drinks served in the restaurants  
• Good general hygiene and cleanliness were a requirement for quality service delivery | All Managers           |
| Responsive | • Importance of customer involvement in service provision was highly rated.  
• The identification of customers by name, recognition and knowing customer preferences also has an impact on the outcome of the service.  
• Manpower planning an integral part in service delivery. Establishing the correct staff to guest ratio enhances service delivery particularly during peak hours.  
• Close monitoring of service provision, a hands on approach, flexibility in price, quick response time and less bureaucracy in operations also impacted on overall service delivery.  
• Use Market analysis (competitor survey) to check how competitors are doing is a tool to evaluate how they match up to the competition. | R1, R2, R3, R4 R5 R6  |
| Reliability| • Recruiting the right personnel, motivating them and continuous training of staff to ensure delivery of quality service.  
• Professionalism of staff, ability to handle customer complaints, friendliness and courtesy of staff were factors that influenced the quality of service that staff delivered. | R1, R2, R3, R4, R5, R6 |
Assurance

- Provision of guest information on the hotels facilities upon check in or while offering service puts the clients at ease.
- Continuous updates to clients, good external communication.
- Hotels should endeavour not to promise what the hotel cannot deliver, prioritize the provision of service and offer it promptly.

Design and layout and standard specifications

- Use of standard operating procedures in operations and handling customer complaints promptly is important in ensuring customer satisfaction.
- Use of appropriate technology (Management Information Systems) enhances service delivery and reduces customer complaints.
- Good coordination and good organization
- Impressive physical layout and decor
- Pleasant ambience
- Accessibility, signage and customer convenience is service critical in quality service delivery

Code:

R 1 - Respondent 1
R 2 - Respondent 2
R 3 - Respondent 3
R 4 - Respondent 4
R 5 - Respondent 5
R 6 - Respondent 6

Respondents noted that customer recognition and knowing customer preferences had an impact on the outcome of the service and customer loyalty. In addition, the findings indicated that managers were of the view that hotels should endeavor to employ professionally trained staff, compensate them adequately and provide an enabling environment with adequate facilities and equipment to enable them to perform effectively.

The respondents also pointed out the need to understand the profile of the customer and thereafter develop standard specifications and operating procedures that fit in with the clients overall profile and requirements. Understanding their clientele including customer profiling was a key element in getting to know what the customers expected or anticipated.
The respondents suggested that provision of guest information on the hotels facilities upon check in or while offering service gave assurance to the clients. They suggested that this aspect should be coupled with continuous and timely updates. They were also of the opinion that hotels should endeavour not to promise what the hotel cannot deliver, prioritize the provision of service and offer prompt service. Most of the managers reiterated on the importance of customer involvement in service provision. The identification of customers by name, recognition and knowing customer preferences in their view had an impact on the outcome of the service. They also indicated that manpower planning was an integral part in service delivery. They stated that from their experience, the establishment of the correct staff to guest ratio enhanced service delivery particularly during peak hours. They also said that close monitoring of service provision, a hands-on approach, flexibility in price, quick response time and less bureaucracy in operations impacted on overall service delivery.

They all concurred that the use of appropriate technology (Management Information Systems) enhanced service delivery and reduced customer complaints. They indicated that they use Market analysis (competitor survey) to check how competitors were performing was a good tool to evaluate how they matched up to the competition.

According to the respondents, most of their customers were satisfied with their individual hotel offers and even ended up being repeat customers. The study findings imply that managers seemed to understand and predict customer needs and wants. The findings concur with previous studies conducted by Lewis and Thornhill (2007) who stated that in most cases managers are able to anticipate guest expectations.

The findings of this study on perceptions of managers with regard to what the customer expects in terms of service quality was in congruence with customers’ expectations. This is because the managers in the budget hotels seemed to have a relatively good understanding of what the customers expected. The implication of this is that Managers in budget hotels to a great extent seemed to know what the customer expected. The results affirm the notion that management perception of service quality has an impact on customer satisfaction.
However, the results contrast with findings from an evaluation of service quality in the hospitality by Coyle and Dale (1993) which established that considerable gaps exist between perceptions of the service provider and the customers. The findings from their study suggested that managers believed that staff competency and skills were the key factors in the service delivery, a view that the customers did not concur with. In the study, the managers had also given more importance to “tangible” elements of the service like décor, cleanliness than customers did. In addition, they were of the view that the major causes of gaps between service providers and the customers was the assumption by the service providers that they knew best.

The findings also differed with findings from previous studies conducted in this area that indicate that are considerable differences between managements’ perception of service quality and the customer. Nightingale (2016), found strong evidence that managements perception of service quality differed with the customers and colleagues perception. Furthermore, studies conducted by Wei and Reid (2009) Choy et al., (1986) stated that hotel managers in the hotel industry in China had inadequate understanding of tourist expectations due to differences in their cultural upbringing. The findings also contrast findings by Parasuraman, Berry and Zeithaml (1985).

The results also contrast with findings from an evaluation of service quality in the hospitality industry by Coyle and Dale (1993) who established that considerable gaps exist between perception of the service provider and customers. Coyle and Dale (1993) suggested that the managers believed that staff competency and skills were the key factors in the service delivery, a view that customers did not concur with. The study found that also managers had also given more importance to tangibles elements of the service like décor, cleanliness than customers did.

Furthermore, the findings indicate hotel managers perceive that apart from the physical facilities of the hotel, employees play a critical role in ensuring that the service outcome meets or exceeds customer expectations. They concur with the notion that the “human element” in service provision is the key to attaining customer satisfaction. The results imply that the impact on customer satisfaction is through the intangible service provided by staff. The study confirmed that the interaction between the service provider and the customer was very crucial in the outcome of the service.
From the study, managers in budget hotels seem to understand service quality expectations of the customers. And they act as a link between the service design variables and the overall outcome of the service that is delivered.

The findings from the analysis indicated that most managers considered service quality aspects as important in ensuring customer satisfaction. The service quality aspects included knowing, understanding and focusing on the customers, designing services that meet customers’ needs and finally managing the service production and delivery process to the customer’s satisfaction. These findings indicated that the managers understand that the service designs have an impact on the final outcome of service delivery. The findings also pointed out professionalism as one way of improving on service delivery. Some of the respondents pointed out friendliness as another core tenet of satisfactory service quality in the budget hotels.

The study also conducted cross tabulation of the customers profile against the five SERVQUAL dimensions. This was to triangulate information on manager’s perception of service quality with respect to customer expectations/perceptions. The managers had pointed out the need to understand the profile of the customer and thereafter develop standard specifications and operating procedures that fit in with the clients overall profile and requirements. In their view, understanding their customer was a key element in getting to know what the customers expected or anticipated. The cross tabulation was conducted between the customer profile; gender, age, level of education, number of visits and the five dimensions of SERVQUAL. The cross tabulations that were found to be positive were between age and reliability, age and responsiveness, gender and reliability, education and reliability and between education and assurance.

Table 4.12 distribution shows the cross tabulation between gender and reliability.
Table 4.12: Cross Tabulation between Gender and Reliability

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
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<tbody>
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<td>Count</td>
</tr>
<tr>
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<td>2</td>
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<td>D</td>
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<td>0</td>
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<tr>
<td>SDA</td>
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<td>0</td>
</tr>
<tr>
<td>NS</td>
<td>11</td>
<td>61.1%</td>
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<tr>
<td>STA</td>
<td>21</td>
<td>56.8%</td>
<td>16</td>
</tr>
</tbody>
</table>

The results on cross tabulation between gender and the reliability dimension indicated positive relationships. Findings show that, out of 151 respondents 54% male were satisfied that reliability has an effect on customer satisfaction compared to 46% female. The results revealed that there was a positive relationship between gender and reliability. The findings indicate that gender is an important attribute of reliability in service quality. The dominant view in the literature is that gender type is associated with customer preference in service quality (Mattick and Lee, 2013; Mohsin, Hussain and Khan, 2011). This finding is also supported by Zeithaml and Bitner (2003).

However, the above findings differ with Tanford, Raab and Kim (2013) who argue that hotels should place more emphasis on creating customer loyalty instead of focusing on reliability across gender which in their opinion is not a key reason for defection to other hotels. In their study, the authors identified the cause for the defections as affective emotional attachment and identification with the brand.

To investigate the possible relationship between age and reliability a cross tabulation for the two factors was conducted. Table 4.13 presents this cross tabulation for the respondents’ age and the reliability dimension in service quality.
Table 4.13: Cross tabulation between Age and Reliability

<table>
<thead>
<tr>
<th>Age</th>
<th>Count</th>
<th>SDA</th>
<th>D</th>
<th>SA</th>
<th>NS</th>
<th>SA</th>
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<td>Reliability</td>
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<tr>
<td>Total</td>
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<td>7</td>
<td>18</td>
<td>26</td>
<td>61</td>
<td>39</td>
<td>154</td>
<td></td>
</tr>
<tr>
<td>%</td>
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<td>100.0%</td>
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</tbody>
</table>

Key:
- SDA - Strongly Disagree
- D - Disagree
- SA - Somehow Agree
- NS - Not sure
- A - Agree
- SA - Strongly Agree

From the tabulation, the highest percentage among the respondents that strongly agreed that reliability had an impact on customer satisfaction were in the age bracket between 40 – 50 (25%), followed closely by age brackets 36-40 (24%) and the lowest percentage among the respondents was in the age bracket of below 25 years (6%). This reflects that mature respondents are more likely to consider reliability in service quality in hotels and this shows that the process of rendering service in the budget hotels was reliable and according to customer expectations. This shows that reliability of staff in service provision has a significant impact on customer satisfaction.
The results on cross tabulation between age and responsiveness are in conformity with earlier studies done on service quality that proposes that attitudes and behaviors of the contact employees can influence customers’ perceptions of service quality (Liang and Zhang, 2009). The interactions between contact employees and customers is essential in ensuring customer satisfaction. The employees should be considerate with customers who are elderly and children as they may require extra attention as opposed to the youth. These findings are consistent with the findings of Voon (2011) who stated that age of the customers’ highly correlates with the responsiveness they expect from the hotels they visit. The higher the age the more responsive they perceived from the services they were offered.

To investigate the possible relationship between education and reliability a cross tabulation for the two factors was conducted was conducted. Table 4.14 presents this cross tabulation for the respondents’ education and reliability dimension in service quality.

<table>
<thead>
<tr>
<th>Level</th>
<th>Prim</th>
<th>Count</th>
<th>SD</th>
<th>D</th>
<th>SD</th>
<th>NS</th>
<th>SA</th>
<th>A</th>
<th>STA</th>
<th>Total</th>
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<td>0.6%</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Sec</td>
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<td>100.0%</td>
<td>42.9%</td>
<td>33.3%</td>
<td>15.4%</td>
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</tr>
<tr>
<td>College</td>
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<td>0.0%</td>
<td>14.3%</td>
<td>27.8%</td>
<td>38.5%</td>
<td>37.7%</td>
<td>46.2%</td>
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<tr>
<td>University</td>
<td>50.0%</td>
<td>0.0%</td>
<td>42.9%</td>
<td>38.9%</td>
<td>46.2%</td>
<td>57.4%</td>
<td>48.7%</td>
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</table>

The findings indicate that the university level had the highest percentage 54% (54 respondents) that agreed that reliability had an impact on customer satisfaction. The findings suggest that customers who had higher level of education mostly from college and university levels were keen on reliability dimension while being served in budget hotels. This was in line with a study by Gremler and Gwinner (2000) which shows that reliability as a perceived service quality was explained as a form of...
attitude and a long run overall evaluation of a product or service, which was based on once level of education and understanding. This implies that the higher the level of education, the more sensitive they were with the services quality especially the tangible aspects in the hotels. Poorani and Smith (1995) argue that the level of education increases the chances of noticing the tangible dimensions; appearance of physical facilities and staff, menus comfort and cleanliness of facilities.

To investigate the possible relationship between education and assurance, a cross tabulation for the two factors was conducted. Table 4.15 presents this cross tabulation for the respondents’ education and the assurance dimension of service quality.

**Table 4.15: Cross Tabulation between Education and Assurance**

<table>
<thead>
<tr>
<th>Level</th>
<th>Prim</th>
<th>Count</th>
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<th>D</th>
<th>SA</th>
<th>NS</th>
<th>SA</th>
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<th>STA</th>
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</tr>
<tr>
<td>Sec</td>
<td>Count</td>
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<td>2</td>
<td>7</td>
<td>3</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>% dealings</td>
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<td>0.0%</td>
<td>33.3%</td>
<td>75.0%</td>
<td>11.1%</td>
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<td>4.7%</td>
<td>11.3%</td>
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<tr>
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<td>17</td>
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<td>33.3%</td>
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<tr>
<td>%</td>
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<td>0.0%</td>
<td>33.3%</td>
<td>0.0%</td>
<td>27.8%</td>
<td>56.9%</td>
<td>54.7%</td>
<td>50.0%</td>
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<tr>
<td>Total</td>
<td>Count</td>
<td>2</td>
<td>1</td>
<td>3</td>
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<td>%</td>
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</tbody>
</table>

The findings indicated that the university level had the highest percentage 56% (68 respondents) that agreed that assurance had an impact on customer satisfaction. Assurance has become a key strategic factor for budget hotels to differentiate their services. The results suggest that the customer level of education was a factor in identifying the hotel assurance in service quality.

Alin (2010) suggests that customer’s access service quality by comparing what they feel a seller should offer and compare it against the seller’s actual service performance. This is as a result of education level and experience that customers’ have which is unequivocal because of its benefits contributing to market share and return on investment. The level of education plays a major role in spearheading economic development of a country (KNBS, 2007). Furthermore, customers’ level of
education is significant as it affects their knowledge and expectation levels about phenomenon such as budget hotels and their resultant expectations of the service quality levels of the hotels.

The findings further indicated that in budget hotels, courtesy of staff was a key factor that influenced the quality of service that staff delivered. Enhanced courtesy was found to create a homely environment to ninety percent of the customers. The respondents also noted that there was need to understand the profile of the customer and thereafter develop standard specifications and operating procedures that would fit in with the client’s overall profile to achieve customer satisfaction. They also observed that good value for money was a strong consideration by guests choosing a hotel and in customer satisfaction. This indeed holds true considering that budget hotel customers are price sensitive and the main attraction to these hotels is low cost but with good value.

The respondents believed in recruiting the right personnel, motivating them and continuous training of staff to ensure delivery of quality service. The use of standard operating procedures in operations and handling customer complaints promptly was one way of ensuring customer satisfaction. In their view, professionalism by staff, friendliness and courtesy of staff were factors that influenced the quality of service that staff delivered. The aspect of staff training was corroborated by information from the employees who confirmed that training was an important element in service delivery. Management studies conducted indicate that employees play a major role in service delivery and they are the key determinants of establishing a competitive advantage and success an organization (Mattick and Lee, 2013).

Furthermore, customer’s perception of service quality may be influenced by many factors among them the actual service delivery which is performed by the hotel employees. The employees therefore play a mediating role in ensuring quality service delivery. This is because the employees are part of the service design as they are involved in both the production and delivery of service.
In order to capture the relationship between service design and service delivery, the study therefore captured the views of employees. Service design was captured in both the employees’ questionnaires and manager’s interview guide. The satisfaction ratings on the work environment are shown in Table 4.16.

### Table 4.16: Employee Work Environment Satisfaction rating

<table>
<thead>
<tr>
<th>Aspect</th>
<th>SD</th>
<th>D</th>
<th>SWD</th>
<th>NS</th>
<th>SS</th>
<th>S</th>
<th>VD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job security</td>
<td>5%</td>
<td>8%</td>
<td>6%</td>
<td>6%</td>
<td>27%</td>
<td>40%</td>
<td>8%</td>
</tr>
<tr>
<td>Remuneration and benefits</td>
<td>4%</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
<td>33%</td>
<td>28%</td>
<td>8%</td>
</tr>
<tr>
<td>Fair employment practices</td>
<td>4%</td>
<td>4%</td>
<td>6%</td>
<td>4%</td>
<td>33%</td>
<td>36%</td>
<td>13%</td>
</tr>
<tr>
<td>Leadership and management practices</td>
<td>4%</td>
<td>7%</td>
<td>6%</td>
<td>6%</td>
<td>28%</td>
<td>38%</td>
<td>11%</td>
</tr>
<tr>
<td>Rewards and recognition</td>
<td>8%</td>
<td>6%</td>
<td>6%</td>
<td>11%</td>
<td>25%</td>
<td>34%</td>
<td>9%</td>
</tr>
<tr>
<td>Training and career development</td>
<td>9%</td>
<td>8%</td>
<td>4%</td>
<td>7%</td>
<td>23%</td>
<td>39%</td>
<td>11%</td>
</tr>
<tr>
<td>Welfare issues</td>
<td>9%</td>
<td>6%</td>
<td>5%</td>
<td>6%</td>
<td>24%</td>
<td>33%</td>
<td>16%</td>
</tr>
<tr>
<td>Customer focus</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>20%</td>
<td>60%</td>
<td>20%</td>
</tr>
<tr>
<td>Team work</td>
<td>1%</td>
<td>3%</td>
<td>4%</td>
<td>1%</td>
<td>25%</td>
<td>44%</td>
<td>21%</td>
</tr>
<tr>
<td>Communication</td>
<td>1%</td>
<td>1%</td>
<td>7%</td>
<td>3%</td>
<td>23%</td>
<td>49%</td>
<td>16%</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>1%</td>
<td>6%</td>
<td>7%</td>
<td>22%</td>
<td>46%</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>Professionalism</td>
<td>3%</td>
<td>3%</td>
<td>6%</td>
<td>3%</td>
<td>26%</td>
<td>39%</td>
<td>21%</td>
</tr>
<tr>
<td>Understanding my needs</td>
<td>2%</td>
<td>1%</td>
<td>4%</td>
<td>5%</td>
<td>22%</td>
<td>42%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Key:
SD- strongly dissatisfied
D- Dissatisfied
The results indicate that customer focus received the highest rating of 80%. This indicates that majority of the employees are satisfied that the hotel has customers at the central focus in the hotel. This implies that the hotel management cares for the needs of its customers because the hotel has the customer at the nerve center for all their operations. Training and career development had satisfaction rating of 73% and professionalism had 66% satisfaction rating.

The above results support the information from the Managers where they indicated that training of employees is important. It is confirmation that training of employees at the work place actually takes place and that the employees are satisfied with it. This is because training sharpens employees’ skills and acts as a motivator thus leading to quality service delivery (Mikulić and Prebežac, 2011).

The study findings indicate that service designs that the managers develop, planning, knowledge about the customer, training of staff, and anticipating customer needs in advance were critical elements in ensuring that service delivery exceeded customer expectation. In their view, the solution to customer complaints was having the right people with the right attitude. In conclusion, the study findings showed that management perception of service quality has a moderating effect on customer satisfaction.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The guiding principle when deciding on service designs or standard operating procedures and specifications in service provision is the management’s perception of customer’s expectations and how they translate the expectations into service designs. The first research objective of determining the effect of service design on customer satisfaction in budget hotels in Nairobi City County, Kenya was achieved as the findings indicated that the service design had a significant impact on customer satisfaction. The study found positive and significant relationships between service design and customer satisfaction in budget hotels in Nairobi. The results of this study indicated that hotel designs that focused on improving the dimensions of service quality resulted in improved customer satisfaction. The positive relationship between the tangible elements of the hotel and customer satisfaction outcome sets a critical strategy for management.

The study found a positive relationship and significant relationships between the SERVQUAL dimensions represented service design and customer satisfaction in the budget hotels industry in Nairobi, Kenya. The regression model was found to be fit and can therefore be used for future predictions. The managerial implication is that management should endeavour develop quality products complimented with quality service an effort to entice and attract the customers to visit, stay longer and increase spending in the budget hotels.

The second objective of establishing the effect of service delivery on customer satisfaction in budget hotels in Nairobi City County, Kenya was realized as the findings indicated a positive relationship between service delivery and customer satisfaction. The study findings indicated positive correlation service delivery customer satisfaction However, some the relationships were not significant. The only variables that were found to be significant were responsiveness, reliability and empathy. This suggested that there are gaps between service delivery and customer satisfaction that needs to be addressed.
The third objective of determining the moderating effect of management perception of service quality on customer satisfaction in budget hotels in Nairobi City County, Kenya was met. However, because the customers’ needs are ever changing and the environment is so dynamic, it is recommended that Managers in the hotel industry keep abreast with emerging industry trends and innovation to enable them devise operations and marketing strategies that focus on service quality dimensions. This will ensure that the service gaps are reduced thereby enhancing customer satisfaction. The findings of this study affirms this notion as it was revealed that the management perception of what the customer expects in relation to service quality was in line with the customer expectations.

The overall results indicate that the five dimensions of service quality influence customer satisfaction signifying that customer satisfaction is dependent on the SERVQUAL to a great extent. The findings also indicate that there are gaps between service delivery and customer satisfaction as customer needs have varying needs that keep changing in a dynamic environment.

The managerial implication of the study findings is that management should take into consideration factors that customers value or consider as important to actualize customer satisfaction. Management needs to continually research on the needs of their customers and design the products and services to suit customer demands. The establishments are bound to prosper when customer needs are met as there will be fewer customer complaints and customer loyalty will be achieved in the long run. When customers know that the service provider appreciates and values their patronage, they feel much more valued are likely to be satisfied and become loyal customers.

5.2 Conclusion

The findings of the hypothesis testing revealed that positive and significant relationships exist between service design and customer satisfaction, between service delivery and that management perception of service quality has moderating effect on customer satisfaction in budget hotels in Nairobi City County, Kenya.
The findings indicated strong relationship between service design and customer satisfaction in the budget hotels in Nairobi. However, the test results for the relationship between service delivery and customer satisfaction revealed positive relationships for three of the service delivery variables but four were found to be insignificant. This implied that customers’ need in budget hotels were not met as perceptions fell below expectations thus creating a service delivery gap. These findings revealed that gaps that exist between service delivery and customer satisfaction in budget hotels in Nairobi City County, Kenya.

The study also found management perception to be the moderating factor between service quality and customer satisfaction in budget hotels in Nairobi City County. In conclusion, the results show that all the five dimensions of SERVQUAL had significant correlations with customer satisfaction thus indicating that the variables impact customer satisfaction to a great extent.

5.2 Recommendations

Given the findings from this study, the following are the recommendations

5.2.1 Policy

The study makes significant contribution to the formulation of policies for budget hotels in Kenya. This would assist in setting up specific standards for service design in budget hotels in the country. Minimum standards should be set up through the Ministry of Tourism in Kenya. These standards will be applicable to all budget hotels in Kenya and they would also serve as a mark of quality in budget hotels in the country. This would promote both international and domestic tourism in the country and in the region.

Furthermore, the findings of the study can be used as a basis or a benchmark for developing a criterion for budget hotel operators with particular attention to the service quality that emanates from soft skills of staff, physical lay-out and designs of the hotel. This is because the country lacks a platform for owners of budget to operate from and moreover the budget hotels are not classified. The findings of the study can be used in classification of the budget hotels in the country.
5.2.2 Management Practice and Theory

In Kenya hospitality sector the competition has been on the rise, retaining customers’ is vital for budget hotel managers. The success of the sector is dependent on customer satisfaction. There is therefore need to ensure that that the hotel service designs developed by management are geared towards meeting and exceeding customer demands. Understanding the impact of service design on customer satisfaction is of significant value to budget hotel managers as satisfied customers are less likely to switch, less expensive to maintain and it will attract in new customers through positive word of mouth. In light of this, the study provides managerial implications to hotel managers on the design factors that contribute to customer satisfaction in the Kenya budget hotels.

The managerial implication of the findings on service delivery is that hotel managers and owners of the budget hotels need to pay closer attention to the specific needs of the customer to enhance customer satisfaction. This will minimize the service delivery gaps and in the long run, the establishments will be more successful and ultimately make better profits.

The new integrated framework for measuring customer satisfaction makes a significant contribution to the body of knowledge as budget hotels can use the model to evaluate customer satisfaction.

It is further recommended that Managers of hotel establishments devise operational and marketing strategies that focus on the service quality dimensions to enhance customer satisfaction. Such strategies should begin with differentiating the service by leveraging on the “soft skills of the staff” to improve service delivery. The hotels need to recruit and train their staff to offer personalized, reliable, warm and prompt service that will exceed the customer’s expectations.

5.2.3 Recommendation for Further Research

The study was conducted in budget hotels in Nairobi, the same study can be replicated in other budget hotels within the country to evaluate customer satisfaction. This would confirm if the findings would yield similar or different results.
There is also need to conduct further research to establish the mirror effect of employee satisfaction and customer satisfaction. “Is what the employees feels inside a reflection of the service provision that he or she gives to a customer? The findings would help managers concentrate on strategies that would keep the employees satisfied, retain them for longer period and achieve customer satisfaction.

Most researchers conducted using SERVQUAL have been conducted in the developed countries and not in developing world. There is therefore need for more researches to be conducted in the African continent and emerging markets in Asia and Far East.

Further research is also recommended to include other intangible factors that influence customer satisfaction in hotels other than the SERVQUAL dimensions. This would include variables such as time element the context in which the service takes place, the mood of the customer. Such a study would address the criticisms that the SERVQUAL has encountered from over the years.
REFERENCES


Kenya Tourism Board Report 2015


Lin, Wang; Nie, Yuanyuan; and Li, Huiqin , (2014) "Research on Hotel Service Design from perspective of customer"


Trip Advisor 2013


UNWTO Annual Report 2014


APPENDICES

Appendix I: Introduction Letter

Dear Respondent,

My name is Florence Wanjiku Njau, a PhD student of Kenyatta University (K.U). I am carrying out a research on “AN INTEGRATED SERVQUAL AND GAP MODEL IN EVALUATING CUSTOMER SATISFACTION IN BUDGET HOTELS IN NAIROBI CITY COUNTY, KENYA”. This questionnaire is designed to gather information to be used in the study being carried out for a hospitality and tourism project paper as fulfillment of the doctor of doctor of Philosophy in hospitality and Tourism from Kenyatta University.

The information you shall avail was treated with confidentiality and no instances will your name be mentioned in this research. Also, the information will not be used for any other purpose other than for this academic exercise. Your assistance in facilitating the same was highly appreciated.

Thank you in advance

Yours sincerely

………………………………
…………………………

Florence W. Njau

PhD Student
Appendix II (a): Hotel Managers Interview Guide

1. Gender
   Male [ ] Female [ ]

2. Age
   Below 20 years [ ] 21-25 years [ ] 26-30 yrs [ ]
   30-35 years [ ] 36-40 years [ ] 40-50 years [ ]
   Above 50 years [ ]

3. Number of years served in this capacity
   Below 1 year [ ] 1-5 years [ ] 6-10 years [ ] above 10 years [ ]

Empathy

4. How do you ensure friendliness and courtesy of your staff?

5. Kindly describe ways of addressing specific needs of guests?

6. How would you rate the guests’ perceptions of the price paid for accommodation in your hotel compared to similar hotels?

7. How likely is that the guests will recommend this hotel to others?

8. How would you rate the guests’ overall experiences with your hotel?

Reliability

9. How does your hotel ensure there is well trained and knowledgeable staff?

10. How do you handle complaints and problems amicably?

11. Kindly describe customers experience with the hotel’s products in the following ways:-

   a) Location of the hotel/convenience

   b) Value for money
c) Hotel design/layout, design and look of guest bedrooms

d) General hygiene and cleanliness

e) Professionalism of staff (friendliness, courtesy, appearance)

f) Assurance

12. How does your hotel ensure that they instill confidence in guests?

13. Briefly describe how you deal with convenience of service availability

14. Kindly indicate your future expectations as a manager in relation to the following aspects:

   a) Staff and Customer service
   b) Prices
   c) Hygiene and quality standards
   d) Bedroom facilities and guest security
   e) Business support and conference facilities
   f) Restaurant services
   g) Accessibility and the surrounding environment

**Responsiveness**

15. How do you ensure that you give individual attention to guests?

16. How does your hotel ensure availability of employees when needed in order to ensure responsiveness of service during peak seasons?

17. How do you differentiate your hotel in hospitality industry from your competitors in the following areas?

   a) Branding
   b) Cost effectiveness and rates
   c) Practice groups or industry sectors
   d) Quality of service
   e) Technology capabilities
Tangibles

18. How did you ensure attractiveness of your hotel to your target market?

19. What is your role in ensuring neat and professional appearance of staff?

20. How do you ensure customer satisfaction in the following areas?

   a) Facilities and general ambience
   b) Adequate furniture in the rooms
   c) Provision of smoking and non-smoking areas
   d) Meals served at the restaurant
   e) Availability of business support services (internet, Wi fi, telephones, secretariat, faxes, etc)

21 Assurance

How do you ensure confidence and knowledge of you staff?

23. What do you consider when developing service designs and operative standard specifications (SOPS)?

22 Any other information on service quality perspective that would help in ensuring customer satisfaction?
Appendix II (b): Customers Questionnaire

I am a student at Kenyatta University pursuing a postgraduate programme in PHD in Hospitality and Tourism Management. This questionnaire seeks to collect information that will assist in the assessment of customer satisfaction using an integrated SERVQUAL and gap model in budget hotels in Nairobi, Kenya. Your hotel has been identified as a valuable stakeholder to be involved in the research. The information given will be treated with utmost confidentiality and will therefore not be used for any other purpose other than the one stated above.

Please give answers in the spaces provided and tick (✓) the box that matches your response to the questions where applicable. Kindly volunteer as much information relevant to this study as possible

Part A: Respondents Demographics
1. Gender

Male [ ] Female [ ]

2. Age

Below 20years [ ] 21-25 years [ ] 26- 30years [ ]
30-35 years [ ] 36- 40 years [ ] 40- 50 years [ ]
Above 50 years [ ]

3. Level of education

Primary [ ] Secondary [ ]
College [ ] University [ ]

Section B: Service Design

4. No of times visited the hotel

First time [ ] 2- 5times [ ] 6-10times [ ] More than 10 times [ ]
1. To what extent do you consider the following in choosing a hotel? Use a scale of 1-7 where; 1 Strongly disagree, 2 Disagree, 3 Somehow Disagree, 4 Not sure, 5 Somehow Agree, 6 Agree and 7 Strongly agree

<table>
<thead>
<tr>
<th>Considerations</th>
<th>Str. Agree</th>
<th>Disagree</th>
<th>Somehow Disagree</th>
<th>Not Sure</th>
<th>Somehow Agree</th>
<th>Agree</th>
<th>Str. Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good location</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food prices</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Closeness to main city facilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional services provided (sauna, treatments, other)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Someone recommended hotel to me</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality of services offered</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have good experiences from this hotel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6. Kindly rate your level of agreement with the services provided by the hotel in the given five dimensions. Use a scale of 1-7 where; 1 strongly disagree, 2 disagree, 3 somehow disagree, 4 not sure, 5 somehow agree, 6 Agree and 7 Strongly agree

<table>
<thead>
<tr>
<th>Factors</th>
<th>Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibles</td>
<td>The hotel has modern equipment i.e. furniture, beds etc</td>
</tr>
<tr>
<td></td>
<td>Dress code of staff is attractive</td>
</tr>
<tr>
<td></td>
<td>The hotel facilities look recently upgraded</td>
</tr>
<tr>
<td>Reliability</td>
<td>Realization of assured service</td>
</tr>
<tr>
<td>--------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td></td>
<td>Reliability in solving customer problems</td>
</tr>
<tr>
<td></td>
<td>Delivering the appropriate service from the first visit onwards</td>
</tr>
<tr>
<td></td>
<td>Providing the promised service at the promised time</td>
</tr>
<tr>
<td></td>
<td>Insisting on zero defect policy</td>
</tr>
<tr>
<td></td>
<td>Willingness of personnel to respond to customer needs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Responsiveness</th>
<th>Prompt service delivery to customers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Informing the customers about the time of service delivery</td>
</tr>
<tr>
<td></td>
<td>Personnel who instil confidence</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assurance</th>
<th>Customers feel secure in their dealings with the hotel</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Courtesy of the personnel</td>
</tr>
<tr>
<td></td>
<td>Knowledge of personnel to answer the customer questions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Empathy</th>
<th>There are a specific number of staffs in a given area in the hotel who ensure customers are served as appropriate</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Understanding)</td>
<td>The personnel focuses on customers interests</td>
</tr>
</tbody>
</table>
In case of a complain the staff are fast to respond

Operating hours are convenient to customers

<table>
<thead>
<tr>
<th>Customer Satisfaction</th>
<th>My expectations about the services offered in the hotel met the required standards</th>
</tr>
</thead>
</table>

Do you have any additional comments about the hotel that can improve on its services to satisfy the customer?

........................................................................................................................................
........................................................................................................................................
........................................................................................................................................
........................................................................................................................................

THANK YOU FOR YOUR TIME AND PARTICIPATION
Appendix II (c): Employee Questionnaire

I am a student at Kenyatta University pursuing a postgraduate programme in PHD in Hospitality and Tourism Management. This questionnaire seeks to collect information that will assist in the assessment of the customer satisfaction using an integrated SERVQUAL and gap model in budget hotels in Nairobi, Kenya. Your hotel has been identified as a valuable stakeholder to be involved in the research. The information given will be treated with utmost confidentiality and will therefore not be used for any other purpose other than the one stated above.

Please give answers in the spaces provided and tick the box that matches your response to the questions where applicable. Kindly volunteer as much information relevant to this study as possible.

**Part A: Respondents Demographics**

1. Gender

<table>
<thead>
<tr>
<th>Male</th>
<th>Female</th>
</tr>
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</table>

2. Age

<table>
<thead>
<tr>
<th>Below 20 years</th>
<th>21-25 years</th>
<th>26-30 years</th>
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<td>☐</td>
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</table>

<table>
<thead>
<tr>
<th>30-35 years</th>
<th>36-40 years</th>
<th>40-50 years</th>
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<td>☐</td>
<td>☐</td>
<td>☐</td>
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<table>
<thead>
<tr>
<th>Above 50 years</th>
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<td>☐</td>
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3. Level of Education

<table>
<thead>
<tr>
<th>Primary</th>
<th>Secondary</th>
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<table>
<thead>
<tr>
<th>College</th>
<th>University</th>
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</table>

4. Number of years worked in this hotel?

<table>
<thead>
<tr>
<th>Below 1 year</th>
<th>1-5 years</th>
<th>6 years and above</th>
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<td>☐</td>
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</tbody>
</table>

5. Please tick which department you are currently working in:

   a) Front Office ☐ Food and Beverage Service ☐
c) Food Production  

d) House Keeping  

e) Accounts  

f) Procurement  

g) Others, please specify …………………………………………………………

h) Customer Service  

6. Please rate the working conditions you are subjected to in your department on a scale of 1 to 7 where (1) is strongly disagree and (7) is strongly agree.

<table>
<thead>
<tr>
<th>Items</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities are in good condition</td>
<td></td>
</tr>
<tr>
<td>I am provided with all equipment to perform my tasks</td>
<td></td>
</tr>
</tbody>
</table>

7. How would you rate your overall satisfaction rating with your employer?

Please tick your answer on a scale of 1-7 where;

1 – Strongly dissatisfied, 2 – Dissatisfied, 3 – Somehow dissatisfied, 4 – Not sure, 5 – Somehow Satisfied, 6 – Satisfied and 7 – Very satisfied.

<table>
<thead>
<tr>
<th>Items</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Security</td>
<td></td>
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<tr>
<td>Remuneration</td>
<td></td>
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<tr>
<td>Fair Employment Practices</td>
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<td>Leadership and Management Practices</td>
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<td>Reward and Recognition</td>
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<td>Training and Career Development</td>
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<td>Welfare Issues</td>
<td></td>
</tr>
<tr>
<td>Customer improvement interest</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Str. Dissatisfied</td>
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<tr>
<td>------------------------</td>
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</tr>
<tr>
<td>Team Work</td>
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<td>Communication</td>
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<td>Responsiveness</td>
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<td>Professionalism</td>
<td></td>
</tr>
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<td>Understanding of my needs</td>
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</tr>
</tbody>
</table>
Appendix III: Approval of Research Proposal

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 810901 Ext. 57530

Internal Memo

FROM: Dean, Graduate School

TO: Ms. Florence Wanjiku Njau
     C/o Hospitality Management Dept.
     Kenyatta University

DATE: 14th February, 2015

REF: T130/25667/11

SUBJECT: APPROVAL OF RESEARCH PROPOSAL

This is to inform you that Graduate School Board at its meeting of 11th March, 2015 approved your Research Proposal for the Ph.D. Degree. Entitled “Application of an Integrated Servqual and Gap Model in Evaluating Customer Satisfaction in Budget Hotels in Nairobi, Kenya”.

You may now proceed with data collection, subject to clearance with the Permanent Secretary, Ministry of Higher Education, Science and Technology.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking forms per semester. The form has been developed to replace the progress report forms. The supervision Tracking Forms are available at the University’s website under Graduate School webpage downloads.

By copy of this letter, the registrar (Academic) is hereby requested to grant you Substantive registration for your Ph.D studies.

Thank you,

DAVID NJOROGE
FOR: DEAN, GRADUATE SCHOOL

cc. Chairman, Hospitality Management Department.

Supervisors:
1. Dr. Mary Mutisya Mutungi
   Department of Hospitality Management
   Kenyatta University

2. Dr. Ray Mutinda
   Department of Tourism Management
   Kenyatta University

DNN/as
Appendix IV: Kenyatta University Research Authorization

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

F.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 8710901 Ext. 57530

Our Ref: T130/25667/2011

DATE: 14th March 2015

The Principal Secretary,
Higher Education, Science & Technology,
F.O. Box 30040,
NAIROBI

Dear Sir/Madam,

RE: RESEARCH AUTHORIZATION FLORENCE WANJIKU NJAU – REG. NO. T130/25667/2011

I write to introduce Ms. Florence Wanjiku Njau who is a Postgraduate Student of this University. She is registered for Ph.D degree programme in the Department of Hospitality Management.

Ms. Njau intends to conduct research for a Ph.D Proposal entitled, “Application of an Integrated Servqual and Gap Model in Evaluating Customer Satisfaction in Budget Hotels in Nairobi, Kenya”.

Any assistance given will be highly appreciated.

Yours faithfully,

MRS. LUCY N. MBAABU
FOR: DEAN, GRADUATE SCHOOL
Appendix V: NACOSTI Research Clearance Permit

CONDITIONS:

1. You must report to the County Commissioner and the County Education Officer of the area before embarking on your research. Failure to do so may lead to the cancellation of your permit.

2. Government Officers will not be interviewed without prior appointment.

3. No questionnaire will be used unless it has been approved.

4. Excavation, filming and collection of biological specimens are subject to further permission from the relevant Government Ministries.

5. You are required to submit at least two (2) hard copies and one (1) soft copy of your final report.

6. The Government of Kenya reserves the right to modify the conditions of this permit including its cancellation without notice.

THIS IS TO CERTIFY THAT:

MS. FLORENCE WANJIKU NJAU

An Honours Degree holder from Kenya University, 0-620 NAIROBI, has been permitted to conduct research in Nairobi County on the topic: APPLICATION OF AN INTEGRATED SERVQUAL AND GAP MODEL IN EVALUATING CUSTOMER SATISFACTION IN NAIROBI, KENYA for the period ending: 30th April, 2016

Signature

Director General
National Commission for Science, Technology & Innovation
Appendix VII: Hotels Registered by Tourism Regulatory Authority in Nairobi

1. Abbey Comfort Inn
2. Acacia Camp – Nairobi
3. Accra Hotel
4. African Eco Adventures Ltd
5. Afrika Lodges Ltd
6. AinulQamar Lodge
7. Alfa Hotel
8. Alsafa Hotel
9. Ambassadeur Hotel
10. Annex Guest Room
11. Arkland Palace Hotel
12. Asmara Entertainment
13. Azee Residential Hotel
14. Barwaka Lodge
15. Batians Peak
16. Beams Annex
17. Best Western Nairobi Ltd
18. Black And White Hotel
19. Blue Springs Hotels Ltd
20. Bluesky Holdings Ltd
21. Bluesky Holdings Ltd
22. Buffalo Inn
23. Cana Lodge
24. Carnation Hotel
25. Casablanca Nairobi Tavern
26. Castle Inn
27. Cedarwood Hotel And Resorts Inn Co Ltd
28. Central Park Hotel
29. Chambers Road Management Limited
30. China Garden Ltd
31. City Wall Hotel
32. Cold Springs Hotels
33. College Of Insurance
34. Collingham Gardens Limited
35. Covenant Guest House
36. Crown Plaza
37. Destiny Hotel Ltd
38. Downtown Hotel
39. Dubai Hotel
40. Dusit Hotel Nairobi
41. East Land Hotel
42. Eka Hotel
43. Emerald Hotels
44. Emmaccra Hotel
45. Esperia Hotel
46. Eureka Highrise Hotel
47. Evamay Lodge N.C.B.D (River Road)
48. Face To Face Guest House
49. Fahari Hotel Company Limited
50. Fairview Hotel
51. Fenesi Gardens
52. Fig Tree Hotel
53. Galexon Hotel
54. Gathare Lodges
55. Gathare Properties Lodging Park Road
56. Gee Six Kenya Limited
57. Giathinwa Guest House
58. Githunguri Social Club
59. Godial's Bed And Breakfast
60. Gold City Palace
61. Golden Jubilee Limited (Crown Plaza)
62. Good Hope Hotel
63. Goodwill Darts Club
64. Grand Holiday Hotel
65. Grand Royal Hotel
66. Hemingways Nairobi Limited
67. Heron Court Hotel
68. Hill Top Raha Hotel
69. New Hillcrest Hotel Ltd
70. Hilton Nairobi Ltd
71. Hog Mead Ltd
72. Hotel Africana
73. Hotel Arizona's
74. Hotel City View
75. Hotel Destination
76. Hotel Diplomat
77. Hotel Embassy
78. Hotel Emerald
79. Hotel Gloria
80. Hotel Green Court
81. Hotel Intercontinental
82. Hotel Lamada
83. Hotel Mercury
84. Hotel Metro
85. Hotel Reke Marie
86. Hotel Riverview Westlands Ltd
87. Hotel Rio Holdings Ltd
88. Hotel Salama
89. Hotel Southern Blue
90. House Of Waine
91. Ijenge Kenya
92. Ikweta Investments
93. Indaba East Africa Ltd
94. J.K Mbuthia Bar
95. Jabulani Investment Limited
96. Jacaranda Hotel
97. Jamiat Hotel Limited
98. Jerry City Hotel
99. Jimlizer Hotel
100. Joes Bar And Restaurant
101. Joy’s Camp Hotel
102. Jupiter Guest Resort
103. Kafico Hotel
104. Kahuti Guest Lodge
105. Kamwara Annex Lodge
106. Kanyoni Rest House
107. Kapkabus Lodge
108. Karen Embers
109. Karibu Hotel
110. Katrina Hotel
111. Kenya Comfort Hotel
112. Kenya Comfort Hotel Suites
113. Kenya Comfort Lodge
114. Kenya International Hotel
115. Khweza Bed and Breakfast Ltd
116. Kibigori Inn
117. Kicheche Bush Camp
118. Kilimanjaro Lodge
119. Kinangop Hotel
120. King Castle Inn - Basil Ltd
121. Kitich Camp Ltd
122. KiviMilimani Hotel
123. Kolobot Gardens Ltd
124. Kwality Hotel
125. La Colline Gardens
126. Laico Regency Hotel
127. Lazarus Inn And Lodge
128. Lenana Mount Hotel
129. Lewa Safari Camp Ltd
130. London Boarding and Lodging
131. Mac Bone Hotel  
132. Machagucha Guest House  
133. Macushila House Ltd  
134. Magharibi Suites Serviced Apartments  
135. Mahindi Hotel  
136. Makuti 2000 Club  
137. Manila Hotel  
138. Mara Plains Ltd  
139. Marble Arch Hotel  
140. Marteve Guest House Ltd  
141. Masera Guest House Ltd  
142. Mathioya Bar And Restaurant  
143. Melonia Guest Resort  
144. Members Makuti Pub  
145. Meridian Court Hotel  
146. Midview Hotel  
147. Milimani Backpackers and Safari Centre  
148. Mooreland Consolidated Hotel 2003 Ltd  
149. Moyale Boarding And Lodging  
150. Munyaka Paramount Hotel  
151. MurangaNjumbi Hotel  
152. Mururi-Ini  
153. Mushembi Road Guest House  
154. Nairobi Forest Lodge and Hotel Ltd  
155. Nairobi Interconnect Accommodation  
156. Nairobi Pacific Hotel  
157. Nairobi Safari Club  
158. Nairobi Serena Hotel  
159. Nanchang Hotel  
160. Nawas Hotel  
161. New Hillcrest Hotel  
162. New Sarova Stanley  
163. New Swanga Hotel (Park Road)
164. New Swanga Ltd Lodge
165. Ngara Uphill Lodge
166. Ngerende Island Resort
167. Ngong House Lodge
168. Njumbi Enterprises
169. Norfolk Hotel
170. Nyam Hotel
171. Nyandarua Lodge
172. Oak Training and Conference
173. Oakwood Hotel
174. OldonyoWuas Ltd
175. Ole Sereni Hotel
176. Olive Gardens Hotel
177. Palacina Residential Hotel
178. Paris Hotel
179. Parklands Shade Hotel
180. Parkside Hotel
181. Pathway Hotel
182. Perfect Hotel Guest House
183. Pisgar Mount Ventures
184. Pride Inn Hotel And Conference
185. Pride Inn Hotel And Investment Ltd
186. Prime Rose Guest House
187. Princess Hotel
188. Progressive Park Hotel
189. Prunus Hotel
190. Pwani Guest House
191. Rabii Hotel
192. Rain Downtown Hotel
193. Red Court Hotel
194. Rekero Camp Ltd – Shikati
195. Relax Inn Hotel
196. Rivers Corner Hotel
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<thead>
<tr>
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<td>Sand River Eco-Camp Ltd</td>
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<td>Sports View Hotel Kasarani</td>
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230. Steve Lacey Hotel
231. Stima Hotel
232. Summerdale Inn
233. Sun Ray Lodging Hotel
234. Sunrise Hotel Ltd
235. Sunstar Hotel Limited
236. Tawi Lodge Ltd
237. Tea Room Guest Hotel
238. Tea Zone Hotel
239. Terminal Hotel
240. The Boma Nairobi
241. The Bounty Hotel
242. The Clarion Hotel
243. The Giraffe Manor
244. The Panari Hotel
245. The Rusam Villa Guest House
246. The Stadion Hotel
247. The Strand Hotel
248. The United Kenya Club
249. ThomeWaKahuti
250. Timboroa Hotel
251. Towfiq Guest House
252. Tribe Hotel Limited
253. Trisan Hotel
254. Tsavo Gardens Guest House
255. Tulip Guest House
256. Up Rumy's
257. Upways Hotels
258. Utalii Hotel
259. Utawala Guest House (Embakasi)
260. Valley House
261. Veecam Hotel
262. Villa Rose Kempinski Hotel Nairobi
263. Waridi Paradise Ltd
264. Wasini Luxury Homes
265. Waves Guest Wings
266. Wilton Gateway Hotel
267. Windsor Golf Hotel and Country Club
268. Wynns Hotel
269. Source: Tourism Regulatory Authority (2014)
270. Year 2000 Hotel
271. Zahra Lodge
272. Zenehria Nairobi
273. Monarch Hotel
274. International Guest House
275. Royale Plaza Limited
276. Yaya Hotel
277. Azure Hotel Ltd
278. Kipepeo Hotel
279. Appleton Resort
280. Hotel Tropez
281. Khweza Bed And Breakfast Ltd
282. AtuaEnkop Africa Ltd
283. QaribuInn
Appendix VIII: List of Sampled Budget Hotels for the Study

<table>
<thead>
<tr>
<th>Name of Hotel/Establishment</th>
<th>No. of Rooms</th>
<th>Accommodation Rate</th>
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Appendix XI Qualitative Analysis on Customers

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<th>Theme</th>
<th>Description</th>
<th>No of times cited</th>
<th>Month 2015</th>
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</table>
| Tangibility| • Physical facilities needed to be enhanced with modern gym facilities, heated swimming pools, décor and ambience to be enhanced in the conference rooms.  
              • Some of the budget hotels are located just outside the CBD, a location that is favoured by night life goers like twilight ladies.  
              • Provision of more drinking water.  
              • General cleanliness and maintenance in the rooms was a concern as some noted that soaps in the bathroom was missing,  
              • Extra blankets and bathroom toilets/sinks basins required replacement.  
              • Room and corridor carpets to be replaced with tiles.  
              • Introduce entertainment services/programs for customers in the evening.                                                                 | 20                | May/June   |
| Empathy    | • Improve on the customer care service at the reception.                                                                                                                                                       | 20                | May/June   |
| Responsiveness | • Use of IT, poor quality of service especially front line staff at the reception and in the restaurants,  
                            • Lack of attention to detail  
                            • Improve on customer complaints response rate  
                            • Improve on the service time the waiter attends us and explains about the menu.                                                                 | 20                |            |
| Reliability | • Go digital.  
                    • I cannot recommend anybody due to Too many prostitutes around and within the hotel, cannot recommend hotel  
                    • Maintain and improve the standards  
                    • Improve on service delivery.  
                    • Improve service.  
                    • Increase no of staff in the bar and restaurant, name tags or numbers for service staff for easy identification. Beautify the bar and restaurants.  
                    • To improve on customers complaints. To improve on facility management and staff uniform. To improve on security (Guest fill unsafe about their belongings.)  
                    • To keep it up to ensure that they deliver their service promptly and to attract more customers in their premises.                                                                 | 25                | May/June   |
| Assurance  | • lack of adequate product knowledge by staff,  
                    • Facility Management poor  
                    • The high traffic at night was a concern to some customers as they felt insecure.  
                    • Assurance and confidence to the customer was a concern to some of the respondents. They felt unsafe and they also felt that their complaints were not adequately addressed by the hotel. | 15                | May/June   |
<table>
<thead>
<tr>
<th>management.</th>
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