The Influence of the Dimensions of Service Quality on Customer Satisfaction at Hotels in Batu City, Indonesia

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ABSTRACT

Objective – The number of hotels in both urban or in tourism areas has increased quite rapidly. The success and sustainability of hotel businesses is largely determined by their marketing strategy and the quality of services they provide to their customers. In choosing a hotel, customers consider both the physical appearance of the hotel as well as the quality of service provided. The rapid increase in hotels in Indonesia necessarily increases competition in the hotel industry and the rules surrounding market competition become quite strict. The aim of this research is to determine the influence of the dimensions of service quality (tangibility, reliability, responsiveness, assurance, and empathy) on customer satisfaction and to identify the most dominant dimension in terms of customer satisfaction.

Methodology/Technique – The research studied 110 respondents who have stayed in several hotels located in Batu, Indonesia. The data was collected using purposive sampling techniques using questionnaires. The data analysis technique used in this research was multiple linear regression analysis.

Findings – Based on the results of this research, it is concluded that the dimensions of service quality (tangibility, reliability, responsiveness, assurance, empathy) have a significant influence on customer satisfaction. In addition, the service quality dimension that has the most dominant influence on customer satisfaction is assurance.

Novelty – The research supported by original data and contribute to the literature in the context of Indonesia.

Type of Paper: Empirical

Keywords: Service Quality; Tangibility; Reliability; Responsiveness; Assurance; Empathy; Customer Satisfaction.

JEL Classification: L15, M10, M30.

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1. Introduction

The rapid increase of hotels operating in Indonesia necessarily increases the level of competition between hotel businesses. High competition levels require hotels to implement competitive marketing strategies and some hotels focus on developing and implementing innovative services in an effort to attract and retain customers. Essentially, the quality of service offered by a hotel service depends on the extent to which the service meets the customer's needs (Lupiyadi & Hamdani, 2008): hotels should be able to provide services that exceed the expectations of customers increase customer satisfaction (Lovelock et al., 1996). The quality of hotel service is essentially an attitude relating to the way the employees of the hotel serve customers, particularly when they first arrive at the hotel's reception. To provide services in line with customer

expectations hotel staff need to pay attention to the five dimensions of service quality: (1) tangibility, (2) reliability, (3) responsiveness, (4) assurance, and (5) empathy (Parasuraman et al., 1988). Customer satisfaction is directly related to the ability to generate profits (Anderson et al., 1994; Fornell et al., 1996; Bowen & Chen, 2001). It therefore follows that customer satisfaction will increase where the quality of service given to customers is improved (Philip & Armstrong, 2002). Research conducted by Bloemer et al. (1998) and Wen et al. (2005) show that the variables of service quality positively affect customer satisfaction and loyalty. Meanwhile, Cronin et al. (2000) and Pollack (2009) found no direct link between service quality and customer loyalty, but they identified an indirect, yet strong, relationship between service quality and customer loyalty, through increased customer satisfaction.

This research aim to answer the following questions:

(1) Is there a significant relationship between the dimensions or variables of service quality (tangibility, reliability, responsiveness, assurance, and empathy) and customer satisfaction?"; and

(2) Which service quality variable has the most dominant influence on customer satisfaction?

2.1 The Dimensions of Service Quality (SERVQUAL)

Parasuraman et al. (1985) states that the quality of service measurement used in SERVQUAL models are based on multi-item scale designed to measure customer expectations and perceptions, as well as the gap between them in the main dimensions of service quality. At first, Parasuraman et al. (1985) divided the ten key dimensions: (1) reliability, (2) responsiveness, (3) competence, (4) access, (5) courtesy, (6) communication, (7) credibility, (8) security, (9) the ability to understand the customer, and (10) physical evidence. However, the second study conducted by Parasuraman et al. (1988) condensed those ten dimensions into five dimensions only: (1) tangibility, (2) reliability, (3) responsiveness, (4) assurance, and (5) empathy.

2.2 Measuring the Level of Customer Satisfaction

Usually, management teams in a hotel are appraised of an individual customer's satisfaction after the customer has used their services (Gerson, 2001). According to Jamal and Naser (2002) customer satisfaction can be measured by using the following indicators: (extremely satisfied), conformity with expectations (meets expectations) and greater performance (excellent).

2.3 The Concept of Customer Satisfaction

With increasing levels of competition in all markets, in particular the hospitality industry, companies are striving to provide a high level of satisfaction to its customers as it is considered to be the key in enhancing customer loyalty. This of course results in increased profits for the company (Fornell, 1992). Ranaweera and Prabhu (2003) argued that if customers are increasingly satisfied of the products and services provided by the company, they are more likely to use those services again. Fecikova (2004) believes that the key to the sustainability of a company is the maintenance of customer satisfaction. Parasuraman et al. (1985) has developed a conceptual framework, the SERVQUAL model, for measuring customer perceptions of service quality using five dimensions: (1) tangibility, (2) reliability, (3) responsiveness, (4) assurance, and (5) empathy.

2.4 Customer Satisfaction

Engel (1990) states that customer satisfaction is an evaluation by a customer after the purchase of their service, involving a consideration of whether the chosen service provides an equal or higher quality of service than the alternatives available. Generally, customers measure satisfaction by comparing what they expected before purchasing the services, and what they received. There are three ways to measure customer satisfaction. These are: (1) absolute ratings, (2) ratings relative to expectations, and (3) the ratings relative to competition (Ramaswamy, 1996).

3. Research Methodology

3.1 Population and Sample

Based on the description of the objectives above, the formulation of the problem, and the hypothesis, this research is considered explanatory research. Sugiyono (2002) states that explanatory research aims to explain the position of certain variables by analyzing the relationship between the variables as well as the influence of certain variables on others. The research sample consisted of 110 respondents who used the hotels in Batu City, Indonesia.

3.2 Data Analysis Technique

Multiple linear regression model was used to analyze the impact of the dimensions of service quality on customer satisfaction.

3.3 Research Model and Hypothesis

The conceptual model that is used in this research is presented in Figure 1. The independent variables of this research are the service quality dimensions: tangibility (X1), reliability (X2), responsiveness (X3), assurance (X4) and empathy (X5). Meanwhile, the dependent variable is customer satisfaction (Y).
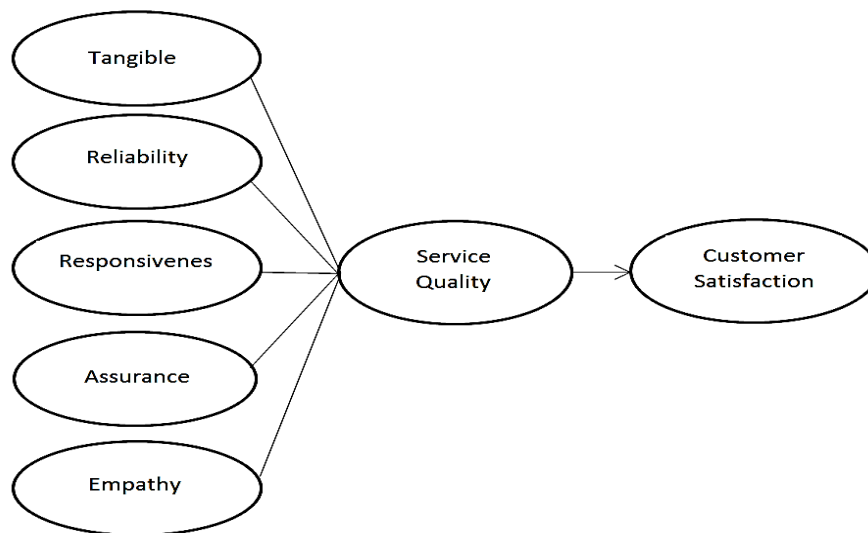

Figure 1. Research Model

Research hypotheses:
    H1: Tangibility has direct positive effect on customer satisfaction.
    H2: Reliability has direct positive effect on customer satisfaction.
    H3: Responsiveness has direct positive effect on customer satisfaction.
    H4: Assurance has direct positive effect on customer satisfaction.
    H5: Empathy has direct positive effect on customer satisfaction.

4. Results

4.1 Description of the Respondents

Most of the participants in this study were customers over the age of 45. In addition, most of the participants surveyed were employed in private employment and held a minimum Bachelor degree.

4.2 Reliability Test

The Cronbach's alpha value that was calculated for the five service quality dimensions is shown in Table

Table 1. Reliability Test

Variables/ Dimensions	Cronbach's alpha	Description
Tangible (X_1)	0.816	Reliable
Reliable (X_2)	0.806	Reliable
Responsiveness (X_3)	0.812	Reliable
Assurance (X_4)	0.804	Reliable
Empathy (X_5)	0.899	Reliable
Customer Satisfaction (Y)	0.868	Reliable

As seen in the Table 1, all items are used as a measuring tool. The alpha value Cronbach's alpha is > 0.6. This indicates that all of the items in this study are reliable (Ghozali, 2006).

4.3 Multiple linear regression

The results of the multiple linear regression analysis are presented in Table 2.

Table 2. Results of Multiple linear regression analysis

Dependent variable	Independent Variables	Coefficient of regression	t-count	t-table	Descriptions
Customer Satisfaction (Y)	Tangible (X_1)	.096	3.347	1.659	Significant
	Reliable (X_2)	.105	3.482	1.659	Significant
	Responsiveness (X_3)	.121	3.599	1.659	Significant
	Assurance (X_4)	.292	5.566	1.659	Significant
	Empathy (X_5)	.188	2.684	1.659	Significant
A	= -1.421				
R	= 0.982				
R^2	= 0.963				
F-Count	= 284.653				
F-Table	= 2.31				

Based on the results of the calculation as presented in Table 2, it can be seen that the coefficient of determination (R^2) is 0.963, F-count is 284.653 and F-table is 2.31 at the 5% significance level.

5. Discussion

5.1 Hypothesis test

The calculations in Table 2 show that the coefficient of determination (R^2) is between 0.963 and 284.653 with F-count being higher than F-table 2.31 at the 5% significance level. This means that the dimensions of service quality all have a significant effect on customer satisfaction (Y).

The individual effect of the independent variables on the dependent variable was tested by comparing the t-count with the t-table. The t-count variable of Tangible (X1) was 3,347, Reliable (X2) was 3.482, Responsiveness (X3) was 3.599, Assurance (X4) was 5,566, and Empathy (X5) was 2.684. These results were all higher than the t-table of 1.659. Thus, Ho was rejected and Ha was accepted, meaning the hypothesis stating that the independent variables had an individual significant influence on the dependent variable was accepted.

5.2 Multiple linear regression analysis

As presented in Table 2, the formula of the linear regression equation is as follows:

$$Y = -1.421 + 0.096\,X1 + 0.105\,X2 + 0.121\,X3 + 0.292\,X4 + 0.188\,X5$$

The results of the hypothesis testing as shown in the formula of the linear regression equation suggests that assurance (X4) has the highest influence on customer satisfaction (Y) because the regression coefficient for that variable is 0.292 which is higher than the other variables.

6. Conclusion

It can be concluded that the dimensions of service quality (tangibility, reliability, responsiveness, assurance, and empathy) all have a significant influence on customer satisfaction. This is proven by the correlation coefficient which is higher than 0.5 and the coefficient of determination (R^2) which is 0.963 with an F-count of 284.653, which is higher than the F-table of 2.31 at the 5% significance level. In addition, the dimension of service quality that has the highest influence on customer satisfaction is assurance.

This research can be used to improve the quality of service provided by hotels in Indonesia. The practical relevance of this research relates to the need for hotel management in Indonesia to be more aware of the effect of service quality on customer satisfaction. The research also aims to encourage further research.

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