

Benchmarking customer service in the hospitality industry

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Abstract

The Australian economy is competitive, more so when service firms cannot significantly differentiate between competitors by price, location or specific product attributes. Thus, service quality has become a critical component for differentiation, as well as profitability and sustainability. In this exploratory study a snapshot of service quality for the hospitality industry provides a framework for future benchmarking. For a competitive industry such as Queensland hospitality, the establishment of service quality benchmarks, and regular measuring of these benchmarks, could stimulate the State economy and provide competitive comparisons for firms, with financial and social benefits to the population as a whole.

Keywords: customer service quality, hospitality

Introduction

Many organisations find the Australian economy very competitive, especially those unable to significantly differentiate between competitors by price, location or specific product attributes. As a result, service quality has become a critical component for differentiation, as well as profits and sustainability (Schneider, Holcombe & White 1997; Blose, Tankersley & Flynn 2005). When service quality is judged highly by customers a number of other positive benefits are generally evident (for example, Zahorik & Rust 1992; Kim & Kleiner 1996; Yavas, Bilgin & Shemwell 1997; Al-Hawari, Hartley & Ward 2005; Al-Hawari 2005; Al-Hawari & Ward 2006), such as:

- higher retention rate of customers;
- attraction of new customers through positive word-of-mouth referrals;
- provision of successful opportunities to cross-sell and up-sell;
- an increase in market share;
- improvements in staff morale and productivity;
- a decrease in staff turnover;
- lowering of operating costs;
- improved financial performance.

Previous research has shown a direct relationship between corporate profitability and customer service quality of firms (Brown & Swarts 1989; Mouawad & Kleiner 1996; Fitzsimmons & Fitzsimmons 1998; Ward & Smith 1998; Fitzsimmons & Fitzsimmons 2000; Al-Hawari & Ward 2004; Al-Hawari et al. 2005; Al-Hawari & Ward 2006). Customer service is therefore a major mechanism to differentiate a firm from its competitors (Lovelock, Patterson & Walker 2004).

However, one difficulty that managers face is to know how good their customer service needs to be in order to differentiate their product offering from the competition. For example, the management of a Queensland tourist resort needs to consider the wide range of staff in contact with customers (for example, reception, food and beverage, gardening, pool and spa, resort based activities and cleaning) if they are to evaluate the service offering of their resort. In addition, it is important to confirm that service quality is positively influencing customer retention intentions. Thus, the organisation must implement a unified measure of service quality, or an accepted benchmark to which it aims to either reach or maintain. This

benchmark could then be extended to incorporate an entire region and/or industry. From this proposition comes the main research question raised by this research:

What is the current benchmark of service quality (SQ) of hotels and resorts in Queensland?

The paper addresses this research question in six sections. Following this introduction a review of service quality literature is presented in Section 2. Section 3 outlines the aims of this research followed by a summary of the methodology used to conduct this research followed by the results in Section 4. Section 5 presents the results of the research and Section 6 outlines future directions and overall conclusions.

2. Service Quality

Service quality is important to businesses as it directly influences customer retention and the overall performance (success or failure) of a company (Mohr, Fisher & Nevin 1996; Mouawad & Kleiner 1996; Blose et al. 2005). For example, service industry companies compete on intangible offerings making elements of the service quality important differentiation tools for customers. The importance of these differentiation tools is further enhanced given the increasing competition in the hospitality industry from both other local accommodation businesses and alternative holiday destinations, coupled with increasing consumer expectations and demands (Sellers 1990) and a dynamic operating environment (Payne 1995; Payne, Christopher, Clark & Peck 1995).

Getting the service quality mix wrong by failing to satisfy the needs of customers can have direct negative results on financial performance through lost (or reduced) customer retention (Zahorik & Rust 1992; Swailes & Dawes 1999; Van der Wiele, Boselie & Hesselink 2002; Yeung, Ging & Ennew 2002) and negative word-of-mouth referrals. Thus, service quality which satisfies customers needs can encourage positive word-of-mouth referrals (Furse, Punj & Stewart 1984; Price & Feick 1984; Brown & Reingen 1987; Stern & Gould 1988; Herr, Kardes & Kim 1991; East 2002; Karrh 2002; Laermer 2004); positive brand preferences and attitudes towards products (Sirgy, Johar, Samli & Claiborne 1991; Erickson 1996; Jamal & Good 2001b; Jamal & Good 2001a), and prevent complaining behaviour as satisfied customers could be more willing to forgive perceived minor mistakes (File & Prince 1992).

Grönroos (2000, pp. 63-65) developed a theory that service quality can be divided into two separate dimensions:

1. **Technical quality** - the quality of the service product (sometimes called the outcome dimension). In this research it is referred to as Technical Service Quality (TSQ);
2. **Functional quality** - the manner in which the customer receives the service product (sometimes called the process-related dimension), that is the manner in which the haircut was provided, which is commonly called customer service. In this research it is referred to as Functional Service Quality (FSQ).

This study builds on previous research into the service environment and the links between service quality and customer satisfaction. For example, past research into the service environment has considered the banking and financial services industry (Cronin & Taylor 1992; Spreng & Mackoy 1996; Yavas et al. 1997; Bloemer, deRuyter & Peeters 1998; Lassar, Manolis & Winsor 2000; Jamal & Naser 2003; Al-Hawari 2005), entertainment (Lee, Lee & Yoo 2000), hospitals (Shemwell, Yavas & Bilgin 1998), education (Boulding, Kalra, Staelin & Zeithaml 1993), pest control, dry cleaning and fast food (Cronin & Taylor 1992), investments and consulting (Lee et al. 2000) and telecommunications (Bolton & Drew 1991). For the most part, past research highlights the important positive relationship between service quality and satisfaction. Next, the paper provides a summary of the research aims and focus, the conceptual framework that guided the research and the methodology used.

3. Research aims and focus

3.1. Introduction

The aim of this research was exploratory through the establishment of a clear database for the hospitality industry which can then be used to establish a benchmark of service quality (SQ). This benchmark could then be updated periodically to track progress of SQ in a particular industry type and geographic location. Thus, the authors expect further longitudinal research to follow. Such research will provide guidance to assist a specific geographic hospitality region to develop best practice in service quality and to monitor progress towards that goal and indeed, the positioning of that goal over a number of years. We consider that to take these first steps will significantly assist a tourism region to compete more effectively on the global stage.

3.2. Delimitations of scope

This research was limited to the geographic region of Queensland, Australia and to the accommodation type resorts and hotels, thus findings from this study may not apply in other geographic regions and to other accommodation types, for example, caravan or camping, and no causality in these environments can be assumed from the findings (Yin 1994).

Key components of the tourism industry which were considered to be important to this research are:

- an expected relationship between a customer and their accommodation firm, based on the daily interactions between the customer and the service provider (through many staff role interactions, including reception, cleaning, food and beverage and activities) required to ensure the service is delivered appropriately. That is, more is expected of the transaction by both parties than a simple purchase transaction;
- for existing customers, a perceived reduction in inherent risk in purchasing an intangible service and hence, the selection of accommodation service sampled prior;
- for new customers the inherent risk in purchasing an intangible service and thus, the possible reliance on word-of-mouth referrals to aid purchase decisions.

Further research is required if conclusions and implications identified in this research are to be applied to other markets or businesses, or in other countries.

Theoretical framework

The project provides measures of Service Quality as evidenced through two items:

1. Functional Service Quality (FSQ): measured by three items, a) the welcome a customer received upon checking in to the hotel or resort, b) customer service at the bar and c) customer service at the restaurant;
2. Technical Service Quality (TSQ): measured by two items, a) the cleanliness of the accommodation room and b) the overall appearance of the hotel or resort.

These two types of metrics were then combined with Post Purchase Perceptions to give an overall impression or measure of the hotel or resort to a guest. The variables used to measure Post Purchase Perceptions were developed from literature and past research conducted by the authors and were assessed through three items:

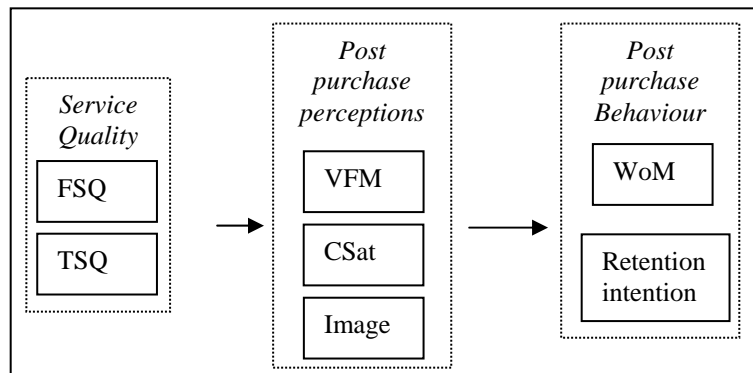
1. Value for money (VFM): measured by asking guests how they perceived value for money at the hotel/resort;
2. Customer satisfaction (CSat): measured by asking guests how satisfied they were with the hotel/resort;
3. Image: determined through a single question asking guests to rate their perceptions of the hotel/resort.

Customer post purchase behaviour was assessed using two items:

1. Word-of-Mouth Referrals (WoM), measured by a single question asking if guests would positively refer the hotel/resort to other people;
2. Retention intention: measured by asking guests about their willingness to return to the hotel/resort.

Therefore, from the firms' perspective, the relationship between a customer and the hotel or resort should be statistically related to Service Quality leading to Post Purchase Perceptions (PPP) and then to the outcome, Post Purchase Behaviour (PPB) (Figure 1).

Figure 1: Theoretical Framework



Source: developed for this research

This research was part of the first Queensland Social Survey conducted by the Central Queensland University Population Research Laboratory during 2005. How the research was conducted is discussed next.

4. Research methodology

4.1. Target population

The target population for this research comprised all people over 18 who, at the time of the survey, were living in a dwelling in Queensland. These people had to be able to be contacted by direct-dialled, land-based telephone services. The population comprised both people living

in South-East Queensland, the most densely populated region in Queensland, and the whole of rural and regional Queensland. To ensure both target populations were equally represented, separate databases, using electronic telephone directories, were compiled. Duplicate and mobile phone numbers were removed and interviewees were randomly selected from both groups. Within each household, one eligible person was selected as the interviewee. Guidelines for interviewee selection were:

- Interviewee was over 18 years of age;
- The dwelling where a potential interviewee was first contacted must be their principal place of residence;
- Each household was randomly pre-selected as either a male or female household;
- In cases of multiple potential interviewees in one dwelling the male/female with the most recent birthday was selected;
- Where a pre-selected gender interviewee was not available the house was designated not eligible for the study.

4.2. Test instrument

The test instrument comprised three main sections, a standardised introduction, questions relating to the research, and demographic questions. To ensure the test instrument's effectiveness it was pilot-tested by trained interviewers on 219 randomly selected households in the Brisbane area. The pilot test resulted in some minor changes to language to reduce confusion, and question order. Ethical clearance for the project and test instrument was received prior to data gathering.

4.3. Data gathering

The test instrument was administered using a ten-station CATI (Computer-Assisted Telephone Interviewing) system through the Centre for Social Science research. The CATI system provides a link between PC stations and supervisor stations, with data stored to a file server during data collection. This system of linkages allows supervisors to monitor calls and validate accumulated data. The CATI system also reduces the number of data entry points, and hence reduces the chances for error through automatic routing of questions and built-in inconsistency checks. Call centre staff attempted five times to contact each randomly selected household. Upon making contact, staff identified themselves and stated the reason for their call.

4.4. Response rate

A total of 1208 people were interviewed, the total population called was 2,781, thus a 43.05% response rate was achieved for this research. Over half, 774 (64.1%) of the total number of interviewees (1208) had been on a holiday in the previous year. Of those 774 holidaymakers, 282 (36.4%) had stayed in a hotel or resort, representing 23.3% of the total survey population comprising 1,208 people. Unfortunately, not all of the 282 interviewees answered all of the questions, so some items have a slightly lower sample size. Interviewees were all from Queensland and the average length of the holiday was 18.1 days, ranging from a single day to 100 days.

5. Results

5.1. Comparison of demographic data

The target population's norms and variability were determined through the use of descriptive statistics (Shao 2002), thus enabling the researchers to get a better overall understanding of the data (Tull & Hawkins 1980; Sekaran 2000). SPSS was used to formulate descriptive statistics, including percentages, frequencies and measures of central tendency of the variables for this research, namely service quality of the hotel or resort interviewees had stayed in while on holiday.

In summary, a third of the interviewees had been to public (State run) secondary school (33.9%) or university (32.5%), were in paid employment around the time of the survey (58.1%), had individual and household gross weekly earnings of between \$1,000 and \$1,499 (11.6% and 14.1% respectively), own their principal place of residence (75.0%) and live in a city (51.4%).

A final finding regarding the demographic effects was that age is significant in the decision to return to the same hotel or resort, but gender is not significant.

5.2. Customer service scores

Most hotel and resort holiday makers agreed that they received a warm welcome at check-in (29.5%) and that customer service at the bar and restaurant were good (25.5% and 30.5% respectively). More perceived that their rooms and the hotel were both well appointed (38.6%

and 40.6% respectively) and they were satisfied with their hotel/resort (41.6%). Their satisfaction may have been influenced by their belief that the image of the hotel/resort was good (38.6%), they received value for money (35.6%) and believed the hotel/resort to be in a good location (43%). Over half the interviewees currently recommend their hotel/resort to other people (56%, somewhat agree, agree and strongly agree) and would stay again (59.1%, somewhat agree, agree and strongly agree).

On a bi-polar differential scale of 1 – 7 (strongly disagree to strongly agree), the mean overall service quality (SQ) score was 5.65 (sd = 1.01, n = 190). SQ was calculated as the weighted mean of Functional SQ (mean = 5.56, sd = 1.17, n = 192) and Technical SQ (mean = 5.76, sd = 1.13, n = 280). All of the standard deviations are within an acceptable range, and all sample sizes are adequate for a benchmark.

The mean of the SQ score for hotels and resorts in Queensland represents a good level of overall service quality. Usually on this scale of 1-7 a score over 6 is interpreted as excellent, and in most situations it is difficult to make a significant improvement (it would be extremely difficult to meet everyone's needs in every way all of the time). A score of 5 is interpreted as okay, but not as good as it could be. Scores under 5 indicate much improvement is required. Thus, the overall CSQ score of 5.65 indicates that overall the hotels and resorts are performing to a high, but not exceptional, standard.

6. Conclusions and future directions

Overall the results have provided a very useful snapshot of the current benchmark of service quality in the hospitality industry (hotels and resorts) in Queensland. The theoretical model developed to be tested in this research has stood up well to its first testing; however, some item measures could be improved, especially those measuring Satisfaction. Further, the variables used to measure Service Quality could be expanded to incorporate all tangible and intangible elements of an accommodation stay. These are identified for further researcher.

This study will provide a base for future similar surveys so that we can track the development of customer service over a period of many years. This snapshot was taken in Queensland but could be extrapolated to Australia and overseas. If in Queensland there was a database by

region and industry of Service Quality, it would be of great assistance to managers. Such a Service Quality measure would allow for comparisons between geographic regions and industrial types to be made.

Finally, the long-term value of measuring Service Quality should be a valuable benchmarking tool, providing a standardised response to the increasingly important question of quality. Only by having such knowledge can practitioners hope to operationalise that which sets them apart from competitors, and enable businesses to take steps to have world best CSQ practice in Queensland.

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