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

Florence Wanjiku Njau
Doctor of Philosophy in Hospitality and Tourism, Kenyatta University, Kenya

Dr. Mary Mutisya Mutungi
Kenyatta University, Kenya

Dr. Rayvisic Mutinda
Kenya Methodist University, Kenya

ABSTRACT

Increasingly, hotel industry has witnessed rapid growth in the 21stcentury 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. This study assessed service quality based on the SERVQUAL and Gap model that reflects the difference between Management's perception of service quality and customer expectations in budget hotels in Nairobi County. It also assessed the gap between customer perception and expectations. The study was carried out in Nairobi, Central Business District (CBD) and its environs. The specific objectives of the study were to identify customer expectations, establish hotel managers' perceptions of service quality in relation to customer expectations and assess variations between managements' perception of service quality and service designs that they develop. 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 hypothesis was tested using a combination of tests comprising Pearson's correlation, Regression analysis (ANOVA) and Chi-square. The study found positive relationships between manager's perception of service quality and customer expectation that were significant at 0.000. It also found significant relationship between Management's perception of what the customer expects and service design. The study found that all the extracted sub indicators of the independent variables had a probability test value less than 0.05 (95% confidence level). The study further found out that tangibility (β=.132, p=. 0.203; β=.130, p=.0.137; β=.049, p=.0.641) and assurance β=.042, p=.0.673; β=.006, p=. 0.956; β=.038, p=.0.754; β=.106, p=.0.337) had positive relationships with customer satisfaction but they were not significant. Reliability had one sub indicator with a negative co-efficient ((β=-.198) that was significant (p=.044) while Empathy had one sub indicator with positive co-efficient (β=185) but a negative significance (p=-.030). Responsiveness had one sub indicator that was significant (β=.021, p=.000) effect on customer expectation (β=.217, p=.000), (β=.285, 0.002) and (β=.189, 0.023) respectively while empathy and reliability had no significant effect on customer satisfaction (β=.121, 0.129) and (β=.054, 0.537) respectively. Overall, there were strong associations between the five SERVQUAL dimensions and customer satisfaction. The results of the application of the SERVQUAL model and gap model in Kenyan budget hotel industry indicated that customer expectations varied with customer perceptions and that gaps in

service delivery were evident in budget hotels in Kenya. The study concludes that although managers seem to have a reasonably good understanding of the customer, customer perceptions of service delivery still falls short of customer expectations. The study therefore recommends that to enhance customer satisfaction, managers' need to devise operational and marketing strategies that focuses on all the dimensions of service quality. The study makes some contribution to the body of knowledge as an integrated model in evaluating customer satisfaction.

Key Words: *integrated servqual and gap model, customer satisfaction, budget hotels, Nairobi County, Kenya*

INTRODUCTION

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).

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, budget hotel services are intangible and heterogeneous, therefore service quality plays an important role in influencing customer's consumption and post-consumption processes (Garcıa and Caro, 2013).

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 1.785million 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.

Hotels in Kenya are classified from one to five stars (Kamau and Waudo, 2012). The hotel classification was last conducted in 2003 and 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 classification exercise is currently being conducted in Kenya and is yet to be finalized. Furthermore, other than the classified hotels, budget hotels are not recognized nor categorized in Kenya. While most of the high end international hotels are chain hotels owned by conglomerates and foreigners, the medium to low end hotels are mainly locally owned and are small to medium scale in size (GoK, 2003). These hotels compromise the budget hotels. 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 identified 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. The owners of these establishments tend to focus more on profits than on customer satisfaction (Shahin, 2005). They provide decent, affordable accommodation and catering services that include food and beverages.

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). These hotels face the challenge of offering quality products and services to their customers. 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). Because 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).

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). The study found that the impact of customer satisfaction on customers' loyalty was positive. The level of satisfaction varied depending on factors such as value addition, availability of alternatives, and competing products/services from other firms. Customer satisfaction is the perception of the customer on the service provided by the service provider (Babajide, 2011), in this case the budget hotels. 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). According to studies conducted by Boshoff and Gray (2004), 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. 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).

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). Organizations and ISO standards, which establish uniform standards controls and integrated assessments of subjective perception, focusing on perceptions of the evaluators to measure the linearity rules. They focus on quality of services as an engine for economic benefit, which provides business development through service efficiency, where the service management of match to financial management (KIPPRA, 2013). Outside of these approaches the quality of services is a function of the internal organization of the system and its relations with the environment, where quality improves the system´s homeostasis and encourages their development through the interaction of human activity systems with other systems (technological, economic, material, etc.).

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). 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.

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, Akama (2000) places 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).

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).

PROBLEM STATEMENT

Studies have shown that service quality is the key to success and survival in today's competitive environment (Ladhari, 2012; Garcıa 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). This differentiation can be achieved through actual service delivery that is performed by the staff through soft skills (Omolo, 2011). The hotel staff possess these skills that are made up of personal attributes that enhance an individual's

interaction and job performance. Their performance has a great impact on the outcome of the service offered. Further, due to the fact that services are heterogeneous, customers/staff involvement in the production and standardizing service quality becomes a major challenge leading to variability of the service quality (Negi, 2014). According to Mattick and Lee (2013), there are five important gaps which are more associated with the external customers and they are summed up by Gap 5. This gap is 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. In this case, customer expectations are influenced by the extent of personal needs, word of mouth recommendation and past service experiences. Also, 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 (Curry and Sinclair, 2012; Pampallis, 2013; Carpenter and Moore, 2015). These authors 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). On the other hand, stakeholders have not tried to assess the extent to which the quality of hotel service may impact on destination preference (Shahin, 2015). According to studies conducted in the hospitality industry, hotel customers consider certain attributes as important when evaluating service quality. These attributes include cleanliness (Atkinson 2008), safety and security (Knutson, 2008), location, employee's empathy and competence, value for money (Choi and Chu, 2001) and physical facilities (Markovi'c 2004). 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 comments included the following: cheap hotels, terrible service, unsmiling weird looking staff, hotel needs renovation, hotel looks better from outside than inside, unfriendly service, not service oriented, noisy rooms, when price rises, cleanliness and courtesy drops. It is evident that the customers' expectations were not met but they continued to use these hotels because of price, location, safety concerns, convenience and basic levels of cleanliness. Trip advisor has become a force to reckon with in the world of research pertaining to customer satisfaction in hotels. This is because the guest feedback mechanism has become digital and "real time" as guests can immediately give their feedback using their mobile phones. According to Anderson (2012), the number of customers consulting reviews at Trip advisor prior to making a booking at a hotel has increased steadily over time and also the number of reviews that they read before making their hotel selection. Hotel Managers and owners have embraced user reviews by Trip advisor and this has extended to researchers in the hospitality industry. It is by far the most dominant source for online reviews in the hospitality industry with more than 75 million reviews that have been generated by 32 million users (Trip advisor, 2012). Furthermore studies done by Cornell University and University of Michigan in hospitality establishments in 2012 revealed that Trip advisor has a significant effect on a hotel's bottom line.

Service quality in budget hotels is almost invariably inconsistent (Kimani et al., 2011). This is because the focus tends to be on basic accommodation facilities, convenience, accessibility and low rates at the expense of service quality (Wafula, 2012). The customer expectations are therefore not met leaving the customers dissatisfied. Most service organizations try and provide the best possible and high quality services to their customers but still they very often fall short of the customers' expectations since the customers have become more aware of their requirements and demand higher standards of services (Ladhari, 2012). Their perceptions and expectations are continually evolving, making it difficult for the service providers to measure and manage the services effectively (Sharma, 2011). The aim of the 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 will be tested against the gaps in perceived service quality in order to ascertain any actual or perceived gaps between customer expectations and perceptions of the service offered by budget hotels. In addition, the study sought to find out whether the customer satisfaction is as a result of independent impressions formed on each attribute, or whether customer satisfaction is determined by the arithmetic sum total of these impressions. This involved the exploration of the real causes of customer satisfaction using both the SERVQUAL and gap models.

GENERAL OBJECTIVE

The general objective of the study was to evaluate the level of customer satisfaction with service quality in budget hotels within Nairobi, Kenya using the SERVQUAL and Gap models.

SPECIFIC OBJECTIVES

1. To investigate the expectations of customers on service quality in budget hotels.
2. To find out hotel managers' perceptions of customer expectations with respect to service quality of hotel services and products provided.

THEORETICAL FRAMEWORK

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 Disconfirmation theory and expectancy value concept, Kano model, the Gap model and the SERVQUAL model.

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).

Kano Model

Research shows that there are various models that have been used to evaluate customer satisfaction. The Kano model by Kano (1984) suggests that there are 3 main factors of evaluating customer satisfaction. These include the Critical to Quality characteristics Must be, Performance and Delight. Figure 1 below illustrates this model:
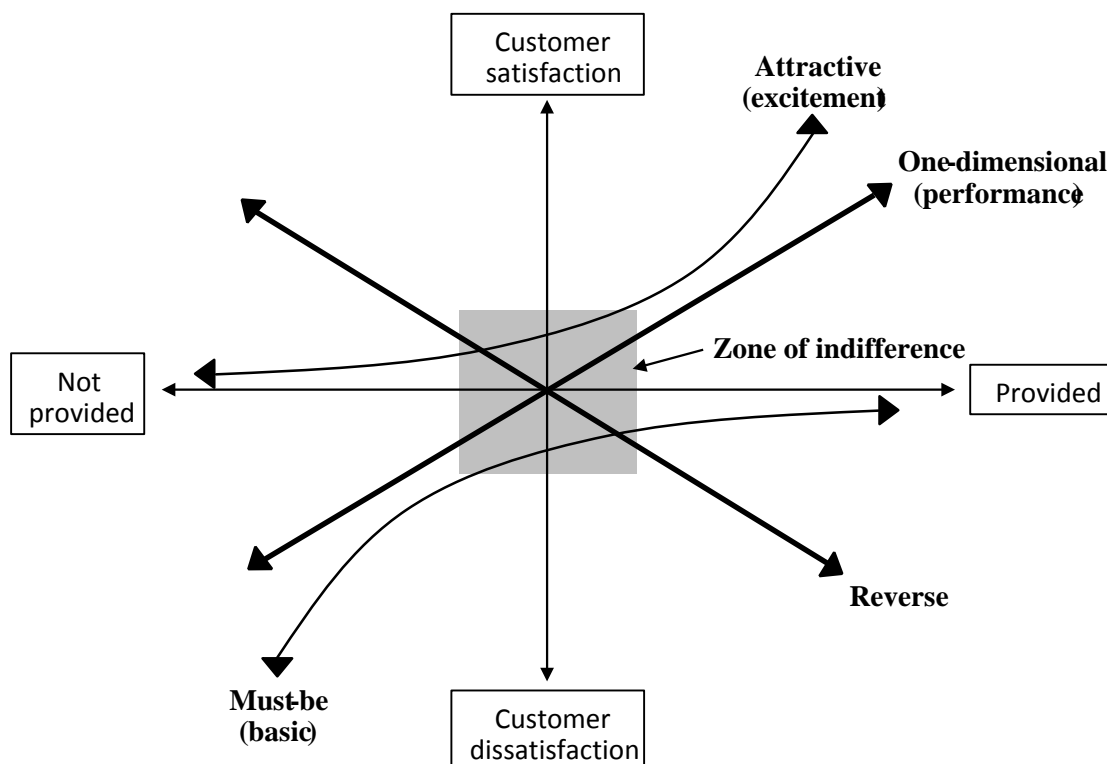

Figure 1: Kano Model

Source: Witell & Löfgren (2007); Chen (2015)

The model classifies product attributes based on the customer's perception and their impact on customer satisfaction. These attributes are must be (basic attributes), performance and delight. The "must be" attributes are the expected attributes of a product/service but their existence is not sufficient condition for customer satisfaction to occur (Busacca and Padula, 2005). Such products/services also do not offer product differentiation. An increase in performance of these attributes results in diminishing returns in relation to customer satisfaction. On the other hand, the absence of the "must be or basics" or "lack of" leads to extreme customer dissatisfaction. An example is a bed in a hotel room; a guest expects it to be there, however, the size and comfort may differ from one establishment to another.

Performance attributes are those attributes that when offered, they meet the customer's expectations. They are one dimensional attributes that are directly related to customer satisfaction. In order to gain competitive advantage over the competitors, these attributes comprise the most important factors in a service or product (Witell and Lofgren, 2007). Usually, the price that the customer is willing to pay for the product/service is tied to this attribute; value for money. For this attribute, the more, the better as customer satisfaction also increases.

Excitement attributes are those that are unspoken and unexpected by the customers. They are also known as "attractive requirements" and they have the greatest impact on customer satisfaction of a product or service (Sauerwein et al, 1998). These attributes can be considered as "extras" can result in high levels of customer satisfaction but their absence does not necessarily lead to dissatisfaction (Witell and Löfgren, 2007; Mikulić and Prebežac, 2011; Tontini and Picolo, 2014). These attributes are experienced by the customer when the product/service exceeds customer expectation. They mainly satisfy customer needs that are not obvious, or needs that the customer may require but is not aware of. In a competitive market environment such attributes can be considered as a competitive edge (Fening, Pesakovic and Amaria, 2008). The underlying assumption with the Kano model is that customer satisfaction is not always proportional to the functionality of the product or service as higher quality does not necessarily translate to greater satisfaction of the service or product. According to the Kano model, products/services have other inconsequential attributes which do not fall into any of the above three categories. Their presence or absence has no effect on the consumer.

The Kano model has some major drawbacks according to various researchers. Seder and Alhazzi (2014) argue that the classification of attributes in the model can only be considered for the present time only. This is a limitation as it would require that the model needs be performed frequently to ensure consideration of customer perceptions. The two also were of the view that the classification of attributes is a qualitative process which does not give an indication of the extent to which the attributes are fulfilled. Xu et al., (2009) found the application of the Kano model primitive when compared with other quantitative methods. They also argued that the model only takes into consideration the customer's perceptions but not the costs of the attributes fulfilled. Chen (2015), found the model complex, time consuming and difficult to implement, whereas Witell and Löfgren (2007) found the model quite easy to use. Liang and Zhang (2009) argues that one of the major advantages of the

Kano model is its ability to identify attributes that can be improved first and also the product/service is well understood by customers. However, the model lacks in providing an insight into the potential of the attributer to influence overall customer satisfaction (Liang and Zhang, 2011). Despite the critism, the model is still considered as one of the most important tools in classifying product/service attributes.

SUMMARY OF GAPS FROM REVIEWED LITERATURE

The literature reviewed shows that most of the researchers have been more preoccupied with the assessment of psychometric and methodological soundness of service scales rather than experience (Babakus and Inhofe, 1991). These studies have also been withthe context of service industries in developed countries and very little research has been conducted on the applicability of these scales to service industry in developing countries (Jain and Gupta, 2004). The lack of adequate research studies using the SERVQUAL in developing countries like Kenya created an opportunity for the researcher. This gap in the reviewed literature therefore presented a need for research to be carried out in the hospitality sector using the five approach of the SERVQUAL model.

Literature reviewed suggests that differences may exist between managers' perception of service quality and customer expectations (Nightingale, 2016). The results from these studies showed that management's perception of service quality differed greatly with the perceptions of customers, colleagues and staff. Similarly, Wei and Reid (2009) and Choy and Zhang 1986 in their study found hotel managers in China had inadequate understanding of tourist expectations due to differences in their cultural upbringing. Furthermore, an assessment of service quality in the hospitality by Coyle and Dale (1993) found considerable gaps between perceptions of the service provider and the customers. The researcher therefore endeavoured to assess managements' perception of service quality in relation to customer expectations.

The reviewed literature also indicated the existence of gaps between customer perception and expectation in the hospitality. This is because perceptions always differ from expectations due to the unique nature of services. They are also difficult to evaluate as they are views in an individual's mind, are acquired over time and keep changing whereas satisfaction may be a onetime experience. Therefore, relating the two concepts of customer perception and expectations is a great challenge for service providers due to the intrinsic nature of satisfaction. The level of customer's perception of the actual service delivery differs from case to case. If a guest stays in a certain hotel, with high level of personnel courtesy and low prices but the interior or ambience fail to match the expected level, the customer perception may be lower than the expectations (Dabholkar et al., 2000). A different guest may on the other hand appreciate the ambience and décor. The intrinsic and individualistic nature of satisfaction makes it difficult to evaluate satisfaction levels of a service using a standard measure.

To address the service gap, it would require customer expectations to be toned down or enhancing customer fulfillment response by the actual service delivered to the customer (Rust and Oliver, 1994). It is not realistic and it would be also be difficult to tone down customer

expectations, therefore enhancing the actual service delivery would be a more reasonable approach, Furthermore, whereas perception can be defined and measured in a straight forward way as per the customers' evaluation of the service delivered, the operationalization of the term "expectations" differs. The use of the term "expectations" has numerous interpretations and therefore different researchers have thus interpreted the term differently to suit their context (Babakus and Inhofe, 1991; Brown and Swartz, 2009). Furthermore, consumers have over the years preferred to use the term 'standards' (Finn and Lamb, 1991).

Furthermore, critics of SERVQUAL propose that a single generic measure cannot be used across a variety of settings (Peter and Dieke, 2003). This creates an opportunity to tailor make industry specific models for measuring customer satisfaction in budget hotels in Kenya. This is because the five dimensions are not universal and cannot measure absolute expectations of customers (Peter and Dieke, 2003). This study therefore profiled the application of an integrated model of the five SERVQUAL dimensions and gap model in budget hotels in Kenya. The literature review also indicates that there is a gap in service delivery in budget hotels since they are preoccupied with offering minimum facilities, no frills and inexpensive in their quest to cut on costs. Studies show that customer perceptions fell below expectations thus creating a need to identify the reasons for this variation. To remain relevant and sustainable, the budget hotels need to increase their uptake of technological innovations (Wafula, 2012) with a view to improving standards in this area (Omolo, 2011) and ensure efficiency as well as improved service (Kimani et al., 2011).

RESEARCH METHODOLOGY

Research Design

The study adopted a cross-sectional descriptive survey design because of its effectiveness, low cost and it enables easy access to information. This was useful in assisting the researcher in obtaining and analyzing information. To be able to examine the relationship between customer satisfaction and the SERVQUAL dimensions, the researcher conducted a formal study that comprised quantitative and qualitative research design. This involved a systematic approach that is used in research to provide a reliable outcome and it allows for integration and interpretation of the collected information. The formal study started off with the research questions and research hypothesis and it involved specific procedures and data source specifications. The data collected was standardized allowing ease of comparison of the data and it enabled the writer to gain more control over the research process. Furthermore, the use 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.

Study Area

The study took place in Nairobi County with the main purpose of identifying service gaps and evaluating the level of service quality from the perspective of the customers and hotel Managers working in the budget hotels.

Target Population

The study had a target population of 283 hotels in Nairobi (Appendix VII) that are duly registered by Tourism Regulatory Authority (TRA, 2014) from which 50 hotels were identified as budget hotels based on the definition of budget hotels. The total respondents comprised 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.

Sample Size and Techniques

The study sample size was 334 becomes the adequate sample size to represent a total population of 10,000 and above. However the study will adopt Fishers (1961) who asserts that 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. For the customers, the number of rooms occupied was divided by the sample size.

Research Instruments

In this research, the researcher used questionnaires 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 applied the SERVQUAL quality dimensions as the basic structure in the questionnaire and apply the Gap model to categorize the satisfaction levels ranging from extremely satisfied to extremely dissatisfied. The researcher used structured and semi structured questionnaires comprising five categories of the service quality elements of tangibility, empathy, responsibility, reliability and assurance that targeted the hotels customers. The questionnaire had two parts where the first part comprised bio data of the respondents and the second part covered customer perceptions of service delivery. Administration of the questionnaires was the drop off and picks method over a period of three months between April and June 2015. Once administered, the questionnaires was analysed to reflect the respondent's views in an accurate manner. Interviews for this study were carried out by the researcher herself. Interviews were therefore be used as a means of obtaining information to measure the customer satisfaction.

Research Study Variables

The study variables were the independent variables consisted the five dimensions of SERVQUAL and dependent variable as customer satisfaction. Each SERVQUAL variable had sub indicators that were tested using data collection instrument, the questionnaire. Management's perception and was the mediating variable.

Pre-Testing

The researcher 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 researcher's objectives. The questionnaires were administered to a small number of

people who were drawn from the population of interest in this case, a budget hotel. The survey was conducted at Sunstar hotel on 22nd April 2015 and the respondents were one Manager, 11 customers and 14 employees.

Validity

During questionnaire and interview construction, various validity checks were conducted that ensured the instrument measured what it is supposed to measure and perform as designed to perform. The researcher conducted validity tests that included content validity, face validity and construct validity. To ensure content validity, the instruments were formulated and operationalized as per the study variables that will ensure adequacy and representativeness of the items in each variable in relation to the purpose and objectives of the study. Further, content validity was verified through expert opinions from supervisors and practitioners. 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.

Reliability

The study conducted a Cronbach's alpha statistics to measure internal consistency. This study used multiple Likert questions in the survey questionnaire. Cronbach's alpha reliability coefficient normally ranges between 0 and 1. The closer the coefficient is to 1.0, the greater is the internal consistency of the items (variables) in the scale. The findings of the analysis indicated the alpha coefficient for the nineteen items is as shown in Table 1.

Table 1: Reliability Statistics

Construct	No of Items	Cronbach's Alpha	Ranking	Remarks
Reliability	6	.920	1	Cronbach's alpha of values
Responsiveness	3	.893	2	ranging from above .7 is
Empathy	4	.844	3	considered acceptable (Pallant,
Tangibility	3	.785	4	2007)
Assurance	3	.771	5	

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

Data Collection Techniques

Data was collected from all licensed budget hotels in Nairobi. Data was collected from both primary and secondary sources. 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.

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. The data was summarized and categorized according to common themes. Descriptive statistics was employed to analyze the data. Tables and other graphical presentations as appropriate was used to present the data collected for ease of understanding and analysis. 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. Content analysis is regarded as a flexible method for analysing text data (Cavanagh, 1997). The process involved summarizing the information gathered, followed by categorization and coding into emerging themes and presented in a narrative form.

DISCUSSION OF THE FINDINGS

The guiding principle when deciding on service designs or standard operating procedures/specifications in service provision is the management's perception of customer's expectations. The findings of this study affirms this notion as it was revealed that the managers perception of what the customer expects in relation to service quality was in line with the customer expectations. The first research objective of investigating customer expectations was achieved as the findings indicated that the expectations comprised aspects captured in the SERVQUAL model. The second objective of establishing whether managers in budget hotels in Nairobi, Kenya know the expectations of their customers 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. These findings concur with previous studies on factors attributed to customer satisfaction that include location, value for money, level of cleanliness and efficiency of services (Lin, Tsai, Wang, Su and Shaw, 2011; Li, Ye and Law, 2013; Huertas-Garcia Huertas, García and Consolación, 2012).Similar findings were also found by Wong and Chan (2003), who suggested that apart from price, convenient location and good quality service are key determinants in customers selection of a hotel. However, the findings contrast with results from a study done by Yuksel and Rimmington (1998) which suggested that a hotel could achieve customer satisfaction by mainly focusing on reliability and assurance.

On objective three, the study found positive and significant relationships between Management's perceptions of what the customer expects and service design of budget hotels

in Nairobi, Kenya. The results of this study have shown that hotel designs that focus on improving the dimensions of service quality will result in improved customer satisfaction. The positive relationship between the physical facilities of the hotel outcome sets a critical strategy for management. Management should endeavour develop and maintain comfortable and satisfying environments an effort to entice the customers to stay longer in their hotels. The study found a positive relationship between the SERVQUAL dimension of Tangibility as part of the service design and customer satisfaction in the budget hotels industry in Nairobi, Kenya. The findings are similar to Gilbert and Arnold (2009) who asserts that management are expected to understand and know what the customer expects in terms of service provisions in the hotel. They have the authority and responsibility of for setting service priorities, designing and developing service quality standards. They are also to ensure that the designs and standards set ultimately results quality service delivery for the customer. Service quality is about knowing your customers, designing services that meet customers' needs and finally managing the service production and delivery process to the customer's satisfaction.

The fourth objective on the relationship between customer expectations and customer perception indicated positive correlation between customer expectation and customer perception but most these relationships were not significant. The only variables that were found to be significant were responsiveness, reliability and empathy. This indicated that there are gaps between customer expectation and customer perception that needs to be addressed. The findings are similar to Gilbert and Arnold (2009) who asserts that management are expected to understand and know what the customer expects in terms of service provisions in the hotel. They have the authority and responsibility of for setting service priorities, designing and developing service quality standards. They are also to ensure that the designs and standards set ultimately results quality service delivery for the customer. Service quality is about knowing your customers, designing services that meet customers' needs and finally managing the service production and delivery process to the customer's satisfaction.

The managerial implications of these findings is that management should take into consideration factors that customers value or consider as important to actualize customer expectations. Management needs to continually research on the needs of their customers and tailor their products and services appropriately. 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. Naseem et al., (2011) propose 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 overall results on objective five showed that all the five dimensions; tangibility, responsiveness, empathy, assurance and reliability were significantly associated to customer satisfaction with very strong associations. Moreover, the results indicate that the five dimensions influence customer satisfaction meaning that customer satisfaction is dependent on the SERVQUAL to a great extent. Phillip (2009) asserts that customers may remain

unsatisfied with service quality if a gap is left in empathy. It was also established by Peter and Dieke (2003) that customer satisfaction is significantly impacted by empathy. It 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 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.

CONCLUSIONS

The findings on answering the two questions and testing of the three hypothesis reveals those positive and significant relationships exist between Managers perception of service quality and customer expectations, between the perceptions of managers service quality and the designs that they develop for the hotels. The findings also indicate strong relationship between service design and service delivery in the budget hotels in Nairobi. However the test results for the relationship between customer perception and customer expectation revealed positive relationships for most of the SERVQUAL variable but a significant number of the relationships were not significant. This implied customers' need in budget hotels were not met as perceptions fell below expectations. The findings on the relationship between customer expectations and customer perception in budget hotels in Nairobi, Kenya was found to be positive but not significant for dimensions of Tangibility, Assurance and Empathy and most of the variables in Responsiveness and Reliability. These results reflects the gaps that exist between customer expectations and customer perceptions in budget hotels in Nairobi, Kenya. The study also found that there is a mediating relationship between design and service delivery in budget hotels. In conclusion, the results show that all the five dimensions of SERVQUAL were significantly associated with customer satisfaction and that association is strong going by the Phi and Cramer values recorded. Furthermore, the results indicate that the five dimensions influence customer satisfaction meaning that customer satisfaction is dependent on the SERVQUAL to a great extent.

RECOMMENDATIONS

Policy 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 setting up 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 will also serve as a mark of quality in budget hotels in the country. This would promote domestic tourism in the country and in the region as a whole. Furthermore, the findings of the study can be used as a basis or a benchmark for developing criteria 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 more over the budget hotels are not classified.

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 not to mutually maintain a relationship that is beneficial that value customers'. Understanding the underlying relationship between customer expectations and customer perceptions is of significant value to budget hotel managers as satisfied customers are less likely to switch, less expensive to maintain and bring in new customers through positive word of mouth. In light of this the study provides managerial implications to hotel managers on the factors that contribute to customer satisfaction in the Kenya budget hotels.

The study findings reveal that there is a statistically significant association between design and customer satisfaction in that their expectations about the services offered in the hotel meet the required standards in the service design dimension of reliability and that association is strong. The study has identified that both reliability and empathy were the highly adopted by the hotels. This implies that, if a budget hotels aim to achieve high rate of customer the three elements which are satisfaction, tangibility, responsiveness and assurance must be considered as a strategy that needs improvement. This is recommended to be improved while designing Relationship Marketing strategies.

Hotel managers and owners of the budget hotels need to pay more attention to customer need 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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