

## **An Integrated Servqual and Gap Model in Evaluating Customer Satisfaction in Budget Hotels in Nairobi City County, Kenya**

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### **ABSTRACT**

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*Increasingly, hotel industry has witnessed rapid growth in the 21<sup>st</sup> 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 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.*

**Key Words:** Integrated Servqual, Gap Model, Customer Satisfaction, Hospitality Industry in Kenya, Budget Hotels in Kenya

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## 1. INTRODUCTION

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). 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). 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).

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 1.785million in 2011 to 1.780million in 2012; from 1.5 million in 2013 to 1.3m 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.87.1billion 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).

## **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 an 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.

### **3. OBJECTIVES OF THE STUDY**

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.

Specific objectives were:

- i. To determine the effect of service design on customer satisfaction in budget hotels in Nairobi City County, Kenya.
- ii. To establish the effect of service delivery on customer satisfaction in budget hotels in Nairobi City County, Kenya.
- iii. To determine the moderating effect of management perception of service quality on customer satisfaction in budget hotels in Nairobi City County, Kenya.

### **4. 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). 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,  $H_{01}$ ).

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,  $H_{02}$ ). 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,  $H_{03}$ ). Customer satisfaction was the dependent variable and therefore customer satisfaction was dependent on service design, customer expectation with management perceptions as the moderating variable.

## 5. CONCEPTUAL FRAMEWORK

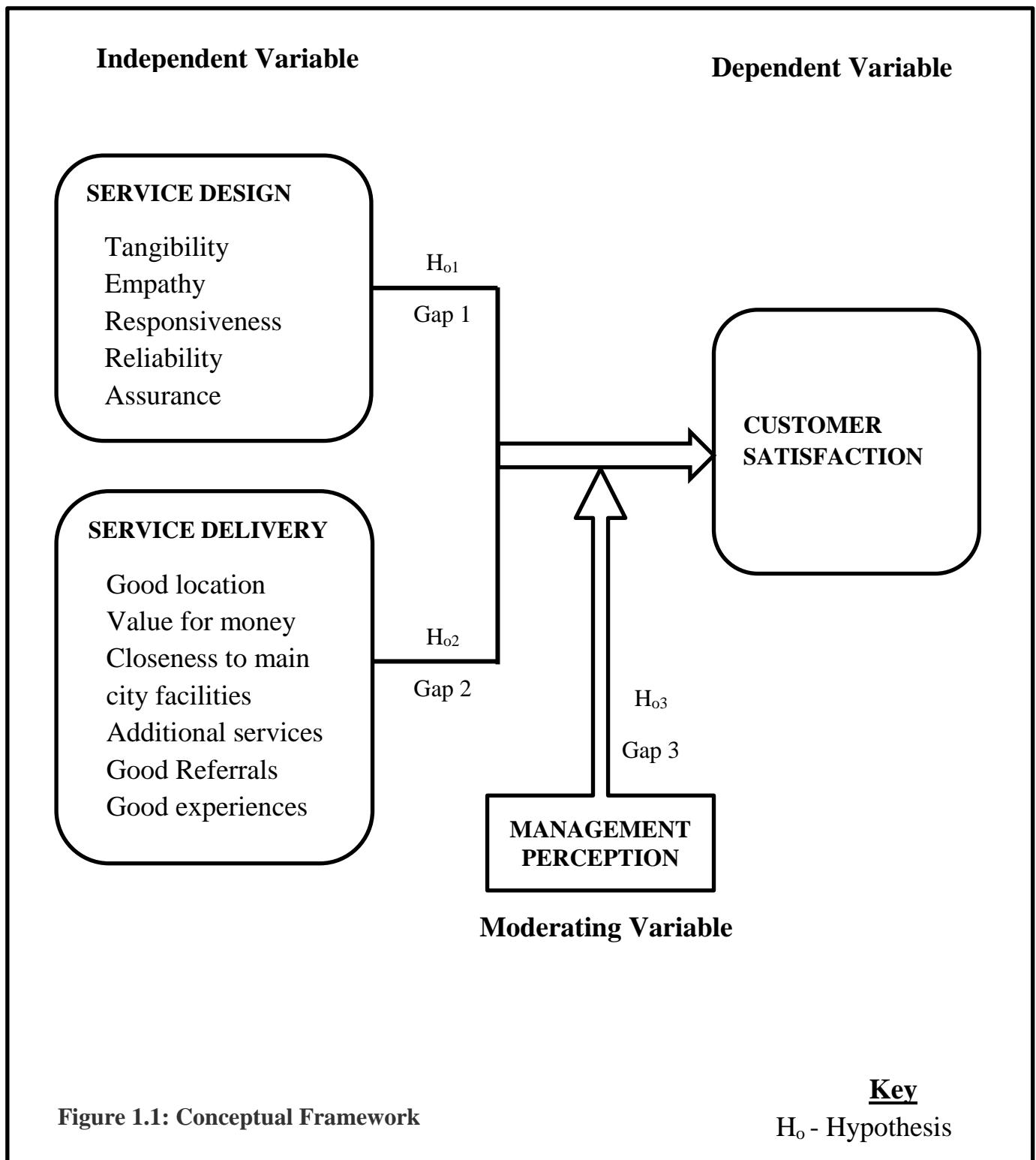


Figure 1.1: Conceptual Framework

Figure 1: Conceptual framework

## 6. 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 of 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.

### 6.1 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 (Markovi 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 Raymond, 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 short comings (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 of 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 Zeithaml and Parasuraman (1985), while the gap model analysis defines service quality as a function of perception and expectations.

## **6.2 Integration of the SERVQUAL and the GAP model**

The foundation of 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 vice 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).

### **6.3 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).

#### **6.4 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).

#### **6.5 The Gap Model**

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.

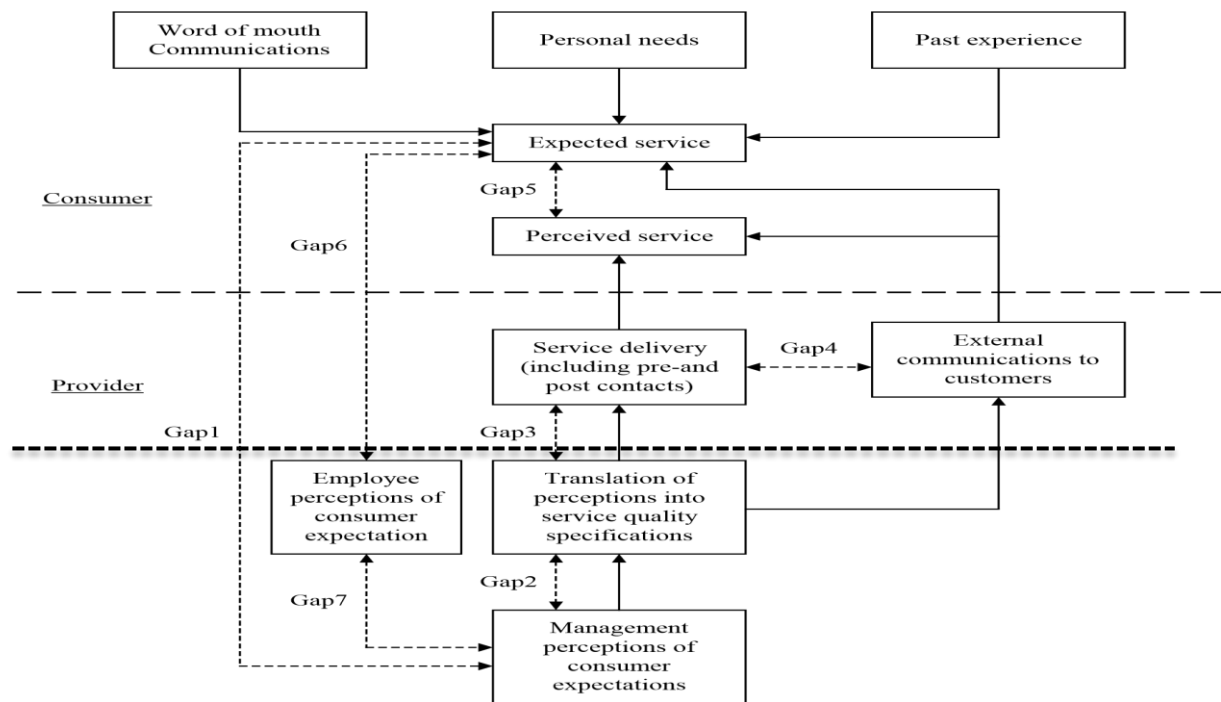


Figure 2: The Gap Model (Parasuraman et al., 1985)

## 7. METHODOLOGY

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. 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. 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.

The study population comprised all hotels in Nairobi and the sampling frame was all budget hotels. There were 283 hotels in Nairobi 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. 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.

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 total number of managers in the target population was 50 and the employee and customers totaling to 2525 for sample size calculation using Christopher formula then reduced it using fishers.

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

$$n_o = \frac{Z^2 pq}{e^2} = 385 = \frac{1.96^2 0.5 * 0.5}{0.05^2}$$

$n_0$  - 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

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. The study used systematic random sampling for both the customers and employees. 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.

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.

## 8. STUDY RESULTS

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). 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. The study undertook to test the following null hypothesis:

**H<sub>01</sub>: There is no significant relationship between service design and customer satisfaction of budget hotels in Nairobi, Kenya**

**Table 1: Model Summary of Service Design and Customer satisfaction**

<b>Model Summary</b>				
Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	<b>.808<sup>a</sup></b>	<b>.653</b>	.589	.708

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  $H_{01}$ ; "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:

$$Y = \beta_0 + \beta_1 \chi_1 + \beta_2 \chi_2 + \beta_3 \chi_3 + \beta_4 \chi_4 + \beta_5 \chi_5 + e$$

Where; Y= Customer satisfaction

$\beta_0$  = Constant Term

$\beta_1$  = Beta coefficients

$X_1$  = Tangibility

$X_2$  = Reliability

$X_3$  = Responsiveness

$X_4$  = Assurance

$X_5$  = Empathy

$e_1$  = 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 2 shows the results

**Table 2: Analysis of Variance (ANOVA)**

**ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	96.509	19	5.079	10.120	.000 <sup>b</sup>
	Residual	51.196	102	.502		
	Total	147.705	121			

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 3 indicates the results.

**Table 3: Co-efficient of Service Design and Customer Satisfaction**

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.



			Coefficients		
	B	Std. Error	Beta		
1 (Constant)	.225	.616		.366	.715
Tangibility in hotels modern equipment	.100	.078	.132	1.282	.203
Tangibility in appearance of staff is attractive	.121	.081	.130	1.500	.137
Tangibility in the hotels upgrades of their facilities regularly	.040	.086	.049	.468	.641
Realibility of realization of assured service	-.202	.099	-.198	-2.037	.044
Reliability in solving customer problems	-.151	.094	-.172	-1.599	.113
Reliability in delivering the appropriate service from the first visit onwards	.155	.120	.159	1.285	.202
Reliability in providing the promised service at the promised time	.115	.109	.126	1.057	.293
Reliability in insisting on zero deficit policy	-.126	.104	-.141	-1.206	.231
Reliability in willingness of personnel to respond to customer needs	.040	.113	.038	.352	.726
Responsiveness in prompt service delivery to customers	-.142	.118	-.142	-1.203	.232
Responsiveness in informing the customers about the time of service delivery	.523	.130	.571	4.023	.000
Responsiveness of personnel who instil confidence	.025	.116	.026	.211	.833
Assurance for customers to feel secure in their dealings with the hotel	.045	.107	.042	.423	.673
Assurance for courtesy of the personnel	.007	.134	.006	.055	.956
Assurance in knowledge of personnel to answer the customer questions	.031	.098	.038	.314	.754
There are a specific number of staffs in a given area in the hotel who ensure customers are served as appropriate	.107	.111	.106	.965	.337
Understanding of the personnel when focusing on customer interests	-.071	.117	-.072	-.609	.544
Understanding in that in case of a complain the staff are fast to respond	.090	.107	.101	.837	.404
Empathy in that operating hours are convenient to customers	.255	.116	.185	2.197	.030

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 indicated 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 ( $p = .404 > .05$ ).

The objective was to reject/accept the null hypothesis based on the criteria of 5% sig level. If  $p\text{-value} \leq 0.05$ , the null hypothesis is rejected or otherwise. The study undertook to test the following null hypothesis:

**H<sub>02</sub>: There is no significant relationship between service delivery and customer satisfaction in budget hotels in Nairobi City County, Kenya**

Table 4 shows the regression results.

**Table 4: Model Summary of Service Delivery and Customer satisfaction**  
**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.413 <sup>a</sup>	.171	.116	.805

*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 .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<sub>02</sub>; “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 5).

Table 5 shows the results

**Table 5: Model Summary of Service Delivery and Customer satisfaction**  
**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.276	7	2.039	3.144	.005 <sup>b</sup>
	Residual	69.411	107	.649		
	Total	83.687	114			

*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 6: Co-efficient of Service Delivery and Customer Satisfaction**  
**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

		B	Std. Error	Beta		
1	(Constant)	4.601	.489		9.415	.000
	Good location	.145	.091	.210	1.590	.115
	Food prices	-.184	.080	-.269	-2.314	.023
	Closeness to main city facilities	-.043	.067	-.072	-.635	.527
	Additional services provided like sauna, treatments and other	.091	.045	.200	2.012	.047
	Someone recommended hotel to me	.022	.050	.042	.434	.665
	Quality of services offered	.138	.062	.232	2.233	.028
	I have good experiences from this hotel	.057	.077	.078	.745	.458

*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 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. 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 were 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.

## 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: 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. 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.

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