



**ASSESSMENT OF SERVICE QUALITY AS A DETERMINANT OF CUSTOMER
LOYALTY IN HOTELS WITHIN KISUMU CITY, KENYA**

BY

CHEPNGETICH BEATRICE

A THESIS SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF SCIENCE IN
HOSPITALITY MANAGEMENT

DEPARTMENT OF ECO-TOURISM HOTEL AND INSTITUTION MANAGEMENT



MASENO UNIVERSITY

©2013



ABSTRACT

Customer loyalty has been found to be a competitive tool for many hospitality industries. Service quality has proved to be a key determinant of customer loyalty in developed world. Even though previous studies identified service quality as a key determinant of customer loyalty, such studies is limited in developing countries, Kenya included. The main objective of this study was to assess service quality as a key determinant of customer loyalty in hotel industry within Kisumu City. Kisumu City was chosen because of the current wave of domestic tourism being promoted by the industry in Western circuit. The study adopted Hierarchical Service Quality Model which emphasized on interaction, outcome and physical environment quality dimensions as key variables for service quality. A cross sectional research design was adopted in which self-administered questionnaires were used to collect quantitative data while key informant interviews were employed in the collection of qualitative data. The study population consisted of guests who stayed in the selected hotels within the two weeks data collection period. A sample of 151 guests was drawn using census population sampling technique from 11 hotels for quantitative survey while 17 managers were selected as key informants using exhaustive sampling. Quantitative data collected was analyzed using descriptive, Exploratory Factor Analysis (EFA) and Regression analysis in SPSS. Qualitative data gathered were subjected to content analysis. The results confirmed that hotels in Kisumu City can use HSQM to measure service quality. The research findings indicate that cleanliness was the most significant determinant of customer loyalty with beta values of .734. Valence, waiting time, expertise, behavior, tangibles, ambient conditions, social factors, location, design and attitude also proved to predict customer loyalty with beta values of .570, .499, .456, .429, .398, .397, .388, .153, .144, .104 and .080 respectively. Regression results also showed that 80.4% of variation in customer loyalty was explained by service quality and 60.7% by customer satisfaction. The study further confirmed that customer satisfaction is not a mediator of customer loyalty as the results confirmed a negative test of mediation. The implication of this finding was that hotels should focus on cleanliness, valence, waiting time, expertise, behavior, tangibles, ambient conditions, social factors, location, design and attitude aspects of a hotel operation in the following order as they are equally important to the customer. Managers should recognize the significance of each aspect in overall customer satisfaction and customer loyalty. Further studies should however be conducted in more geographical regions within Kenya to investigate the variations of evaluation of service quality and determinants of customer loyalty across cultures.

CHAPTER 1: INTRODUCTION

1.1. Background of the study

Over the last three years tourism in Kisumu City, the largest urban centre in the western region has picked up. This has woken up the area's potential, with travel agencies opening up branches and hotel operators constructing facilities to cash in on the changing fortunes (Business daily, 2011). Domestic tourism in the region has also picked up, buoying investor confidence. People nowadays want to take weekend expeditions away from their homes to relax and see different scenes (Business daily, 2011). This has led to the setting up of several hospitality facilities in the region especially those that target low end to medium income earners. These hospitality facilities operate in an extremely competitive environment which is primarily characterized by continuous transformation. A key strategy which has recently been adopted by most facilities to overcome these challenges is to focus on creating long-term relationships with customers thereby building customer loyalty.

The purpose of any business is to create and maintain satisfied, profitable customers. Customers are attracted and retained when their needs are met. Not only do they return to the same hotel and restaurant, but they also talk favorably to others about their satisfaction (Kotler, Bowen & Makens, 2003). The customer must be the number one focus and all corporate policies must be driven by customer needs. Too many hotels neglect this loyal customer base in pursuit of new customers. However, since the cost to attract new customers is significantly more than to maintain the relationship with existing ones, the efforts toward building customer loyalty will certainly payoff. To gain competitive advantage hotel managers can adopt either a low-cost leadership strategy or develop customer loyalty by providing unique benefits to its customers. Building customer loyalty should be a strategic focus of most service firms as opposed to relying

on pricing strategies (Reichheld & Sasser, 1990; Teare & Bownen, 1997). A 5 percent increase in customer loyalty results in a 25% to 125% increase in profits (Riechheld & Sasser, 1990). The importance of managing customer relationships is important and as such general managers place customer retention as the top priority strategy (Teare & Bownen, 1997). Hotel managers should therefore understand all the strategies and attributes which will ensure that the hotel receive loyalty from both existing and prospective customers.

In spite of the considerable research efforts in many relevant fields of enquiry such as relationship marketing, consumer behavior and service management, no acceptable theory exists that fully explains how customer loyalty is built. There is a consensus among practitioners and academicians that customer satisfaction and service quality are prerequisites of loyalty (Gremler & Brown, 1997). Service quality, value and satisfaction have also been identified as three critical variables linked to contributing to customer loyalty (Cronin & Taylor, 1992; Cronin et al, 2000; Payne et al, 2000). Many leading service organizations endeavor to sustain a superior quality of service over their competitors in an effort to acquire and retain customer loyalty (Parasuraman, Zeithaml & Berry, 1996). Rust & Oliver (1994) in their study confirmed that service quality is the major driving force essential for a firms' success, developing customer loyalty and ensuring business sustainability. Therefore, a key strategy for customer-focused firms is to measure and monitor customer satisfaction and service quality.

While identifying the importance of service quality in building customer loyalty hotel managers and owners lack an understanding of how customers measure service quality. Service quality is a multi-dimensional construct and there are still arguments and discrepancies as to how it is best

measured. A number of researchers have proposed several models that can be used to measure service quality (Parasuraman et al (1985); Gronroos (1984); Rust & Oliver (1994) and Brady & Cronin (2001). The applicability of these models in developing countries, including Kenya is narrowly focused. Despite the importance of service quality as a determinant of customer loyalty as an input in the hospitality sector (Salegna and Goodwin, 2005; Cronin et al., 2000; Fornell et al., 1996; Cronin, 1992), previous studies have not looked into the significance of service quality sub-dimensions in building customer loyalty. There is also lack of uniformity concerning which service quality dimensions have a significant effect in building customer loyalty.

The relationship among service quality, customer satisfaction and customer loyalty is also not well established. High customer satisfaction is important in maintaining a loyal customer base. To link the service quality, customer satisfaction and customer loyalty is important. High quality of service will result in high customer satisfaction and increases customer loyalty (Kumar *et al*, 2009). Heskett *et al* (1997) argued that profit and growth are stimulated primarily by customer loyalty and loyalty is a direct result of customer satisfaction. Parasuraman *et al* (1988) and Naeem and Saif (2009) found that customer satisfaction is the outcome of service quality. Caruana (2000) developed a mediational model that links the service quality and service loyalty via customer satisfaction and applied this model in retail banks in Malta. The results appear to prove the links between service quality, customer satisfaction and customer loyalty. This model is supported by Santouridis and Trivellas, 2010; Cheng *et al.*, 2008; Bei and Chiao, 2006; Lewis and Soureli, 2006; Butcher *et al.*, 2001. Caruana (2000) mentioned that service quality, customer satisfaction and service loyalty are related to each other. In Kenya, however, no study has yet investigated these links in the hotel industry. The purpose of this study is to fill this gap. This

study thus purposed to determine which aspects of service quality in the hotel industry have significant effect on customer loyalty using Hierarchical Service Quality Model (HSQM).

1.2. Problem Statement

The hotel industry is experiencing a tremendous growth in Kisumu City. This in turn has led to competition in the industry which has become a challenge to hotel managers and owners and many of them are waking up to the idea that the customer is the key to their business' success. A key strategy which has recently been adopted by most hospitality industries to overcome this challenge is to focus on building customer loyalty. While identifying the importance of service quality in building customer loyalty hotel managers and owners lack an understanding of how customers measure service quality. Service quality is a multi-dimensional construct and there are still arguments and discrepancies as to how it is best measured.

A number of researchers have proposed several models that can be used to measure service quality (Parasuraman et al (1985); Gronroos (1984); Rust & Oliver (1994) and Brady & Cronin (2001). The applicability of these models in developing countries, including Kenya is narrowly focused. This has led to hotels adopting service quality models that measures service quality using dimensions which their customers are not using to evaluate service quality and ends up failing to satisfy their customers' expectations. Information technology on the other hand has provided a better means to carry out marketing thereby reducing the heavy tasks of marketing managers. As a result the only major task left to managers is how to attract and retain the right customers. There is also lack of uniformity concerning which service quality dimensions have a significant effect in building customer loyalty. As a result most hotels may end up focusing on

dimensions of service quality which may not have any significant impact in building customer loyalty.

The relationship that exists among service quality, customer satisfaction and customer loyalty constructs is also not well defined. Despite a number of studies that have been conducted that have specified relationships between service quality, customer loyalty and customer satisfaction, hotels lack an in-depth understanding concerning which of these constructs have the most significant, direct influence on customer loyalty. It is against this background that the study sought to establish the service quality aspects from the perspective of customers that lead to the development of customer loyalty in the hotel industry.

1.3. Objectives of the study

1.3.1. General objective of the study

The general objective of the study was to assess the key aspects of service quality that have a significant effect on building customer loyalty in hotel industry within Kisumu City.

1.3.2. Specific Objectives

- 1) To establish the various dimensions that customers use to evaluate service quality in hotel industry within Kisumu City.
- 2) To determine which aspects of service quality best drive customer loyalty in hotels within Kisumu City.
- 3) To establish the relationship among service quality, customer satisfaction and customer loyalty.
- 4) To explore the managers view on service quality, customer satisfaction and customer loyalty.

1.4. Research Questions

- 1) Which service quality dimensions do customers use to evaluate service quality in hotels within Kisumu City?
- 2) What specific service quality aspects lead to the development of customer loyalty?
- 3) What relationship exists among service quality, customer satisfaction and customer loyalty variables in hotel industries within Kisumu City?
- 4) What are the managers' views on service quality, customer satisfaction and customer loyalty?

1.5. Justification of the study

While hospitality organizations have received their fair share of attention in the study of service quality, they have been treated in the same way as other service organizations by most researchers. Majority of the best known approaches to quality come from the manufacturing sector and little attention has been drawn to the service sector and the particular challenges faced by companies wishing to pursue service quality (Lewis, 1989). While the increased focus on the nature of hospitality is heartening, these studies tend to be of a philosophical nature and thus unrelated to issues of service quality (Lashley & Morrison, 2001). Many experts have come to agree that hospitality services require different management approaches than physical products (Reisinger, 2001). Hospitality services have a particular challenge in controlling quality due to the multidimensional nature of the services provided and it is worthy of detailed study as a separate part of the service sector (McIntosh, Goeldner & Ritchie, 1995).

Over the last few years, a significant growth has been noticed in hotel industries within the western tourism circuit. Since 2009, almost a dozen new hotels have sprung up in Kisumu alone as local investors move to cash in on the opportunities in the region. Bed capacity in the lakeside

City has increased from 500 last year to over 1,400 this year and the number is going up (Business daily, 2011). Hotels in this City were chosen because they are comparable and measurable in terms of location, amenities and facilities and its attraction of a large share of the leisure, City breaks and business markets.

Considering the high costs of acquiring new customers and apparently high customer turnover of many hotel industries, it was very important to study the drivers of customer loyalty. The results of this study will direct hotel owners and managers in areas of quality improvement to increase customer satisfaction and build a loyal customer base. By knowing and understanding the attributes of quality service from the guests' perspective, hotel managers will also be in a better position to anticipate guests' requirement rather than to react to customers' dissatisfaction.

1.6. Assumptions of the study

The following assumptions were made for the study:

- 1) It was assumed that at least one guest would have occupied a room in each hotel within a period of two weeks.
- 2) It was assumed that all the rooms in the selected hotels accommodated one guest.

1.7. Limitations of the study

- 1) The study adopted HSQM framework service dimensions since it was the first measure synthesizing all major prior conceptualizations, other frameworks could have also been incorporated to provide valid and robust information.
- 2) While attempts were made to ensure that the research strategies employed in the study provide reasonable and justifiable data, information relevant to Kenyan hotel industry was the greatest limitation and the researcher relied on information from other countries.

- 3) The study period happened to have been during the off peak tourism season in the study area.
- 4) The study focused on service quality as the main factor that drives customer loyalty. However other variables such as image, value and convenience may also influence customer decision process.

1.8. Scope of the study

This study was carried out in hotels within Kisumu City. Kisumu City is one of the three cities in Kenya. It is the centre of commercial activity and well linked to other major cities in western Kenya and East Africa region. Since the aspects of chosen problem area are many, the study tried to narrow down the focus. The researcher specifically assessed service quality as a determinant of customer loyalty. Hierarchical Service Quality Model was used for measuring service quality since it synthesizes all prior conceptualizations and takes a more balanced approach to the evaluation of service quality,. This model viewed service quality as a multilevel construct consisting of three primary dimensions; interaction quality, physical environment quality and outcome quality. Each of these three broad dimensions is composed of various lower-level dimensions. Interaction quality dimension is comprised of attitude, behavior and expertise of the service provider. The physical environment quality dimension is comprised of ambient conditions, design and social factors. The outcome quality dimension is comprised of waiting time, tangibles and valence. The researcher further proposed to measure three other sub-dimensions; location and cleanliness under physical environment dimension and complaint handling under interaction dimension which are originally not included in the model.

1.9. Conceptual framework

To assess quality of service in the hotels, Hierarchical Service Quality Model of Brady and Cronin (2001) was adopted. There are four common service quality frameworks that have been used extensively in research and practical applications; technical quality versus functional quality proposed by Gronroos (1984), SERVQUAL model proposed by Parasuraman et al, (1985, 1988, 1992), SERVPERF framework proposed by Cronin & Taylor (1992) and HSQM model proposed by Brady & Cronin (2001).

Gronroos (1984) proposed a model that made a distinction between technical and functional quality. Technical quality refers to what the customer is left with after the customer-employee interactions have been completed. In the hotel industry this relates to a meal in the restaurant or a room a guest is occupying. Functional quality is the process of delivering the service or product, that is, how the service is performed which can be related to check-in process, reservation, appearance of employees and the general ambiance of the establishment in the hotel industry.

Parasuraman et al (1985) conceptualized the role of customer expectations in service quality where they measured service quality through the comparison customers make between their perception and expectations on the following ten distinct dimensions; reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding and tangibles. They later developed SERVQUAL model (Parasuraman et al, 1988) which reduced the ten dimensions to five dimensions; reliability, responsiveness, assurance, empathy and tangibles.

Brady & Cronin (2001) proposed the Hierarchical Service Quality Model (HSQM) which synthesizes all prior conceptualizations. HSQM viewed service quality as a multilevel construct consisting of three primary dimensions; interaction quality, physical environment quality and

outcome quality. Each of these three broad dimensions is composed of various lower-level dimensions. Interaction quality dimension is comprised of attitude, behavior and expertise of the service provider. The physical environment quality dimension is comprised of ambient conditions, design and social factors. The outcome quality dimension is comprised of waiting time, tangibles and valence. This study proposed to measure three other sub-dimensions; location and cleanliness under physical environment dimension and complaint handling under interaction dimension which are originally not included in HSQM. The model used for this study is proposed in Figure 1. This model tests the influence of service quality with the physical environment, interaction and outcome aspects of service quality as a direct influence on a guest's perception of service quality. In the present study the model was adjusted to the context as follows: Interaction quality; this dimension is particularly applicable in hotels where supporting employees and serving employees are in a continuous interaction with the visitors, and determine in a large degree customers' experience. Expertise refers to the technical knowledge of employees while behavior and attitudes refer to the way that employees communicate with customers, deal with their requests, solve problems, and meet their needs. Physical environment quality; refers to the tangible or physical aspects of a service such as equipment, buildings, parking area, the natural environment such as flora and fauna (vegetation), design of the hotel and hygienic issues in the hotel. The social sub-dimension refers to the attitude and behavior of the customers. Outcome quality; refers to the outcome of the service encounter. Outcome is evaluated against the expected positive consequences of visiting the hotel. The model implied that hotel customers form perceptions about each of the sub-dimensions and then form perceptions of the three primary dimensions in order to form overall service quality perceptions. The model also postulated a relationship between hotel service quality, guest satisfaction and

customer loyalty. The framework indicated that service quality is considered an antecedent of customer satisfaction. Quality of service measured by the HSQM variables may lead to customer satisfaction that can translate into loyalty. Customer loyalty is especially aggregated when service quality and customer satisfaction interact together, Taylor & Baker (1994).

Independent variable Mediating Variable Dependent variable

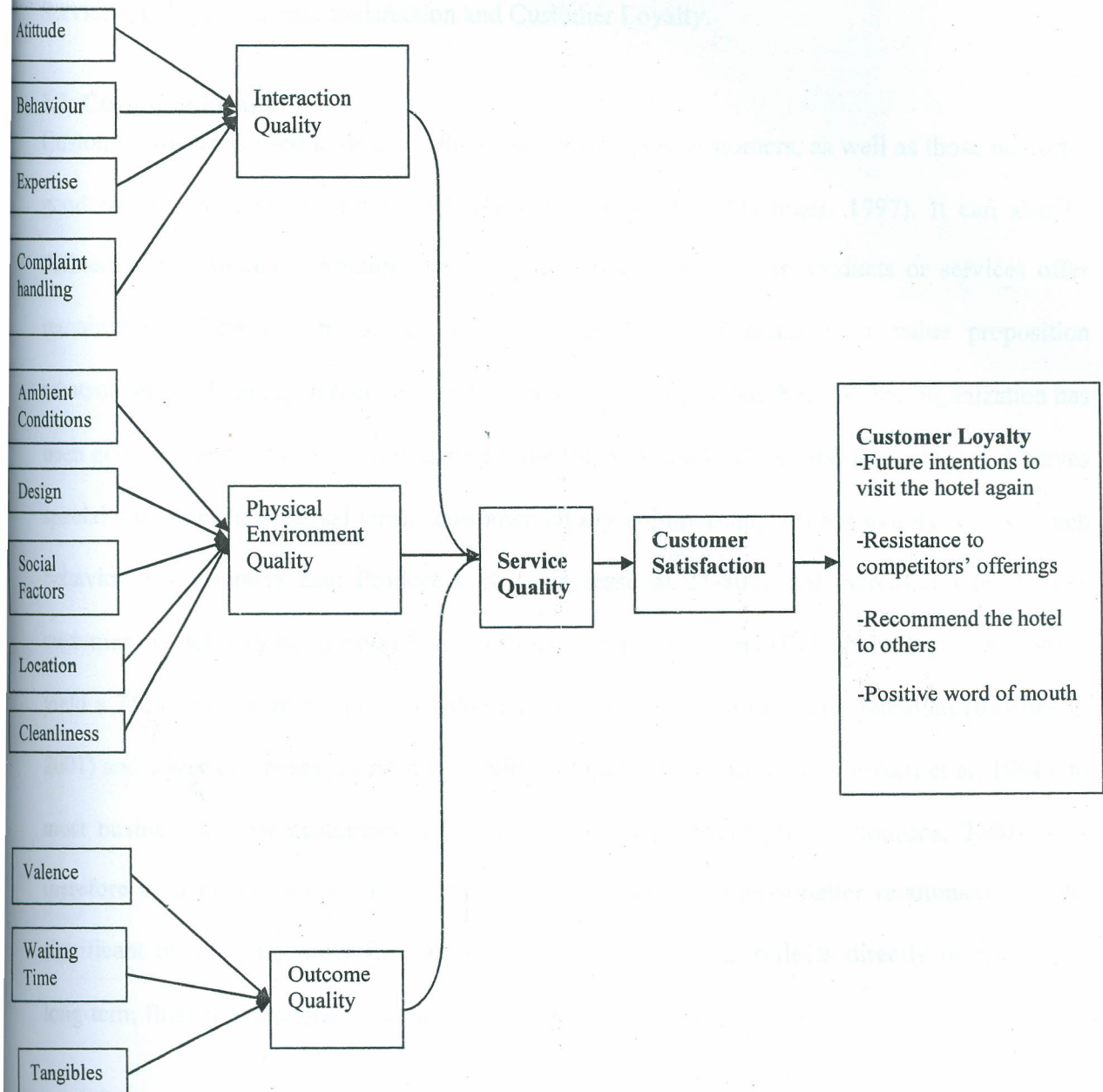


Figure 1: Drivers of customer Loyalty in hotel industry

Source: Brady & Cronin modified by the researcher

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

This chapter gives an overview of literature and models that are related to the area of study as a basis for establishing both a conceptual and theoretical understanding of customer satisfaction, customer loyalty, service quality dimensions, service culture and interrelationship between Service Quality, Customer Satisfaction and Customer Loyalty.

2.2. Customer loyalty

Customer loyalty is used to describe the behavior of repeat customers, as well as those that offer good ratings, reviews, or testimonials (Heskett, Sasser & Schlesinger, 1997). It can also be defined as a customer continuing to believe that one organizations products or services offer remains their best option (Kotler & Armstrong, 1997). It meets their value proposition whatsoever and hanging in there even when there may be a problem because the organization has been good to them. Loyals are important for the future of the business and this category deserves special attention. In practical terms, customer loyalty is important to firms mainly because such behavior in consumers can: Produce a profit increase of 25-80% and increased sales to new customers which can be attributed to customer recommendations (Reichheld & Sasser, 1990), yield a 75% increase in net present value with a 5% increase in customer retention (Reichheld, 2001) and cover the losses incurred in dealing with less loyal customers (Heskett et al, 1994). In most businesses loyal customers are willing to pay a premium price (Gronroos, 2000). It is therefore evident that the long-term benefits of a loyal customer-supplier relationship can be significant to any hospitality firm as the return on relationship reflects directly on the firm's long-term financial outcome (Gummesson, 1999).

Frequency is not an indicator of loyalty, for example, a frequent customer to a hotel may be compelled to stay in a hotel because the company did the reservations or due to lack of other competitors in the area. A loyal customer does a repeat purchase, does not consider competitor alternatives, spreads a positive word of mouth, recommends the hotel to another client and reports a service problem if any (Bowen & Buttle, 2003).

Customers have expectations of hospitality encounters which hotel managers and owners must meet if customers are to be loyal. To create customer loyalty, hotel managers need to have a clear understanding of guests' loyalty drivers and be informed of the ways in which their products and services contributes or fails to contribute to the building of loyalty. For customer loyalty to exist it must satisfy six necessary conditions; it must be: expressed over time, a behavioral response biased, by some decision making unit, a function of psychological processes and out of a set of such organizations offering similar service (Jacoby & Kyner, 1973).

There are two dimensions to customer loyalty: behavioral and attitudinal (Julander, Magi Jonsson & Lindqvist, 1997). The behavioral dimension refers to a customer's behavior on repeat purchases, indicating a preference for a brand or a service over time (Bowen & Shoemaker, 1998). Attitudinal dimensions, on the other hand, refer to a customer's intention to repurchase and recommend, which are good indicators of a loyal customer (Getty & Thompson, 1994). Behavioral approach includes criteria such as repeat purchase, share of wallet and word of mouth referrals whereas the attitudinal approach consists of criteria like commitment, trust or emotional attachment.

According to Jones and Taylor (2007) loyalty is a tri-dimensional (behavioral, attitudinal and cognitive) construct. The cognitive approach entails an individual completely reforming what he or she believes about the relationship with a service provider (Lee & Cunningham, 2001). It is based on conscious evaluation attributes or the conscious evaluation of the rewards and benefits associated with repeat patronage.

Several competing behavioral intention loyalty building models have been proposed. The quality models derived from the service quality literature investigates the relationship between service quality, satisfaction and behavioral intentions. Some of these models argue that service quality only impacts loyalty via satisfaction and value (Woodruff, 1997) while others maintain that quality has a direct impact on loyalty (Zeithaml et al, 1996). The satisfaction models describe customer satisfaction as the primary and direct link to behavioral intentions such as loyalty with service quality and value being antecedents of satisfaction (Anderson & Fornell, 1994; Spreng et al, 1996). The satisfaction model shows that customer loyalty is directly influenced by the variable satisfaction (Hallowell, 1996; Anderson & Fornell, 1994). Oh (1999) proposed an integrative model of service quality, customer value and intentions to repurchase and indicates that value is an immediate antecedent to customer satisfaction and repurchases intentions. Value model maintains that value leads directly to the favorable outcome of customer loyalty and that both service and satisfaction are precursors of value (Cronin et al, 1997). Customer loyalty is key in customer development and profitability. Researchers have not clearly identified a conceptual framework identifying factors that could lead to the development of customer loyalty (Gremler & Brown, 1997). However, there is a consensus amongst practitioners and academics that value, satisfaction and quality are major determinants of building loyalty (Cronin et al, 2000; Fornell et

al, 1996). Recent studies also indicate that the firm's image may influence customer enthusiasm: value, delight, and loyalty (Bhote, 1996).

2.3. Customer satisfaction

Customer satisfaction is a key element in most service industries. Academics and practitioners agree that customer satisfaction is a crucial concept (Bowie & Buttle, 2004). Customer satisfaction can be defined as the extent to which a product or a service perceived performance matches a buyer's expectations (Kotler & Armstrong, 1997). It depends on a products' perceived performance in delivering value relative to a buyer's expectations. Bowie & Butte (2004) defined customer satisfaction as a positive attitude towards a supplier that is achieved when the customer's expectations are met.

Expectations are important comparison standards that help consumers to evaluate the perceived performance of the hospitality offer throughout and at the end of a service encounter. If the products' performance falls short of the customers' expectations, the buyer is dissatisfied. If performance matches expectations, the buyer is satisfied. In a service industry customers are satisfied if the experience matches or exceed their expectations and dissatisfied if the service performance fails to match their expectations. Measuring and understanding customer satisfaction has been an area of study by most researchers. Customer expectations vary from one customer to another and customer needs and wants change over time; therefore, consumer expectations of the hospitality offer should also change over time. Customers can enjoy a range of different types of satisfaction: contentment, pleasure, delight and relief (Bowie & Buttle, 2004). Contentment when a routine service is delivered satisfactorily, pleasure when a service makes the consumer feel happy, delight when a service surprises the consumer and exceeds

expectations and relief when a service overcomes a potentially difficult situation and delivers satisfaction.

Customer satisfaction is important to the success of any hotel industry. Wirtz (2003) listed the results of customer satisfaction as follows: repeat purchase; loyalty; positive word-of-mouth and increased long term profitability. A highly satisfied customer creates an emotional tie to a product or service, not just a rational preference and this creates high customer loyalty (Kotler, 1987). Satisfied customers make repeat purchase, are less price sensitive, remain customers longer and talk favorably to others about the company and its products. Many researchers have established a link between satisfaction and loyalty, furthermore, empirical studies have affirmed that consumer satisfaction is determined by service quality and therefore, influences customer loyalty (Cronin & Taylor, 1992; Woodside, Frey & Daly, 1989). In the competitive business market, many firms are focusing on their efforts on maintaining a loyal customer base. Most of the industries set their strategies towards increasing satisfaction and loyalty of customers through the quality of service.

2.4. Service Culture

The starting point for building successful customer loyalty is the company's service culture. One of the most important task of a hospitality business is to develop the service side of the business, specifically, a strong service culture. The service culture focuses on serving and satisfying the customer. The company needs to invest in a genuine customer-oriented service philosophy that delivers the service quality customers expect (Bowie & Buttle, 2004). This investment includes a financial commitment to maintain and improve the quality standards and physical product, and to

provide systems and procedures, that facilitate quality service. If the company cannot deliver the service experience customers expect, it cannot hope to build customer loyalty with them.

2.5. Service Quality Dimensions

The concept of service quality is seen as an important strategy of gaining a competitive advantage in organizations although there is no consensus on its conceptualization (Cronin & Taylor, 1992) as different researchers focused on different aspects of service quality. Service quality is harder to define and judge than product quality (Kotler et al, 2003). A number of researchers define service quality differently. Lewis and Booms (1983) define it as a measure of how well the service level delivered matches customer expectation. Delivering quality service means conforming to customer expectations on a consistent basis. Parasuraman et al (1985) define it as the differences between customers' expectation of services and their perceived service. If a customers' expectation exceeds service performance, perceived quality is less than satisfactory which results in customer dissatisfaction. Service quality is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed, Gronroos (1984).

A company's success or failure in managing customers rests with its ability to provide and sustain the level of service quality that meets and exceeds the expectations of its customers. Service Quality as confirmed by most researchers (Boohene & Agyapong, 2011; Smith & Wright, 2004) has the most significant effect on customer loyalty. While researchers generally agree that service quality is a multi-dimensional construct, considerable debate exists regarding the number and type of dimensions. Opinions on the dimensionality of service quality construct vary, and there is no consensus on the question (Brady and Cronin, 2001). From a theoretical

perspective, two dominant schools of thought existed before a reconciliation attempt by Brady and Cronin (Pollack, 2009). The first scholarly contributions on service quality came from Scandinavia and Northern Europe (Gronroos, 1991). Lehtinen and Lehtinen (1982) defined service quality in terms of: physical quality (the tangible aspects of a service); interactive quality (the interaction between a customer and a service provider) and corporate (image) quality (the image attributed to a service provider by its current and potential customers). Moreover, Lehtinen (1983) defined service quality in terms of “process quality” (judged by a customer during a service) and “output quality” (judged by a customer after a service has been performed). Gronroos (1982), an important figure in the so-called “Nordic School” (Edvardsson and Gustafsson, 1999), defined the dimensions of service quality in terms of: “technical quality” (what the consumer receives; that is, a result dimension); and “functional quality” (how the consumer receives the service; that is, a process dimension). The European tradition posits service quality as resulting from a comparison between the customer’s expectations of the service and the customer’s perception of the service actually received (Gronroos, 1984)

The second approach, the North American tradition, has emphasized the fact that there are few tangible elements in service offerings, and has therefore focused its research efforts on the intangible. In this tradition, Parasuraman et al. (1988) developed the SERVQUAL scale, which posited five dimensions of service quality as follows (see Table 1).

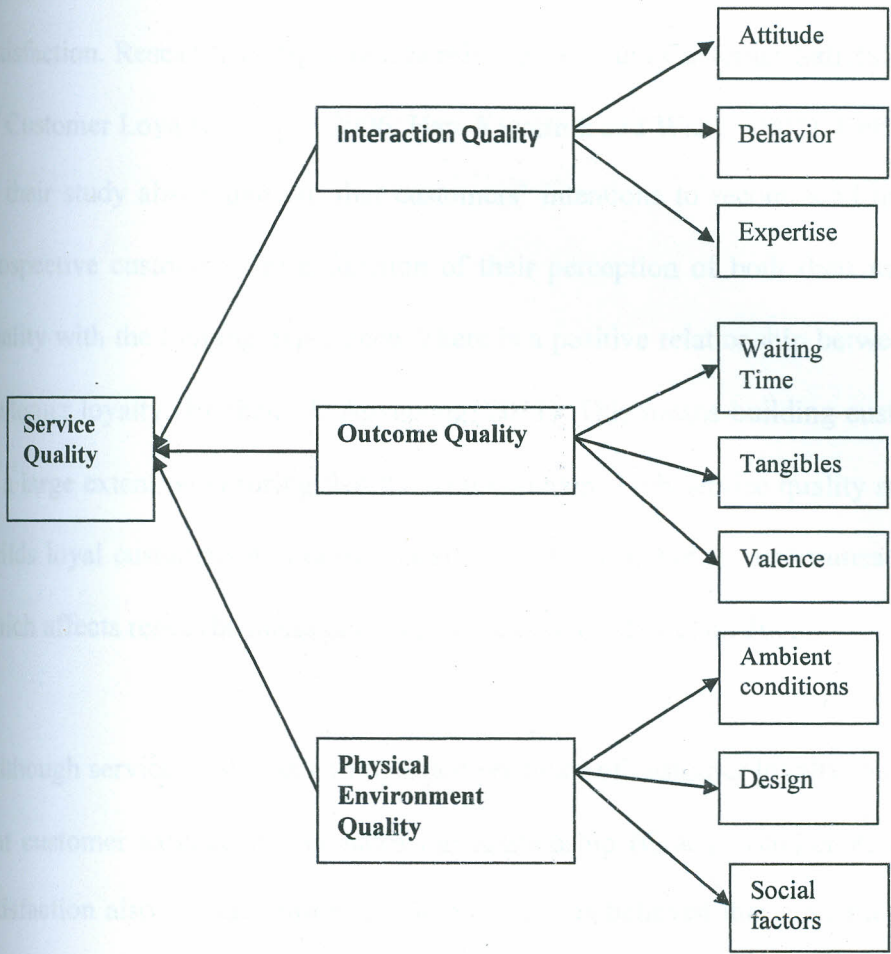
Table 1: The five dimensions of service quality

Service Quality Dimension	Description
Reliability	The ability to perform the promised service dependably and accurately
Empathy	The caring, individual attention given to the customer
Tangibles	The appearance of physical facilities, equipment, employees and communication materials
Responsiveness	The willingness to help customers and provide prompt service
Assurance	The knowledge and courtesy employees and their ability to convey confidence and inspire trust

Source: Parasuraman et al (1988)

This model has received scholarly criticism (Buttle, 1996; Cronin and Taylor, 1992; Harrison-Walker, 2002; Hussey, 1999; Mangold and Babakus, 1991; Peter and Churchill, 1986). Buttle (1996) identified several theoretical and operational criticisms of SERVQUAL. He argued that SERVQUAL stress and emphasize the process of service delivery rather than the outcomes of the service encounter. From a theoretical perspective, he stated that SERVQUAL is founded on the basis of an expectation-disconfirmation model instead of an attitudinal model. Further, Buttle (1996) questions the adequacy of the overall model and suggests that the dimensionality is context specific. Cronin & Taylor (1992) also provided a theoretical justification for discarding the expectations part of SERVQUAL in favor of mere performance measures included in the scale. They proposed a SERVPERF model which measured service quality based on consumers' performance of a service provider as distinct from a gap between the consumers' performance perceptions and their expectations. The European model has also received some criticisms in that it does not include the quality of the physical service environment that corresponds to the tangibles dimension of SERVQUAL (Pollack, 2009). To the extent possible, management of the physical environment should be one of a service marketer's highest priorities (Shostack, 1977). Some recent studies (Kang, 2006; Kang and James, 2004) have contended that the European perspective is a more appropriate representation of service quality than the American perspective, which has a limited focus on the dimension of functional quality.

In efforts to overcome the shortcomings, additions, modifications and other conceptualizations have been proposed. Rust & Oliver (1994) proposed a three-component model of service quality suggesting that service quality is comprised of the service product, service delivery and the service environment dimensions. Brady & Cronin (2001) proposed the Hierarchical Service Quality Model (HSQM) which synthesizes all prior conceptualizations. They have considered service quality as consisting of three components and added service environment component to Gronroos' two dimensions; technical quality (service outcome) and functional quality (customer-employee interaction). Each of the primary dimensions has three sub-dimensions (see figure 2).



Source: Brady and Cronin, 2001

Figure 2: Hierarchical model of service quality

2.6. Interrelationship between Service Quality, Customer Satisfaction and Customer Loyalty

Evidence from the service marketing literature indicates that these concepts have either been severally defined and/or used interchangeably (Boohene & Agyapong, 2011). Several researchers have attempted to find the interrelationships between Service Quality, Customer Satisfaction and Customer Loyalty in the service sector and found that a positive relationship exists between these concepts (Caruana, 2002; Santouridis & Trivellas, 2010). Caurana (2002)

proposed a meditational model that links the service quality to the service loyalty via customer satisfaction. Researchers argue that Service Quality and Customer Satisfaction are the predictors of Customer Loyalty (Ehigie, 2006; Han, Kwortnik and Wang, 2008). Getty & Thompson (1994) in their study also found out that customers' intentions to recommend the lodging segment to prospective customers are a function of their perception of both their satisfaction and service quality with the lodging experience. There is a positive relationship between service quality and customer loyalty (Boohene & Agyapong, 2011). This means building customer loyalty depends to a large extent on ensuring that the firm maintains high service quality standards. High quality builds loyal customers and creates positive word of mouth. It determines customer satisfaction, which affects repeat business and word of mouth, (Kotler et al, 2003).

Although service quality is an important predictor of customer loyalty, other studies have found that customer satisfaction mediates the relationship (Gracia, Bakker & Grau, 2011). Because satisfaction also has an emotional component, it is believed that customers' affective responses could also exert an influence on customer loyalty. That is, both perceptions of service quality and the emotional reaction to the service have an effect on loyalty.

From the above discussion it can be concluded that there is a positive relationships between each of the study concepts. Most of the researchers pointed out that there is a positive relation between the service quality attributes and customer satisfaction and customer satisfaction is positively related to customer loyalty. Caruana (2002) found that service quality is positively related to loyalty mediated by customer satisfaction.

2.7. Customer satisfaction as an antecedent of customer loyalty

Customer satisfaction measures how well a customer's expectations are met. If customers received what they expected, they are satisfied. If their expectation were exceeded they are extremely satisfied (Kotler, 2003). Customer loyalty on the other hand, measures how likely customers are to return and their willingness to perform partner shipping activities for the organization. Satisfaction is often used as a predictor of loyalty (Kasper, 1988). Customer's expectations must be met or exceeded in order to build loyalty. A loyal customer is completely satisfied with the marketing offer, emotionally committed and does not seriously consider competitor alternative. Totally satisfied customers are six times more likely to repurchase and probably have a greater propensity for loyalty than partially satisfied customers (Kotler et al, 2003).

Cronin & Taylor (1992) in their studies conducted in service sectors such as banking, dry cleaning, pest control and fast food found that customer satisfaction has a significant effect on purchase intentions in the four sectors. Whereas satisfaction and loyalty are recognized as strongly related by most studies (Fornell, 1992; Taylor & Baker, 1994), some consider the relationship to be interchangeable (Hallowell, 1996; Oliver, 1999), and some to be unidirectional, that is, progressing from satisfaction to loyalty only (Strauss & Neuhaus, 1997). Satisfied customers tend to be loyal customers with (Rowley, 2005) or without the mediation of other variables (Coyne, 1989; Fornell, 1992; Oliva et al., 1992).

2.8. Gaps in knowledge

While researchers generally agree that service quality is a multi-dimensional construct, considerable debate exists regarding the number and type of dimensions that customers use to evaluate service quality. Little has been done to examine the applicability of various service

quality models to the service industries in developing countries. This study, therefore, attempted to fill this existing void in the services quality literature by establishing the various sub-dimensions that customers use to evaluate service quality in hotel industry within Kisumu City.

Indeed the foregoing literature above identifies service quality as a highly relevant component involved in building customer loyalty. Various service quality dimensions have been identified but there lacks clear distinctions as to which dimensions of service quality are important in building customer loyalty. A number of studies have been conducted that have specified relationships between service evaluation variable of quality and the proposed effect of these variable on loyalty but there has been little uniformity concerning which service quality dimensions have the most significant influence on customer loyalty. Despite the importance of service quality as a determinant of customer loyalty as an input in the hospitality sector (Salegna and Goodwin, 2005; Cronin et al., 2000; Fornell et al., 1996; Cronin, 1992), previous studies have not looked into the significance of service quality sub-dimensions in building customer loyalty, thus a considerable gap existed in academic knowledge.

Another gap identified from the literature review was that the interrelationships between the variables of service quality and customer satisfaction in building customer loyalty remain relatively unresolved and contradictory. Although much has been written about the relationships between service quality, customer satisfaction and customer loyalty, researchers have not been successful in totally explaining how customer loyalty is built. There was also need to move from the traditional quality-value-satisfaction-loyalty model to a more dynamic model for building customer loyalty which incorporates dimensions of service quality in order to enrich academic

and practitioner understanding and bring a more holistic perspective to building customer loyalty. These shortcomings highlighted gaps in knowledge that the present study was to investigate.

This chapter provides a description of the research methodology used in the study. It covers the research objectives, target population, sample size, sampling procedure, data collection instrument and procedures, data analysis and presentation.

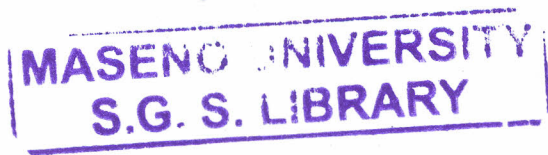
3.2. Research Methodology

The study adopted a triangulation research design with a triangulation approach. Specifically, the study used both qualitative and quantitative data collected concurrently and analysed separately. The study employed both primary and secondary data sources and data generated from the study were analysed using both qualitative and quantitative methods. The research design was adopted as a triangulation approach to provide a more comprehensive understanding of the research objectives.

(Creswell) described the triangulation approach as a research design that involves the use of multiple methods, data sources, or researchers to study a phenomenon. This approach is used to increase the validity and reliability of the research findings.

3.3. Study Area

The study was conducted in the Kakamega County, Kenya. The study area is a semi-arid region with a population of approximately 1.5 million. The study was conducted in the Kakamega County, Kenya, which is a semi-arid region with a population of approximately 1.5 million. The study was conducted in the Kakamega County, Kenya, which is a semi-arid region with a population of approximately 1.5 million. The study was conducted in the Kakamega County, Kenya, which is a semi-arid region with a population of approximately 1.5 million.



CHAPTER 3: RESEARCH METHODOLOGY

3.1. Introduction

This chapter presents a description of the research methodology that was used for the study. It covers the research design, target population, sample size, sampling procedure, data collection instrument and procedures, data analysis and presentation.

3.2. Research Design

The study adopted a cross-sectional research design with a triangulation approach. Specifically the study used both quantitative and qualitative data collected concurrently and analyzed separately. In this approach quantitative and qualitative methods were employed and data generated produced separate results which reinforced each other. The research design was adopted as it was considered important in collecting and analysing diverse types of data to best provide an understanding of the research problem and achieving the research objectives (Creswell, 2003). The research design would also allow findings to be generalised into theoretical framework and applied into other situations (Everett & Aitchison, 2008).

3.3. Study area

The study was conducted within Kisumu City in the Western Tourist Circuit in Kenya. Western Kenya tourism circuit is diverse. It has rich green highlands, the tropical rain forest of Kakamega, and the great water expanse of Lake Victoria, which is the source of the Nile, among other attractions. Kisumu has been described as languid, sultry, easy-going and friendly. Sitting on the edge of Lake Victoria, this City is the third largest in Kenya and is the hub of the expansive Western tourist circuit. Kisumu City was chosen in response to the increasing hospitality facilities being set up in the region. These hospitality facilities operate in an extremely competitive environment which is primarily characterized by continuous transformation which necessitates adoption of consumer-oriented philosophy or way of doing

business. Further facilities within the City are comparable in terms of location, facilities and target market. Comparable and measurable facilities were preferred since they offer similar services attracting the same market segment which ensures uniformity in evaluation of service quality and overall customer satisfaction.

3.4. Target Population and sampling

Hotels with a bed capacity of 30 or more which are within Kisumu City was the unit of analysis for this study (see Table 2). The population of study consisted of all guests who checked in to the selected hotels within a period of two weeks determined through census. It was estimated that within a period of two weeks at least one guest would have occupied a room in each hotel. A total of 602 guests representing at least 602 rooms utilized were to be involved in the study. However, within a period of two weeks Only 240 beds across all the hotels were occupied. Since each of the rooms occupied during the two weeks period had at least a questionnaire to be filled the expectation was to have 240 questionnaires filled to reach a saturated population of occupancy for that period. However, after a period of two weeks only 151 questionnaires were filled. This necessitated an assessment of sample size adequacy based on Yamane's formula and Kaiser-Meyer-Olkin (KMO) test during analysis. Yamane's (1977) formula was used to calculate the final sample size. The calculation was as follows:

$$n_o = N \div (1 + Ne^2)$$

$$n_o = 240 \div (1 + 240 * 0.05^2) = 150$$

Where n_o is the sample size needed to achieve specific level of reliability; N is the size of population; e is the standard error corresponding to desired level of confidence (1.96 for 95% confidence level). Sample size was deemed adequate as Yamane's formula gave a minimum of 150 as the minimum sample size that was representative of the population. KMO test was also

business. Further facilities within the City are comparable in terms of location, facilities and target market. Comparable and measurable facilities were preferred since they offer similar services attracting the same market segment which ensures uniformity in evaluation of service quality and overall customer satisfaction.

3.4. Target Population and sampling

Hotels with a bed capacity of 30 or more which are within Kisumu City was the unit of analysis for this study (see Table 2). The population of study consisted of all guests who checked in to the selected hotels within a period of two weeks determined through census. It was estimated that within a period of two weeks at least one guest would have occupied a room in each hotel. A total of 602 guests representing at least 602 rooms utilized were to be involved in the study. However, within a period of two weeks Only 240 beds across all the hotels were occupied. Since each of the rooms occupied during the two weeks period had at least a questionnaire to be filled the expectation was to have 240 questionnaires filled to reach a saturated population of occupancy for that period. However, after a period of two weeks only 151 questionnaires were filled. This necessitated an assessment of sample size adequacy based on Yamane's formula and Kaiser-Meyer-Olkin (KMO) test during analysis. Yamane's (1977) formula was used to calculate the final sample size. The calculation was as follows:

$$n_o = N \div (1 + Ne^2)$$

$$n_o = 240 \div (1 + 240 * 0.05^2) = 150$$

Where n_o is the sample size needed to achieve specific level of reliability; N is the size of population; e is the standard error corresponding to desired level of confidence (1.96 for 95% confidence level). Sample size was deemed adequate as Yamane's formula gave a minimum of 150 as the minimum sample size that was representative of the population. KMO test was also

performed for each study variable and it revealed that the sample size was adequate for performing factor and regression analysis. These results are presented in chapter 4. Exhaustive sampling was used for managers whereby all general managers, front office and marketing managers in the selected hotels were interviewed until saturation.

Table 2: List of hotels with a bed capacity of more than 30 in Kisumu City

Hotel	Bed Capacity
Kisumu hotel	80
Imperial hotel	74
Sunset	50
Jumuiya Guest House	66
Great Lakes	96
New Victoria	42
Milimani Resort	37
Whirl Springs	33
Royal City	37
Palmers	33
Nyanza Club	54
Total	602

3.5. Data collection instruments

Two data collection instruments were used in this study as follows;

- a) Questionnaires; these targeted all customers who checked in during the two weeks of data collection period to the selected hotels. The tool was used to collect information on demography, service quality, customer loyalty and customer satisfaction.
- b) Interview Schedule; this was used to conduct interviews with managers of the selected hotels and key variables targeted were customer satisfaction and customer loyalty.

3.6. Measurement of variables

The first part of the questionnaire consisted of the demographic characteristics of the respondent. This part of the questionnaire was designed to obtain personal information concerning the demographic characteristics of respondents including gender, nationality, age, purpose of visit, length of stay and number of visits to hotels in the past. Service quality attributes were used in

the second part, which was the independent variable of the study. Service quality was measured using the dimensions suggested in the Hierarchical Service Quality Model; interaction, outcome and physical appearance aspects of service quality. Twelve sub-dimensions of the hotel service quality were evaluated; attitude, behavior, expertise, ambient conditions, design, social factors, waiting time, tangibles, valence, location, cleanliness and complaint handling. Respondents were asked to express their opinion on the twelve service quality attributes on a seven-point Likert scale, ranging from "strongly disagree-(1)" to "strongly agree-(7)". To create a list of service quality attributes items for the questionnaire, previous service quality studies were reviewed. Frequently used attributes in intangible and tangible service quality studies (Parasuraman, Zeithaml and Berry, 1991; Wakefield & Blodgett, 1996; Bitner, 1992) were referenced. Based on the review of the literature, fifty items were developed to measure the tangible and intangible aspects of service quality in the hotel. The third part of the questionnaire explained customer satisfaction which was the mediating variable of this research study. To create a list of overall customer satisfaction attributes for the questionnaire, previous customer satisfaction studies were reviewed. Customer satisfaction was measured using both an evaluative and emotional-based response (Oliver, 1997). Thus, eight different response items were employed; 'I was delighted by employees in this hotel', 'I liked the service delivery process in this hotel', 'The general atmosphere of this hotel was pleasant', 'I enjoyed the comfort of the rooms in this hotel', 'I enjoyed the food served in this hotel', 'Service renderings met my highest expectations', 'I was pleased by the facilities available in this hotel' and 'I enjoyed staying in this hotel'. The final part consisted of customer loyalty which was the dependent variable of this research. To create a list of customer loyalty attribute items for the questionnaire frequently used attributes in customer loyalty studies were referenced. Measurement items for the two loyalty behaviors were adopted

from Zeithaml et al (1996). Customer loyalty was thus measured by; future intentions to visit the hotel again, resistance to competitors' offerings, recommendation of the hotel to others and customers positive word of mouth recommendations. Respondents were asked to express their opinion on customer satisfaction and customer loyalty attributes on a seven-point Likert scale ranging from "Strongly disagree-(1)" to "Strongly agree-(7)".

3.7. Data collection Process

Questionnaires were self-administered such that each customer was expected to fill the questionnaire. The questionnaires were delivered to the receptionists in each of the selected hotels who distributed them to all guests checking in at the reception desk of the hotels during the two weeks data collection period. Guests were instructed to fill the first part of the questionnaire on check in and the other parts on their departure. Interviews were conducted by the researcher after booking an appointment with managers of the selected hotels.

3.8. Validity and Reliability Tests of the Research Instruments

In order to conduct factor and regression analysis the variables in the research model were tested for their validity and reliability. Questionnaires were tested for content validity to establish quality of instrument. These procedures involved pilot testing conducted on 10% of the total sample which was then excluded from the study. There was no variation from the expected result and the instrument was considered to be valid. Piloting was also used to identify the length of time it will take to fill questionnaires, check understanding of the tool and correct simple mistakes like spelling and wording of sentences. The pilot study was done as if it was a normal survey and data generated was used to do a reliability test based on Cronbach's alpha of the items in the instruments. Reliability was assessed with SPSS software using Cronbach's alpha and corrected item-total correlation for all the variable scales used in the study. According to

Field (2005) corrected item-total correlation values should not be less than 0.3. For these data all variable measurements had item-total correlation which was above 0.3 and therefore fit for further analysis. Cronbach's alpha values were all above 0.6 which is deemed acceptable for exploratory studies.

3.9. Data analysis

Data was analyzed in two phases; quantitative and qualitative. Collected data were entered into the statistical package for social sciences (SPSS) version 19 and all the analysis were performed with the SPSS program. To achieve the stated objectives, descriptive statistics, factor analysis, and regression analysis were used. Quantitative data was analyzed using both descriptive and inferential statistics. To achieve objective one descriptive statistics were used to determine the mean and standard deviation scores on perceived service quality attributes. Any variable with the mean value greater than 3.50 was considered as a significant measure used by guests to evaluate overall service quality.

Factor analysis by principal axis approach was used to analyze the significance of aspects of service quality in building customer loyalty. Preliminary factor analysis was performed to determine internal validity, reliability and sample adequacy in the variable sets (Field, 2005; Hershberger, 2005). It is important to determine sample adequacy before conducting any factor analysis such as principle axis factoring (Field, 2005, Hershberger, 2005). Kaiser-Meyer-Olkin (KMO) and Bartlett' test of sphericity were used for the validity proof of factor analysis. Field (2005) and Hershberger (2005) recommends a KMO value $>.50$ and Bartlett's Test of sphericity value $< .05$ for factor analysis. Reliability was assessed using Cronbach's alpha and corrected item-total correlation for all the variable scales used in the study. According to Field (2005)

corrected item-total correlation values should not be less than 0.30 and Cronbach's alpha values should be above 0.60 which is deemed acceptable for exploratory studies. Principal axis factoring (PAF) with varimax rotation was used to extract the factors. PAF was used because it represents high quality decision in understanding latent structure for a set of variables that account for relationships among the measured variables (Hershberger, 2005). Varimax rotation was considered because it minimizes number of variables with extreme loadings (high or low) on a factor which enable for ease of interpretation and clear determination of which measured variables load on which factor (Field, 2005). The criteria for the number of factors to be extracted were based on eigenvalues, scree test and significance of factor loading. Kaiser's criterion (eigenvalue > 1) and Cattell's Scree test were used in determining the number of factors to retain for interpretation. These two criteria were considered because relying in one criterion sometimes doesn't give reliable number of factors to retain (Field, 2005). When a factor loading is equal to or greater than 0.4, the variable is considered to be practically significant and included in a factor (Hair et al., 1998). Bartlett factors scores were retained for further analysis. Bartlett factor scores were used because the procedure is considered to produce unbiased estimates of the true factor scores and also because the process provides unique solutions for factor analysis results (Hershberger, 2005). Factor analysis results are presented in form of tables and figures in chapter four.

Regression analysis was used to determine the dependence of customer loyalty on service quality as well as to examine the relationship among service quality, customer loyalty and customer satisfaction variables. The factor scores obtained in factor analysis were regressed with the observed variables to determine contribution of each element in the factor structure identified.

This was done for all the factors extracted in factors analysis stage. The model fit was tested using the F- statistics $p < .05$, multiple R and R square while the t- statistics $p < .05$ and beta values were used to assess the significance and contribution of each observed variables in the factor structures. According to Hair et al (1998), multiple R and R Square are used to assess overall model fit. Multiple R is the correlation coefficient for the simple regression of X and the dependent variable Y. R-square is the correlation coefficient squared, also referred to as the coefficient of determination. R^2 values were used to determine percentage of the variance explained by the predictors (observed variables) in a factor structure. Sobel test was then used to establish the mediational effect of customer satisfaction on customer loyalty. To conduct the sobel test, regression analysis was first conducted to compute the raw regression coefficient and the standard error for this regression coefficient for the association between service quality and customer satisfaction, and the association between service quality and the mediator (customer satisfaction) and customer loyalty. These values were then entered in their respective places in the Sobel test calculator to determine the test statistic and the associated p -value.

Qualitative information was analyzed using content analysis and merged with quantitative data where applicable. Qualitative content analysis is a research method for the subjective interpretation of the content of text data through the systematic classification process of identifying themes or patterns” (Hsieh & Shannon, 2005). Content analysis is a research tool used to determine the presence of certain words, concepts, themes, phrases, characters, or sentences within texts or sets of texts and to quantify this presence in an objective manner. Interview notes and responses from open ended questions of the quantitative survey were analysed using this method.

CHAPTER 4: RESULTS

This chapter looks at respondents profile and results based on factor, regression and content analysis.

4.1. Demographic characteristics of respondents

This section presents the personal data of 151 customers who stayed in the hotels between April 9th and 23rd, 2012. The frequency and the percentage fallout of the demographic analysis depicted that the highest percentage (65.80) of the people who stayed in the hotels were Kenyans and 34.20 % were foreigners. The results also indicated that 81 respondents (53.60%) were males and that 69 respondents (45.70%) were females. The majority respondents declared their visit for conference purpose that was around 34.50% of the total respondents. The rest 33.10% were business, 24.80% vacation and 7.60% honey moon. Other purposes of visit included cancelled flight, educational, humanitarian visit, just to relax and visiting an orphanage which contributed to 4.80% of the total respondents. The results further indicated that 37.10% of the respondents had stayed in the hotels before whereas 62.90% of the respondents were staying in the respective hotels for the first time. Among those who had stayed before 7.30% had stayed in the hotel once, 11.30% twice, 6.60% thrice and 11.30% had stayed for more than four times. The largest proportion of the respondents (46.70%) was within the age bracket of 20-35 years and the lowest proportions (4.00%) were below 20 years whereas 36% and 10% were within the age bracket of 36-50 years and over 50 years respectively. Most of the respondents 27.30% spend in the hotel for 2 days, 24.00% for 3 days, 22.70% for 4 days, 15.30 % for more than 4 days and 10.70% spend for just a day. Only 21.40% were not intending to stay or visit the hotel again if within the City whereas majority (78.60%) reported that they were intending to stay/visit the same hotel again when within the City. The results are displayed in table 3.

Table 3: Demographic characteristics of respondents

Variables	Frequency	Percentages (%)
Gender		
Male	82	54.30
Female	69	45.70
		N=151
Nationality		
Kenyan	98	
Foreigner	51	65.80
*	2	34.20
		N=149
Purpose of visit		
Business	48	33.10
Vacation	36	24.80
Honeymoon	10	7.60
Conference	50	34.50
Other purpose of visit		
Cancelled flight	1	0.70
Educational	1	0.70
Humanitarian visit	2	1.30
Just to relax	1	0.70
Performance contracting	1	0.70
Visiting an orphanage	1	0.70
		N=151
Age of the respondent		
Below 20 years	6	4.00
20-35 years	70	46.70
36-50 years	54	36.00
Over 50 years	15	10.00
*	6	
		N=145
Length of stay		
1 day	16	10.70
2 days	41	27.30
3 days	36	24.00
4 days	34	22.70
More than 4 days	23	15.30
*	1	
		N=150
If first time staying in the hotel		
Yes	95	62.90
No	56	37.10
		N=151
Intention to stay again		
Yes	107	70.90
No	38	25.20
*	6	
		N=145
No of times Previously stayed		
Once	11	7.30

Twice	17	11.30
Thrice	10	6.60
More than 4 times	17	11.30
Not Applicable	96	63.60
		N=151

Note. N=Total number of responses; *=Number of non-responses

4.2. Dimensions of service quality

In order to address specific objective one namely: To describe the various dimensions of service quality in hotel industry, the data was subjected to descriptive statistics. Specifically the means and the standard deviation were calculated for each variable. Any variable with the mean value greater than 3.50 was considered to be significant in measuring service quality (see Table 4). The findings illustrate that the guests perceived all the variables as important measures of service quality. The findings further suggest attitude indicators were perceived as the best measures of service quality as they had the greatest mean of 5.90 followed by cleanliness, tangibles, expertise, waiting time, valence, behaviour, location, complaint handling, social factors ambient conditions and lastly design indicators.

Table 4: Service quality indicator

Service quality indicator	Mean	SD
Attitude	5.90	
Employees in this hotel take care of safety issues	6.12	1.11
The staff in the hotel are courteous and friendly	6.17	.97
Your specific needs as a guest are met	5.59	1.32
Employees in this hotel are always willing to help	5.73	1.44
Behaviour	5.23	
The behaviour of employees in this hotel gives me trust	5.75	1.33
Employees in this hotel do not seem bothered by customer requests	3.91	2.24
Management in the hotel tries hard to ensure guests' complaints handled effectively	5.49	1.49
The hotel has customer's best interests at heart	5.78	1.42
Expertise	5.60	
Employees have professional knowledge to meet customer needs	5.67	1.48
Employees are knowledgeable	5.50	1.44
Hotel employees are competent to perform the service	5.61	1.40
Ambient conditions	4.92	
The interior decor of the hotel is appealing	5.15	1.78
The atmosphere in the hotel is pleasant	4.80	1.83
The overall lighting system in the hotel is appropriate	4.76	1.91
The hotel guest rooms are decorated in an attractive fashion	4.96	1.85
Design	4.32	

The layout of the hotel does NOT impress me	4.84	1.67
The hotel is aesthetically attractive	4.62	1.79
The layout of this hotel makes it easy for customers to move around	4.84	1.79
Facilities in this hotel have up to date equipment	2.97	2.24
Social factors	5.04	
You feel a sense of belonging with other customers in this hotel	4.95	1.88
Employees in the hotel interacts freely with you	5.02	1.81
Employees in the hotel recognizes your presence	4.85	1.88
The hotel provides opportunities for social interactions	5.33	1.69
Waiting time	5.42	
The time taken by the receptionists to check you in on arrival was short	5.57	1.68
Employees have the ability to answer guests' questions quickly	5.30	1.47
Employees in the hotel try to minimize customer waiting time	5.53	1.56
Your requests are handled promptly	5.10	1.66
The restaurant staff takes a reasonable time to serve orders	5.61	1.43
Tangibles	5.61	
The hotel accepts a variety of billing systems such as credit cards,cash and cheques.	5.09	2.03
The rooms and other public areas such as restaurant,toilets,bars,lounge and hallways in the hotel are kept clean	6.07	1.20
The hotel rooms have comfortable beds	5.90	1.33
The hotel rooms are spacious	5.01	1.98
A variety of food is offered at the restaurant	5.31	1.76
Restaurant(s) in the hotel serves high quality food and beverage	6.27	1.13
Valence	5.33	
The hotel performed its service well the first time	5.45	1.75
Staff tried hard to make your experience in the hotel enjoyable	5.45	1.75
You have had a good experience in this hotel	5.30	1.77
You receive value for your money staying in this hotel	5.13	1.83
Complaint handling	5.12	
The hotel understands the need of resolving guests' complaints	4.89	1.65
Guests' complaints are handled effectively	5.26	1.85
Management of this hotel ensures that guests complaints are handled promptly	4.98	1.81
Employees shows a sincere interest in solving guests' problems	5.35	1.61
Location	5.21	
The hotel is strategically located within the City	5.54	1.64
The hotel location makes it easier for me to get access to other services e.g banking that I may require	5.42	1.76
I can easily move in and out of the hotel at any time of the day	5.57	1.62
The hotel is close to my workplace	4.30	2.11
Cleanliness	5.90	
The rooms in this hotel are clean	6.06	1.27
Linen e.g. towels,bed sheets and bathrobes provided in the guest rooms in the hotel are clean.	5.93	1.38
This hotel maintains cleanliness at all times	5.75	1.36
Hotels' sanitary fittings are always kept clean	5.81	1.46

To assess the importance of sub-dimensions in evaluation of overall service quality, factor and regression analysis techniques were employed. Specifically, factor extraction method involved the use of principle axis factoring which utilized Varimax as the mode of rotation. The factor

scores obtained in factor analysis were regressed with the observed variables to determine contribution of each element in the factor structure identified. In order to assess the suitability of this tools, some tests were performed to see whether the data sample was adequate to allow the use of factor analysis (see Table 5).The test revealed that the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy of all the variables ranged between .88 to .65 which was well above the recommended 0.50 by Field(2005). Bartlett's Test of Sphericity was also significant as it was less than .05 for all the variables as deemed necessary which showed that factor analysis was appropriate for this data.

Table 5: Measure of sample adequacy for factor analysis

Variables	Kaiser-Meyer-Olkin Measure of Sampling Adequacy	Bartlett's Test of Sphericity (sig.)
Attitude	.80	.000
Behaviour	.65	.000
Expertise	.77	.000
Ambient conditions	.81	.000
Design	.66	.000
Social factors	.81	.000
Waiting time	.84	.000
Tangibles	.73	.000
Valence	.83	.000
Complaint handling	.82	.000
Location	.71	.000
Cleanliness	.84	.000
Customer satisfaction	.88	.000
Customer loyalty	.69	.000

Source: Survey Data, 2012

All items were then loaded appropriately with the aid of SPSS software version 19.0 and the findings of the significance of each service quality dimension in determining customer loyalty were as follows:

4.2.1. Factor analysis results

4.2.1.1 Interaction quality factors

As suggested by the literature, interaction quality is composed of the following variables- attitude, behavior, expertise and complaint handling which was added by the researcher.

Interaction quality was measured as one of the determinants of customer loyalty in the hotel industry. The reliability of the interaction quality measures were deemed acceptable as they had a cronbach's alpha of 0.91 and all the item-to-total correlation were well above the accepted 0.30. Fifteen items were used to assess interaction quality and to determine that the concept is valid as a determinant. Table 4.0 shows that the fifteen items were all extracted as true measures of interaction quality since four factors IQ1, IQ2, IQ3 and IQ4 were extracted which accounted for 51.02%, 10.16%, 7.75% and 6.86% of the total variance for all the items respectively before rotation. The factors were labeled IQ1 (Expertise), IQ2 (Complaint handling), IQ3 (Behavior) and IQ4 (Attitude). This is also displayed in the scree plot (See fig 3). However after extraction IQ1 accounted for only 21.57% of variance whereas IQ2, IQ3 and IQ4 accounted for 20.96%, 20.28% and 3.75% of variance respectively giving a cumulative of 66.56% of total variance.

Guests needs being met, employees behavior giving trust, employees competency, employees being knowledgeable, employees having professional knowledge and the hotel understanding the need of resolving guests complaints loaded onto the first factor IQ1 with factor loadings of .50, .45, .85, .81, .81 and .46 respectively. Management trying hard to ensure customer complaints are handled effectively, hotel understanding the need of resolving guest complaints, guest complaints being handled effectively , employees showing sincere interest in solving guests problems and management ensuring guest complaints are handled effectively loaded onto the second factor IQ2 with all factor loadings above 0.47. Employees willingness to help, staff courtesy and friendliness, guests needs being met, employees taking care of safety issues, employees behavior trust, hotel having customer interests at heart and management ensuring guests complaints are handled effectively loaded onto the third factor with factor loadings of .70,

.68, .58, .45, .42, .72 and .58 respectively. Only one item, employees do not seem bothered by customer requests loaded onto the fourth factor IQ4 with factor loadings of 0.64. This is further displayed on table 6.



Figure 3: Eigenvalue of the factors

Scree Plot

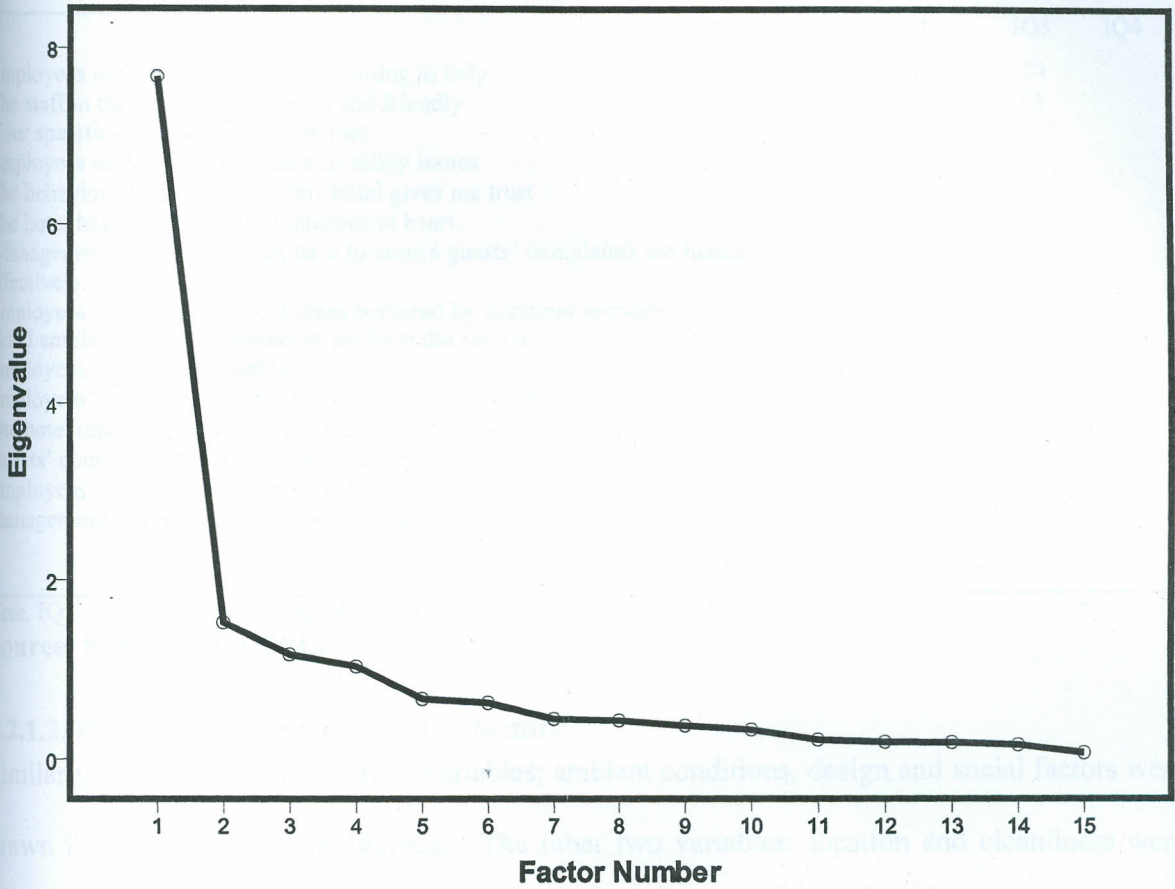


Figure 3: Interaction quality scree plot

Table 6: Service quality factor matrix for interaction quality

Measured Variables	Interaction quality factors			
	IQ1	IQ2	IQ3	IQ4
Employees in this hotel are always willing to help			.70	
The staff in the hotel are courteous and friendly			.68	
Your specific needs as a guest are met	.50		.58	
Employees in this hotel take care of safety issues			.45	
The behavior of employees in this hotel gives me trust	.45		.42	
The hotel has customer's best interests at heart.			.72	
Management in the hotel tries hard to ensure guests' complaints are handled effectively.		.47	.58	
Employees in this hotel do not seem bothered by customer requests.				.64
Hotel employees are competent to perform the service	.85			
Employees are knowledgeable	.81			
Employees' have professional knowledge to meet customer needs	.81			
The hotel understands the need of resolving guests' complaints.	.46	.60		
Guests' complaints are handled effectively		.81		
Employees shows a sincere interest in solving guests' problems		.86		
Management of this hotel ensures that guests complaints are handled promptly		.82		

Note. IQ1=Expertise; IQ2=Complaint Handling; IQ3=Behavior; IQ4=Attitude

Source: Survey Data, 2012

4.2.1.2. Physical environment quality factors

Similarly the physical environment variables; ambient conditions, design and social factors were drawn from a review of the literature. The other two variables; location and cleanliness were added by the researcher. Exploratory factor analysis was performed for all the variables. Physical environment quality variable was measured using twenty items, that is, each of the five variables was measured using four items. Factor analysis extracted five components labeled PEQ1 (Ambient conditions), PEQ2 (Cleanliness), PEQ3 (Social factors), PEQ4 (Location) and PEQ5 (Design). Before rotation PEQ1 explained 32.79% of the total variance whereas PEQ2, PEQ3, PEQ4 and PEQ5 explained a total variance of 14.40%, 13.20%, 8.50% and 5.03% respectively. After rotation PEQ1 accounted for only 21.62% of the total variance compared to PEQ2, PEQ3, PEQ4 and PEQ5 which accounted for 16.29%, 13.46%, 11.54% and 2.82% respectively giving a cumulative of 65.73%. Eight items loaded onto the first factor PEQ1, four onto PEQ2, four onto

PEQ3, four onto PEQ4 and one item loaded onto the fifth factor PEQ5 with all factor loadings above 0.40 as demonstrated in table 7 below.

Scree Plot

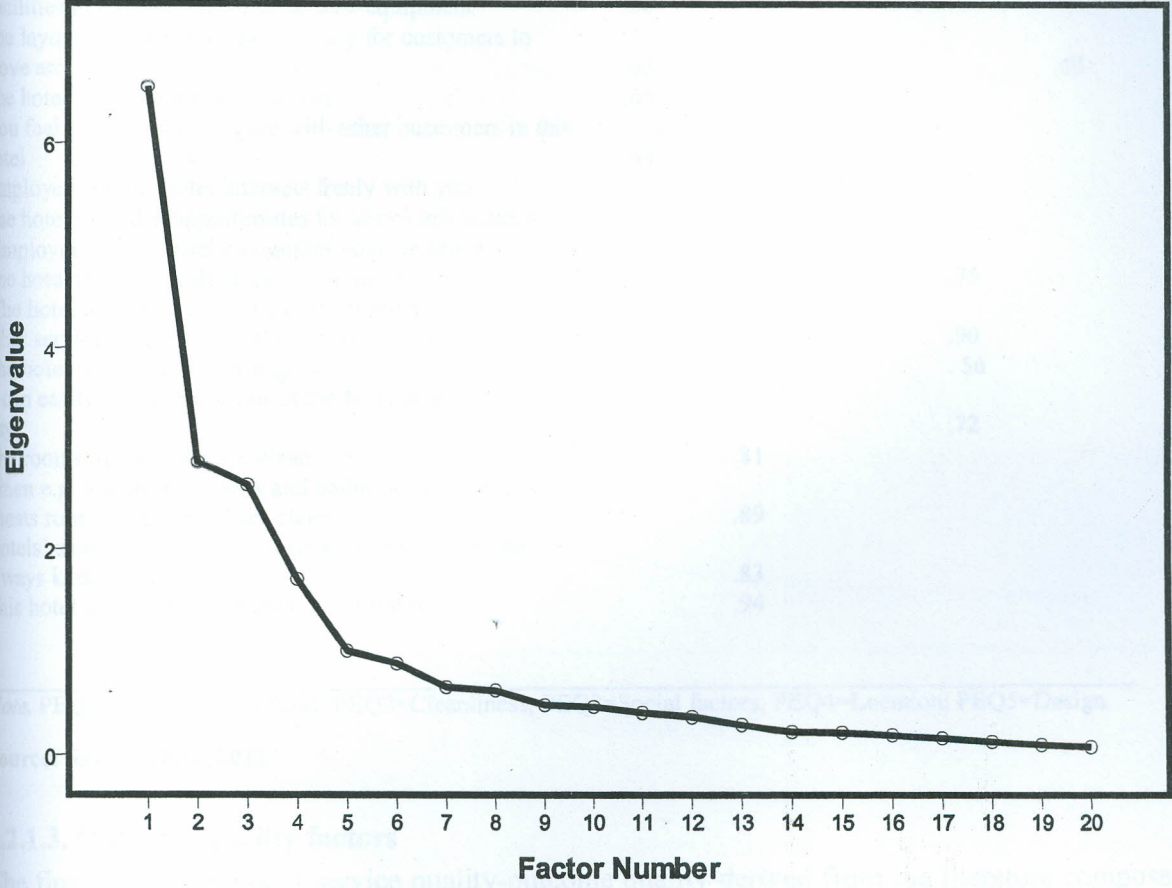


Figure 4: Physical environment scree plot

Table 7: Service quality factor matrix for physical environment quality

	PEQ1	PEQ2	PEQ3	PEQ4	PEQ5
The interior décor of the hotel is appealing	.83				
The hotel guest rooms are decorated in an attractive fashion	.88				
The overall lighting system in the hotel is appropriate	.85				
The atmosphere in this hotel is pleasant	.60				
Facilities in this hotel have up to date equipment	.68				
The layout of this hotel makes it easy for customers to move around	.63				.40
The hotel is aesthetically attractive	.66				
You feel a sense of belonging with other customers in this hotel	.44		.57		
Employees in this hotel interacts freely with you			.79		
The hotel provides opportunities for social interactions			.76		
Employees in the hotel recognizes your presence			.85		
The hotel is strategically located within the city				.75	
The hotel location makes it easier for me to get access to other services e.g. banking that I may require				.90	
The hotel is close to my workplace				.56	
I can easily move in and out of the hotel at any time of the day				.72	
The rooms in this hotel are clean		.81			
Linen e.g. towels, bedsheets and bathrobes provided in guests rooms in the hotel are clean		.89			
Hotels' sanitary fittings e.g. toilets and bathrooms are always kept clean.		.83			
This hotel maintains cleanliness at all times		.94			

Note. PEQ1=Ambient conditions; PEQ2=Cleanliness; PEQ3=Social factors; PEQ4=Location; PEQ5=Design

Source: Survey Data, 2012

4.2.1.3. Outcome quality factors

The final set of aspects of service quality-outcome quality derived from the literature composed of the following variables: valence, waiting time and tangibles. The variable outcome quality was measured using fifteen items. Factor analysis extracted three components labeled OQ1 (Waiting time), OQ2 (Valence) and OQ3 (Tangibles) which explained 43.21%, 13.69% and 9.45% of total variance respectively before rotation (see scree plot below). After rotation the first factor OQ1 accounted for 23.57% of total variance, OQ2 accounted for 20.68% and OQ3 accounted for 14.68%.

Scree Plot

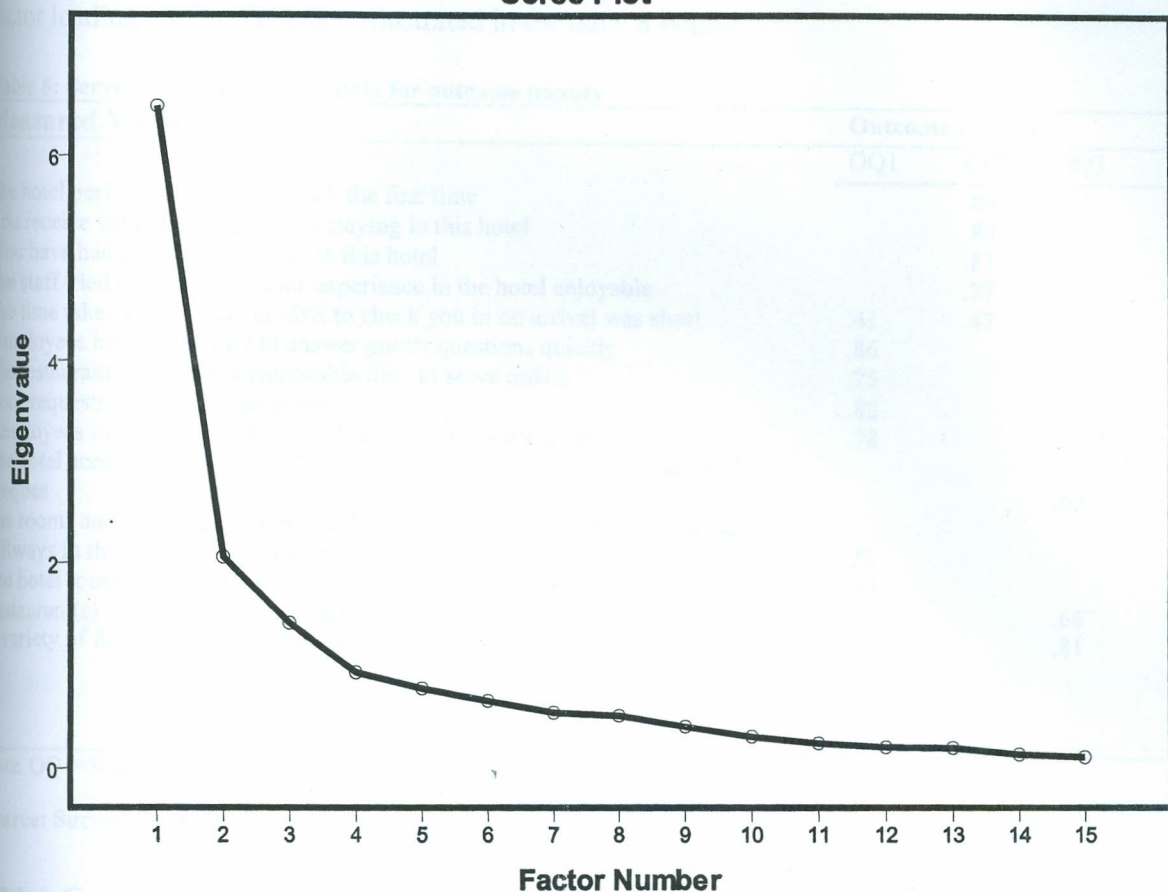


Figure 5: Outcome quality scree plot

Receptionists taking the shortest time to check in, ability to answer guests questions, reasonable time taken to serve orders, requests handled promptly, minimized waiting time, cleanliness of hotel rooms and public areas and spacious rooms loaded onto the first factor OQ1 with factor loadings of .41, .86, .75, .82, .78, .51 and .53 respectively. Receptionists taking the shortest time to check in, hotel performing its service well the first time, guest receiving value for money, guest having a good experience in the hotel and staff trying hard to ensure guest have an enjoyable experience also loaded to the second factor. The factor loadings are .47, .66, .80, .83 and .77 respectively. Four items, variety of billing systems accepted, high quality food and beverage served, variety of food offered and hotel performing its service well the first time

loaded onto factor three (OQ3) with all factor loadings of .53, .66, .81, and .42 respectively. The factor loadings of the items are illustrated in the table 8 below.

Table 8: Service quality factor matrix for outcome quality

Measured Variables	Outcome Quality		
	OQ1	OQ2	OQ3
The hotel performed its service well the first time		.66	.42
You receive value for your money staying in this hotel		.80	
You have had a good experience in this hotel		.83	
The staff tried hard to make your experience in the hotel enjoyable		.77	
The time taken by the receptionists to check you in on arrival was short	.41	.47	
Employees have the ability to answer guests questions quickly	.86		
The restaurant staff takes a reasonable time to serve orders	.75		
Your requests are handled promptly	.82		
Employees in the hotel try to minimize customer waiting time	.78		
The hotel accepts a variety of billing systems such as credit cards, cash and cheques			.53
The rooms and other public areas such as restaurant, toilets, bars, lounge and hallways in the hotel are kept clean.	.51		
The hotel rooms are spacious	.43		
Restaurant(s) in the hotel serves high quality food and beverage			.66
A variety of food is offered at the restaurant			.81

Note. OQ1=Waiting time; OQ2=Valence; OQ3=Tangibles

Source: Survey Data, 2012

4.2.1.4. Customer satisfaction and Customer loyalty

Customer satisfaction as a mediating variable was also measured using eight items. The variable measures displayed a strong cronbach's alpha of 0.91 and all items-to- total correlations were over 0.54. Factor analysis extracted only one factor labeled Customer satisfaction 1 (CS1) which explains 62.04% total variance of all measured items with all the factor loadings significantly over the minimum requirement. Customer loyalty on the other hand produced a substantial cronbach's alpha of 0.77 and each of the items in the item-to-total correlations were above 0.51. The four items were all extracted as true measures of loyalty since a factor extracted and labeled Customer loyalty 1 (CL1) could account for 62.26% of the total variance for all the items and likewise all the factor loadings were over the minimum requirement (see table 9).

Table 9: Factor pattern matrix for customer satisfaction and customer loyalty

Measured Variables	Satisfaction and Loyalty	
	CS1	CL1
I was delighted by employees in this hotel	.56	
I liked the service delivery process in this hotel	.82	
The general atmosphere of this hotel was pleasant	.65	
I enjoyed the comfort of the rooms in this hotel	.57	
I enjoyed the food served in this hotel	.82	
Service renderings met my highest expectations	.84	
I was pleased by the facilities available in this hotel	.84	
I enjoyed staying in this hotel	.87	
I will always recommend this hotel whenever anyone seeks my advice		.68
I will say positive things about this hotel to other people		.69
I intent to visit this hotel again each time I am within Kisumu City.		.89
I will resist the offers of other hotels		.56

Source: Survey Data, 2012

4.3. Regression Analysis Results

4.3.1. Interaction quality regression results

Factor one: The R² registered for predictor (measured) variables guests' needs met, employees' trust, employees' competence, Employees knowledgeable, employees' professionalism was .85. The F value (147.24) and the t values registered were highly significant (p < .001). The beta values obtained for the predictor variables indicated that employees competence has the greatest contribution towards factor one in interaction quality ($\beta = .55$, $t = 7.42$). Employees trust registered very minimal contribution ($\beta = .06$, $t = 1.37$) compared to the other predictor variables (see Table 10 below).

Table 10: Regression analysis for variables predicting factor one in interaction quality measures

Model	B	Std. Error	β	t	Sig.
(Constant)	-3.26	.20		-16.37	.000
Guest needs met	-.21	.04	-.25	-5.28	.000
Employees trust	-.05	.04	-.06	-1.37	.173
Employees competence	.42	.06	.55	7.42	.000
Employees knowledgeable	.19	.05	.26	3.66	.000
Employees professionalism	.25	.05	.35	5.21	.000

Note. B = Unstandardized coefficient beta value; β = Standardized coefficients beta value; t = t values; R² = .85; Δ R² = .85; F – Statistics = 147.24 (p < .001)

Factor two: The R2 registered for predictor (measured) variables management efforts in solving customer complaints, hotel understanding on need to solve complaints, effective complaint handling, sincere solving of guests problems, prompt complaint handling was .88. The F value (183.79) and the t values registered were highly significant ($p < .001$). The beta values obtained for the predictor variables indicated that sincere solving of guests problems has the greatest contribution towards factor two in interaction quality ($\beta = .46$, $t = 6.88$). Hotel understanding on need to solve complaints registered very minimal contribution ($\beta = .004$, $t = .096$) compared to the other predictor variables (see Table 11 below).

Table 11: Regression analysis for variables predicting factor two in interaction quality measures

Model	B	Std. Error	β	t	Sig.
(Constant)	-2.45	.14		-17.91	.000
Management efforts in solving customer complaints	-.16	.03	-.24	-5.83	.000
Hotel understanding on need to solve complaints	-.01	.03	-.00	-.10	.924
Effective complaint handling	.19	.04	.29	4.67	.000
Sincere solving of guests problems	.27	.04	.46	6.88	.000
Prompt complaint handling	.22	.03	.40	7.14	.000

Note. B = Unstandardized coefficient beta value; β = Standardized coefficients beta value; t = t values; $R^2 = .88$; $\Delta R^2 = .87$; F - Statistics = 183.79 ($p < .001$)

Factor three: The R2 registered for predictor (measured) variables employees willingness to help, employees courtesy, guests' needs met, safety issues, employees trust, hotels' customer interests, effective complaint handling was .78. The F value (63.81) and the t values registered were highly significant ($p < .001$). The beta values obtained for the predictor variables indicated that hotels' customer interests has the greatest contribution towards factor three in interaction quality ($\beta = .51$, $t = 7.70$). Safety issues registered very minimal contribution ($\beta = .06$, $t = 1.09$) compared to the other predictor variables (see Table 12).

Table 12: Regression analysis for variables predicting factor three in interaction quality measures

Model	B	Std. Error	β	t	Sig.
(Constant)	-6.17	.35		-17.65	.000
Employees willingness to help	.25	.07	.25	3.75	.000
Employees courtesy	.51	.08	.40	6.48	.000
Guests' needs met	-.06	.06	-.06	-1.02	.312
Safety issues	.04	.04	.06	1.09	.279
Employees trust	-.08	.05	-.08	-1.57	.119
Hotels' customer interests	.41	.05	.51	7.70	.000
Effective complaint handling	-.06	.05	-.08	-1.31	.193

Note. B = Unstandardized coefficient beta value; β = Standardized coefficients beta value; t = t values; $R^2 = .78$; $\Delta R^2 = .77$; F - Statistics = 63.81 ($p < .001$)

Factor four: The R^2 registered for predictor (measured) variable employees not bothered with customer requests was .77. The F value (440.31) and the t value registered was highly significant ($p < .001$). The beta values obtained for the predictor variable indicated that employees not bothered with customer requests has the greatest contribution towards factor four in interaction quality ($\beta = .88$, $t = 20.98$) see table 13.

Table 13: Regression analysis for variables predicting factor four in interaction quality measures

Model	B	Std. Error	β	t	Sig.
(Constant)	-2.03	.11		-18.04	.000
Employees not bothered with customer requests	.54	.03	.88	20.98	.000

Note. B = Unstandardized coefficient beta value; β = Standardized coefficients beta value; t = t values; $R^2 = .77$; $\Delta R^2 = .77$; F - Statistics = 440.31 ($p < .001$)

4.3.2. Physical environment quality regression results

Factor one: The R^2 registered for predictor (measured) variables appealing interior décor, decorated rooms, overall lighting system, pleasant atmosphere, up to date equipment, ease of movement, aesthetic attraction and sense of belonging was .94. The F value (207.30) and the t values registered were highly significant ($p < .001$). The beta values obtained for the predictor variables indicated that decorated rooms has the greatest contribution towards factor one in physical environment quality ($\beta = .36$, $t = 7.02$). Pleasant atmosphere registered very minimal contribution ($\beta = .002$, $t = .051$) compared to the other predictor variables (see Table 14).

Table 14: Regression analysis for variables predicting factor one in physical environment measures

Model	B	Std. Error	β	t	Sig.
(Constant)	-3.00	.10		-31.19	.000
Appealing interior décor	.10	.03	.18	3.56	.001
Decorated rooms	.20	.03	.36	7.02	.000
Overall lighting system	.14	.03	.24	4.98	.000
Pleasant atmosphere	-.00	.02	-.00	-.05	.960
Up to date equipment	.13	.02	.15	6.77	.000
Ease of movement	.09	.02	.15	4.68	.000
Aesthetic attraction	.05	.02	.08	2.21	.029
Sense of belonging	-.07	.02	-.13	-4.30	.000

Note. B = Unstandardized coefficient beta value; β = Standardized coefficients beta value; t = t values; $R^2 = .94$; $\Delta R^2 = .93$; F - Statistics = 207.30 ($p < .001$)

Factor two: The R^2 registered for predictor (measured) variables clean guestrooms, linen, sanitary fittings, general cleanliness was .97. The F value (975.48) and the t values registered were highly significant ($p < .001$). The beta values obtained for the predictor variables indicated that general cleanliness has the greatest contribution towards factor two in physical environment quality ($\beta = .53$, $t = 14.08$). Sanitary fittings registered minimal contribution ($\beta = .14$, $t = 4.98$) compared to the other predictor variables (see Table 15).

Table 15: Regression analysis for variables predicting factor two in physical environment quality measures

Model	B	Std. Error	β	t	Sig.
(Constant)	-4.35	.08		-56.45	.000
Clean guestrooms	.11	.02	.15	5.69	.000
Linen	.17	.02	.24	7.36	.000
Sanitary fittings	.09	.02	.14	4.98	.000
General cleanliness	.38	.03	.53	14.08	.000

Note. B = Unstandardized coefficient beta value; β = Standardized coefficients beta value; t = t values; $R^2 = .97$; $\Delta R^2 = .97$; F - Statistics = 975.48 ($p < .001$)

Factor three: The R^2 registered for predictor (measured) variables sense of belonging, employee-guest interactions, opportunities for social interactions, guests recognition was .89. The F value (229.21) and the t values registered were highly significant ($p < .001$). The beta

values obtained for the predictor variables indicated that general guests' recognition has the greatest contribution towards factor three in physical environment quality ($\beta = .52$, $t = 9.71$). Sense of belonging registered minimal contribution ($\beta = .04$, $t = .82$) compared to the other predictor variables (see Table 16).

Table 16: Regression analysis for variables predicting factor three in physical environment quality measures

Model	B	Std. Error	β	t	Sig.
(Constant)	-2.98	.11		-26.62	.000
Sense of belonging	-.02	.02	-.04	-.82	.413
Employee-guest interactions	.17	.03	.28	5.46	.000
Opportunities for social interactions	.15	.03	.27	5.37	.000
Guests' recognition	.30	.03	.52	9.71	.000

Note. B = Unstandardized coefficient beta value; β = Standardized coefficients beta value; t = t values; $R^2 = .89$; $\Delta R^2 = .89$; F - Statistics = 229.21 ($p < .001$)

Factor four: The R^2 registered for predictor (measured) variables strategic location, accessibility to support services, closeness to workplace, ease of movement was .97. The F value (1013.79) and the t values registered were highly significant ($p < .001$). The beta values obtained for the predictor variables indicated that accessibility to support services has the greatest contribution towards factor four in physical environment quality ($\beta = .60$, $t = 21.68$). Closeness to work place minimal contribution ($\beta = .13$, $t = 7.27$) compared to the other predictor variables (see Table 17).

Table 17: Regression analysis for variables predicting factor four in physical environment quality measures

Model	B	Std. Error	β	t	Sig.
(Constant)	-3.86	.07		-55.69	.000
Strategic location	-.11	.02	.17	7.04	.413
Accessibility to support services	.36	.02	.60	21.68	.000
Closeness to workplace	.07	.01	.13	7.27	.000
Ease of movement	.18	.01	.26	12.99	.000

Note. B = Unstandardized coefficient beta value; β = Standardized coefficients beta value; t = t values; $R^2 = .97$; $\Delta R^2 = .97$; F - Statistics = 1013.79 ($p < .001$)

Factor five: The R^2 registered for predictor (measured) variable ease of movement was .278. The F value (44.35) and the t values registered were highly significant ($p < .001$). The beta values obtained for the predictor variable indicated that ease of movement has the greatest contribution towards factor five in physical environment quality ($\beta = .53$, $t = 6.66$) (see Table 18).

Table 18: Regression analysis for variables predicting factor five in physical environment quality measures

Model	B	Std. Error	β	t	Sig.
(Constant)	-1.83	.29		-6.26	.000
Ease of movement	.38	.06	.53	6.66	.000

Note. B = Unstandardized coefficient beta value; β = Standardized coefficients beta value; t = t values; $R^2 = .28$; $\Delta R^2 = .27$; F – Statistics = 44.35 ($p < .001$)

4.3.3. Outcome quality regression results

Factor one: The R^2 registered for predictor (measured) variables Check-in time, ability to answer guests questions, prompt requests handling, minimized waiting time, clean public areas, spacious guestrooms was .90. The F value (153.19) and the t values registered were highly significant ($p < .001$) except for clean public areas and spacious rooms' variables. The beta values obtained for the predictor variables indicated that ability to answer guests questions has the greatest contribution towards factor one in outcome quality ($\beta = .44$, $t = 8.53$). Spacious rooms had minimal contribution ($\beta = .02$, $t = .58$) compared to the other predictor variables (see Table 19).

Table 19: Regression analysis for variables predicting factor one in outcome quality measures

Model	B	Std. Error	β	t	Sig.
(Constant)	-4.39	.22		-19.75	.000
Check-in time	-.06	.02	-.10	-2.96	.000
Ability to answer guests questions	.32	.04	.44	8.53	.000
Time taken to serve orders	.10	.04	.13	2.76	.000
Prompt requests handling	.16	.04	.25	4.28	.000
Minimized waiting time	.17	.04	.23	4.60	.000
Clean public areas	.09	.04	.09	2.52	.013
Spacious rooms	.02	.03	.02	.58	.564

Note. B = Unstandardized coefficient beta value; β = Standardized coefficients beta value; t = t values; $R^2 = .90$; $\Delta R^2 = .90$; F - Statistics = 153.19 ($p < .001$)

Factor two: The R^2 registered for predictor (measured) variables service performance on first visit, value for money, good experience, staff efforts to ensure enjoyable experience was .84. The F value (124.74) and the t values registered were highly significant ($p < .001$) except for check-in time and service performance on first visit variables. The beta values obtained for the predictor variables indicated that good experience has the greatest contribution towards factor two in outcome quality ($\beta = .42$, $t = 5.70$). Check-in time had minimal contribution ($\beta = .06$, $t = 1.24$) compared to the other predictor variables (see Table 4 below).

Table 20: Regression analysis for variables predicting factor two in outcome quality measures

Model	B	Std. Error	β	t	Sig.
(Constant)	-3.32	.17		-20.12	.000
Check-in time	-.04	.03	-.06	-1.24	.219
Service performance on first visit	.04	.03	.06	1.16	.250
Value for money	.15	.05	.22	3.20	.000
Good experience	.25	.04	.42	5.70	.000
Staff efforts in ensuring enjoyable experience	.21	.04	.35	5.99	.000

Note. B = Unstandardized coefficient beta value; β = Standardized coefficients beta value; t = t values; $R^2 = .84$; $\Delta R^2 = .83$; F - Statistics = 124.73 ($p < .001$)

Factor three: The R^2 registered for predictor (measured) variables service performance on first visit, variety of billing systems, quality of food and beverage, Variety of food served was .86. The F value (182.49) and the t values registered were highly significant ($p < .001$) for all the variables. The beta values obtained for the predictor variables indicated that variety of food

served has the greatest contribution towards factor three in outcome quality ($\beta = .67, t = 12.99$).

Service performance on first visit had minimal contribution ($\beta = .23, t=5.33$) compared to the other predictor variables (see Table 21 below).

Table 21: Regression analysis for variables predicting factor three in outcome quality measures

Model	B	Std. Error	β	t	Sig.
(Constant)	-2.84	.15		-18.90	.000
Variety of billing systems	.13	.02	.25	5.96	.000
Quality of food	.19	.03	.29	5.94	.000
Variety of food served	.39	.03	.67	13.00	.000
Service performance on first visit	-.15	.03	-.23	-5.33	.000

Note. B = Unstandardized coefficient beta value; β = Standardized coefficients beta value; t = t values; $R^2 = .86$; $\Delta R^2 = .85$; F - Statistics = 182.49 ($p < .001$)

4.4. Assessment of aspects of service quality significant in determining customer loyalty

In order to address specific objective number two namely: To assess the dimensions of service quality that best drive customer loyalty in hotel industry, regression analysis technique was employed to achieve this objective. The aim was to determine the importance of each service quality factor in predicting customer loyalty. The results are explained in the sub-sections below;

4.4.1. Interaction quality factors

Table 22 below shows that model one explained 59.00% ($R^2=0.51, p<0.05$) of variation of customer loyalty. The difference between $R^2 = 0.59$ and adjusted $R^2=0.58$ is 0.01 and shows that the suggested model generalizes quite well as the adjusted R^2 is too close to R^2 . The model shows that interaction quality is a significant predictor of customer loyalty. F-statistic is 46.02 which is significant at $p<0.001$. Among the interaction quality factors complaint handling make a significant contribution as it has the highest beta value of .57. The other factors predict customer loyalty in the following order; expertise, behaviour and lastly attitude (see table 23).

4.4.2. Physical environment factors

Table 22 shows that model two explained 72.60% ($R^2=0.73$, $p<0.05$) of variation of customer loyalty. The difference between $R^2=0.73$ and adjusted $R^2=0.71$ is 0.01 and shows that the suggested model generalizes quite well as the adjusted R^2 is too close to R^2 . The model shows that physical environment quality is a significant predictor of customer loyalty. F-statistic is 58.350 which is significant at $p<0.05$. Among the physical environment quality factors, cleanliness make a significant contribution as it has the highest beta value of .73. The other factors predict customer loyalty in the following order; ambient conditions, social factors, location and lastly design (see table 23).

4.4.3. Outcome quality factors

Table 22 below shows that model three explained 54.70% ($R^2=0.55$, $p<0.05$) of variation of customer loyalty. The difference between $R^2=0.55$ and adjusted $R^2=0.54$ is 0.01 and shows that the suggested model generalizes quite well as the adjusted R^2 is too close to R^2 . The model shows that outcome quality is a significant predictor of customer loyalty. F-statistic is 47.81 which is significant at $p<0.05$. Among the physical environment quality factors, valence make a significant contribution as it has the highest beta value of .50 followed by waiting time and tangibles respectively (see table 23).

Table 22: Service quality factor model summary for regression model

Model	R	R Square	Adjusted R Square	Standard error of the estimate	Change statistics					
					Model	Sum of Squares	df	Mean Square	F	Sig.
1	.77	.59	.58	.71	Regression	92.24	4	23.01	46.02	.000
					Residual	64.15	128	6		
					Total	156.39	132	.501		
2	.85	.73	.71	.61	Regression	107.60	5		58.35	.000
					Residual	40.57	110	21.52		
					Total	148.17	115	0		
3	.74	.55	.54	.71	Regression	72.29	3	.37	47.81	.000
					Residual	59.98	119			
					Total	132.27	122	24.09		
								6		
								.50		

- a. Predictors: (Constant), Interaction Quality BART factor score,
- b. Predictors: (Constant), Physical Environment Quality BART factor score
- c. Predictors: (Constant), Outcome Quality BART factor score
- d. Dependent Variable: Customer Loyalty BART factor score

Table 23: Regression coefficients for the model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.04	.06		-.62	.535
	IQ1	.44	.06	.43	7.55	.000
	IQ2	.58	.06	.57	10.02	.000
	IQ3	.38	.06	.40	6.96	.000
	IQ4	.06	.05	.08	1.40	.000
2	(Constant)	-.03	.06		-.50	.570
	PEQ1	.42	.06	.39	7.76	.000
	PEQ2	.81	.06	.73	14.71	.000
	PEQ3	.16	.05	.15	3.07	.000
	PEQ4	.15	.05	.14	2.89	.000
	PEQ5	.09	.05	.10	2.09	.000
3	(Constant)	.06	.06		.95	.345
	OQ1	.45	.06	.46	7.38	.000
	OQ2	.48	.06	.50	8.03	.000
	OQ3	.37	.06	.40	6.40	.000

4.5. Relationship among Service Quality, Customer Satisfaction and Customer Loyalty

To address specific objective three namely: To establish the relationship among service quality, customer satisfaction and customer loyalty, a simple regression analysis was performed. The aim

was to determine importance of each element/variable in the factor structures. Regression coefficients, R square value and model fit statistics were obtained for each factor in the three study constructs. The results are presented in the sub-sections that follow;

4.5.1. Relationship between Service Quality and Customer Loyalty

Table 24: Model summary for regression model

Model	R	R Square	Adjusted R Square	Standard error of the estimate	Change statistics					
					Model	Sum of Squares	df	Mean Square	F	Sig
1	.83	.69	.67	.61	Regression	77.40	4	19.35	51.39	.000
					Residual	35.40	94	.38		
					Total	112.80	98	9.71		
2	.88	.78	.75	.53	Regression	87.39	9	.29	34.02	.000
					Residual	25.41	89			
					Total	112.80	98	7.56		
3	.90	.80	.78	.51	Regression	90.74	12	.26	29.49	.000
					Residual	22.06	86			
					Total	112.80	98			

a. Predictors: (Constant), Interaction Quality BART factor score,

b. Predictors: (Constant), Physical Environment Quality BART factor score

c. Predictors: (Constant), Outcome Quality BART factor score

d. Dependent Variable: Customer Loyalty BART factor score

Source: Survey Data, 2012

Table 24 above, shows that interaction quality can account for 68.60% ($R^2=0.69$, $p<0.05$) of the variation in customer loyalty. The difference between $R^2=0.69$ and adjusted $R^2=0.67$ is 0.02 and shows that the suggested model generalizes quite well as the adjusted R^2 is too close to R^2 .

According to interpretation by Field (2005), shrinkage of less than 0.50 depict that the validity of the model is very good. The other variations in customer loyalty i.e. 31.40% were explained by other external factors outside the model. F-statistic is 51.39 which is significant at $p<0.001$.

After addition of the second predictor, physical environment quality, the model explained 77.50% ($R^2=0.775$, $p<0.05$) of the variation in customer loyalty. The other variations in customer loyalty i.e. 22.50% were explained by other external factors outside the model. The difference between $R^2=0.775$ and adjusted $R^2=.752$ is 0.023, again showing that the suggested second

model can be used to generalize quite well as the adjusted R^2 is too close to R^2 . This further confirms the goodness of the validity of the model as this shrinkage of 0.023 is well below the recommended shrinkage cut off value of 0.50 by Field (2005). On the other hand, the R^2 registered after inclusion of the third predictor variable outcome quality was .804 which explained 80.40 % of the variation in customer loyalty. The difference between R^2 and adjusted R^2 is 0.027 which is well below the recommended shrinkage cut off value of 0.50.

Table 25: Regression coefficients for the model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.04	.06		.59	.556
	IQ1	.43	.06	.43	7.37	.000
	IQ2	.63	.06	.62	10.58	.000
	IQ3	.44	.06	.45	7.84	.000
	IQ4	.10	.05	.13	2.17	.033
2	(Constant)	.03	.05		.57	.570
	IQ1	.27	.07	.26	3.89	.000
	IQ2	.33	.08	.32	3.94	.000
	IQ3	.23	.06	.24	3.70	.000
	IQ4	.13	.04	.17	3.16	.002
	PEQ1	.18	.08	.17	2.45	.016
	PEQ2	.46	.09	.44	5.11	.000
	PEQ3	.16	.05	.16	2.97	.004
	PEQ4	.13	.05	.13	2.51	.014
	PEQ5	.06	.04	.07	1.39	.168
3	(Constant)	.05	.05		.92	.358
	IQ1	.19	.08	.18	2.38	.019
	IQ2	.20	.10	.20	2.03	.046
	IQ3	.10	.08	.10	1.26	.211
	IQ4	.14	.04	.18	3.49	.001
	PEQ1	.11	.08	.10	1.35	.180
	PEQ2	.46	.09	.44	5.13	.000
	PEQ3	.13	.06	.13	2.25	.027
	PEQ4	.10	.06	.10	1.72	.089
	PEQ5	.06	.04	.07	1.36	.177
	OQ1	.20	.06	.21	3.46	.001
	OQ2	.16	.08	.17	2.02	.046
	OQ3	.13	.07	.14	2.06	.043

Source: Survey Data, 2012

The model suggests that all the variables except IQ3, PEQ1, PEQ4 and PEQ5 are making a significant contribution to the model as they have sig. values of less than .05 and t-values greater

than 1.26. The results further reveals that PEQ 2 makes the highest contribution in predicting customer loyalty as it the highest beta value of .44. OQ1 also makes a significant contribution followed by IQ2, IQ1, IQ4, OQ2, OQ3, PEQ3, IQ3 and PEQ1 respectively. PEQ5 makes the least contribution in predicting customer loyalty as it has the lowest beta value of .071.

4.6.2. Relationship between Customer Satisfaction and Customer Loyalty

Table 4.8 shows that the model explained 60.70% ($R^2=0.607$, $p<0.05$) of variation of customer loyalty. The other variations in customer loyalty i.e. 39.30% were explained by other external factors outside the model. The difference between $R^2= 0.61$ and adjusted $R^2=0.60$ is 0.01 and shows that the suggested model generalizes quite well as the adjusted R^2 is too close to R^2 . The model shows that customer satisfaction is a significant predictor of customer loyalty since the t-test associated with the b-value ($t=14.28$) is significant.

Table 26: Model summary for customer satisfaction and customer loyalty regression model

Model	R	R Square	Adjusted R Square	Standard error of the estimate	Change statistics					
					Model	Sum of Squares	df	Mean Square	F	Sig.
1	.78	.61	.60	.70	Regression	98.61	1	98.61	203.91	.000
					Residual	63.84	132	.49		
					Total	162.45	133			

Source: Survey Data, 2012

Table 27: Regression coefficients for customer satisfaction and customer loyalty model

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.02	.06		.35	.731
CS1	.83	.06	.78	14.28	.000

Source: Survey Data, 2012

4.5.3. Relationship between Service Quality and Customer Satisfaction

A regression analysis was performed to test the degree to which customer satisfaction can be predicted by the three service quality dimensions. The regression analysis revealed a significant

effect ($F=41.76$, $P<0.001$) and predicted 72.40% of the variance in customer satisfaction. All the three dimensions offered significant contributions interaction quality dimension predicted 65.20%, physical environment 2.70% and outcome quality 4.50% (see table 13). Outcome quality variables are all significant in predicting customer satisfaction as they all have sig. values of less than .05 with all t-values greater than 2.64. All physical environment quality variables are not significant in predicting customer satisfaction as all sig. values are above the accepted .05 and smaller values of t-statistic (table 28).

Table 28: Model summary for service quality and customer satisfaction regression model

Model	R	R Square	Adjusted R Square	Standard error of the estimate	Change statistics					
					Model	Sum of Squares	df	Mean Square	F	Sig
1	.81	.65	.64	.60	Regression	59.96	4	14.99	41.76	.000
					Residual	31.94	89	.36		
					Total	91.90	93			
2	.82	.68	.65	.60	Regression	62.42	9	6.94	19.76	.000
					Residual	29.49	84	.35		
					Total	91.90	93			
3	.85	.72	.68	.56	Regression	66.55	12	5.55	17.71	.000
					Residual	25.36	81	.31		
					Total	91.90	93			

- a. Predictors: (Constant), Interaction Quality BART factor score,
- b. Predictors: (Constant), Physical Environment Quality BART factor score
- c. Predictors: (Constant), Outcome Quality BART factor score

Table 29: Regression coefficients for service quality and customer satisfaction model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.05	.06		.74	.459
	IQ1	.46	.06	.51	8.02	.000
	IQ2	.55	.06	.59	9.23	.000
	IQ3	.31	.06	.34	5.35	.000
	IQ4	.00	.05	.01	.09	.926
2	(Constant)	.04	.06		.58	.565
	IQ1	.35	.08	.37	4.50	.000
	IQ2	.37	.10	.40	3.81	.000
	IQ3	.24	.07	.26	3.25	.002
	IQ4	-.001	.05	-.01	-.15	.882
	PEQ1	.22	.09	.23	2.62	.010
	PEQ2	.17	.11	.17	1.57	.120
	PEQ3	.00	.06	.00	.03	.976
	PEQ4	.04	.06	.04	.66	.508
	PEQ5	.00	.05	.00	.05	.961
3	(Constant)	.05	.06		.91	.364
	IQ1	.21	.10	.23	2.28	.025
	IQ2	.20	.12	.21	1.68	.096
	IQ3	.06	.09	.07	1.67	.508
	IQ4	.00	.05	.00	.06	.949
	PEQ1	.13	.09	.13	1.41	.161
	PEQ2	.19	.11	.20	1.78	.078
	PEQ3	-.00	.07	-.01	-.09	.930
	PEQ4	-.00	.07	-.00	-.06	.951
	PEQ5	-.03	.05	-.04	-.54	.590
	OQ1	.19	.07	.20	2.76	.007
	OQ2	.25	.09	.30	2.72	.008
	OQ3	.20	.08	.23	2.64	.010

Source: Survey Data, 2012

4.5.4. Testing for Mediation effects of customer satisfaction on customer loyalty

To test for mediational effects of customer satisfaction on customer loyalty, Sobel test was used. Regression analysis was conducted to compute the raw regression coefficient and the standard error for this regression coefficient for the association between service quality and customer satisfaction, and the association between service quality and the mediator (customer satisfaction) and customer loyalty. The raw regression coefficient for the association between service quality and customer satisfaction was 0.20. The standard error for this raw regression coefficient was

0.08. The raw regression coefficient for the relationship between service quality with customer satisfaction and customer loyalty was 0.12; the standard error for this regression coefficient was 0.10. These values were then entered in their respective places in the Sobel test calculator. The test statistic for the Sobel test obtained was 1.06 with an associated p -value of 0.29. The fact that the observed p -value does not fall below the established alpha level of .05 indicates that the association between service quality and customer loyalty is not reduced significantly by the inclusion of the mediator (customer satisfaction) in the model; in other words, there is no evidence of mediation.

Table 30: Regression coefficients for relationship between service quality and customer satisfaction

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.05	.06		.91	.364
	IQ1	.21	.09	.23	2.28	.025
	IQ2	.20	.12	.21	1.68	.096
	IQ3	.06	.09	.07	1.67	.508
	IQ4	.00	.05	.00	.06	.949
	PEQ1	.13	.09	.13	1.41	.161
	PEQ2	.19	.11	.20	1.78	.078
	PEQ3	-.01	.07	-.01	-.09	.930
	PEQ4	-.00	.07	-.00	-.06	.951
	PEQ5	-.03	.05	-.036	-.54	.590
	OQ1	.19	.07	.20	2.76	.007
	OQ2	.25	.09	.30	2.72	.008
	OQ3	.20	.08	.23	2.64	.010

Table 31: Regression coefficients for service quality and customer loyalty mediated by customer satisfaction

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.06	.05		1.06	.291
IQ1	.15	.09	.15	1.71	.091
IQ2	.17	.11	.17	1.62	.110
IQ3	.07	.08	.07	.82	.414
IQ4	.16	.04	.19	3.76	.000
PEQ1	.07	.08	.06	.82	.414
PEQ2	.44	.10	.42	4.44	.000
PEQ3	.14	.06	.14	2.27	.026
PEQ4	.08	.06	.08	1.34	.184
PEQ5	.04	.05	.05	.82	.415
OQ1	.17	.07	.17	2.65	.010
OQ2	.16	.09	.17	1.79	.077
OQ3	.15	.07	.15	2.00	.049
CS1	.12	.10	.11	1.16	.249

4.6. Qualitative findings

4.6.1. Introduction

In order to fully understand the concept of customer loyalty and service quality and to achieve the fourth study objective, the researcher identified through discussion with each of the selected hotel general manager, front office manager and marketing manager in order to gain their views on the concepts. A total of 17 managers were interviewed. Before the actual data analysis validity and reliability was conducted. Content analysis was then used to analyze the data obtained from the interviews. Content analysis was done by analyzing textual information obtained from the interviews in a standardized way that allowed the researcher make inferences about that information. The interviews were meant to provide information on the following areas; customer profile, main reasons customers stay in the selected hotels, what customers value about their stay, service quality, customer loyalty and customer satisfaction. The findings are discussed in the subsequent sections.

4.6.2. Customer Profile

In general, across the hotels customers can be classified into five categories; business travelers, conference/corporate, leisure travelers, functions and special segment. The customer profiles for each of the 11 selected hotels was quite similar. All the eleven hotels reported that majority of their customers were business, functions and conference/Corporate clients. During the period most of the customers who stayed in the hotels were domestic and approximately 15.00% were foreign customers. Most of the managers explained that these groups of clients were conference tourists and spend a period of 1 to 5 days. Some respondents reported that some business travelers may even spend in the hotel for as long as more than two weeks. Respondent nine had the following oral testimony: "...at times we may have some business clients staying in the hotel for a period of 2 to 3 weeks or even more than a month until they have accomplish their business deals."

4.6.3. Reasons customers stay

Most of the managers suggested a variety of reasons why customers preferred to stay in their hotel. Location of the premise was one of the reasons outlined by all the managers. They further explained that most business and conference/corporate clients tend to prefer hotels that are situated in the City center. Nearness to the airport was also given as another reason why customers prefer staying in the selected hotels. High standards of service offered in the selected hotels were also mentioned as another reason. Availability of amenities and facilities such as wireless internet connection, car park facilities, conference and accommodation facilities was also stated by majority of the managers as a contributing factor. Two of the hotels as indicated by respondent four and thirteen are located away from the City centre which attracts customers to stay there because of a quiet atmosphere and a good view of Lake Victoria. Other factors such as

cleanliness, value for money, employee behavior, safety and security were also identified as other contributing factors.

4.6.4. Customer loyalty

All managers agreed that there are customers who are known to be loyal to the hotels and these customers stay in the particular hotel each time they are within the City. Fourteen respondents indicated that approximately 30.00-55.00% of their clients are repeat customers. Apart from customers, the managers also explained that there are companies who are loyal to them. These companies always book their employees in the same hotel while within the City and at the same time the companies hold their conferences, functions and meetings in the hotels. Such loyal customers are most of the time given special treatments by most of the hotels. Five respondents pointed out that fruit baskets/fruit platters accompanied by a welcome letter are placed in the various rooms where this loyal clients are expected to check in. Depending on the amount of business a loyal client generates in a financial year to the hotel, management can at times discuss and give them special rates or discounts for any business generated. For loyal companies managers from five hotels indicated that they give them special discounts ranging from 5-30.00% for any business they give to the hotel. Other loyalty programs pointed out include inviting loyal customers and company representatives for special lunch or dinner once in a while and sending them Christmas, valentine and birthday cards. Upgrading of loyal customers at times also occur whereby a customer is assigned an executive room compared to the one he/she had booked. Loyal guests with special requests such as vegetarians and those with allergies to any substance are also identified by the management so that they don't have to specify the allergies each time they check in to the hotel. All respondents indicated that there have been many instances where a guest is referred to the hotel by a guest who has previously stayed in the hotel.

Majority of the managers reported that at times guests have been given referrals by their friends, colleagues, relatives or their employer.

4.6.5. Customer satisfaction

All respondents reported that approximately 75-90.00% of satisfied customers return to the hotel for service. Majority of them pointed out that they always put in most of their efforts to ensure that guests leave the property satisfied though at times some guests may leave the hotel unsatisfied. They further explained that in most occasions above 70.00% of their clients leave the property satisfied. Some of the techniques used by majority of the hotels to assess customer satisfaction include guests comment cards, number of repeat guests, spoken complaints and complements, sales trend and market share trend

4.6.6. Customer complains

With respect to customer complaints all respondents agreed that once in a while they receive customer complains. Majority of the complains are dealt with depending on the nature of the complaint. One of the major complaint handling procedure suggested by most managers involved the guests addressing the complaint to the immediate employee. If the employee cannot manage to solve the problem he/she passes it over to the duty manager or immediate boss who tries to solve the complaint. The two can also seek assistance from the general manager if they cannot handle it themselves. All the hotel managers pointed out that they also have guests' complaint cards whereby guests raise their complaints which the management discusses and puts mitigation measures on the complaint.

4.6.7. Service Quality

Majority of the managers described their employees as polite, knowledgeable, professional, committed, welcoming, social, courteous, friendly and attentive. They further pointed out that

these characteristics enable their employees to offer high quality service. All the managers reported that they had a standardized time for any service delivery process. For seven hotels it was indicated that the check in process should take a maximum of 5 minutes. Waiting time accepted between order taking and order delivery depends on the type of food ordered which most hotels give a standardized time of 20-30 minutes for any item in their hotel menu. Room service as stated by most managers should also not take longer than 30 minutes as indicated in the hotel menu. All managers indicated that the facilities found in the rooms depend to a large extent on the type of room though there some basic facilities found in all rooms. Generally it was pointed out that all rooms had basic facilities such as TVs, Guest amenities like soaps, shampoos and gels, dressing table and 2 chairs. Most of the hotels provided beverage facilities, wireless internet connection, minibars, kitchenette and DSTV services in executive rooms. Most of the managers suggested that the physical appearance of their hotels was pleasant, attractive and conducive whereas the atmosphere was quiet and pleasant.

CHAPTER FIVE: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1. Discussions

5.1.1. Dimensions of service quality

The first objective of the study was to establish the various dimensions of service quality in hotel industry within Kisumu City. The results of the study showed that the applicability of the HSQM measures is well established in hotels within Kisumu City. As previously indicated Brady and Cronin (2001) quality dimensions were deemed the most suitable to adopt in relation to this study as they provided the most comprehensive description of service quality. Each of the dimensions was extensively examined by administering questionnaires to guests who stayed in the 12 selected hotels in Kisumu City. The results proved that service quality is composed of the three set of clues (Interaction, Physical environment and Outcome quality) which impact on customers perception of overall service quality and customer experience. According to McCleary et al. (1993) hotel's attributes such as cleanliness, price, location, security, personal service, physical attractiveness, opportunities for relaxation, standard of services, appealing image, and reputation are recognized as the aspects that guests use to assess service quality of the hotel. According to Opermann (1998) providing high quality services and improving customer satisfaction are widely recognized as fundamental factors boosting the performances of companies in the hospitality industry.

The study further revealed interaction quality played the most important role of stimuli in the customer's service quality evaluation process. The main sub-dimensions that determined interaction quality were expertise, complaint handling, behavior and attitude. According to the HSQM, interaction quality is a function of attitude, behavior and expertise. The findings of this study suggest that all three sub-dimensions are important to hotel industry. Physical environment

quality on the other hand was the second important dimension and it composed of ambient conditions, cleanliness, social factors, location and design as determining factors. Outcome quality was the least important dimension with waiting time, valence and tangibles as the main determinants. The factors generated under each study construct are discussed in the sub-sections that follow.

Interaction quality Factors

The four factors extracted explained for 75.79% of the total variance in interaction quality. The high percentage explained by the factors implies that all the four factors were important in evaluation of service quality as perceived by guests. Factor one was named expertise factor because all the items loading on it tend to explain employees qualities that enable them provide excellent service i.e. employees trust, employees competence, professionalism and commitment to service delivery.. Factor two was named complaint handling because the variables which loaded on it relate to solving and handling guests' complaints. The third factor was named behavior because the variables which loaded on it were thought to be concerned employees behavior. The fourth factor was named attitude since the item that loaded on it tend to explain employees behavior towards service delivery. From the results, it is evident that certain factors were perceived to be more important in evaluation of service quality through interaction quality. Of the four factors extracted, expertise (factor one) explained for the greatest percentage of the total variance 51.02% while the remaining three factors, complaint handling, behavior and attitude accounted for 10.16%, 7.75% and 6.86% of the total variance respectively. According to Parasuraman et al., (1992) they viewed service quality as involving evaluations of the process of service act (i.e., the manner in which service is delivered). Employee expertise which explained

for the greatest percentage of the variance could therefore be considered a very important aspect of measuring interaction quality. This higher percentage explained by expertise could be attributed to the unique characteristic “inseparability” of service industries. Since in hotels you cannot separate the consumer and the service provider there is a lot of interactions between the employee and the customer in the service delivery process. The delivery of service occurs during the interaction between service employees and customers, and, together with the attitudes and behavior of service employees, influences customer perceptions of service quality (Hartline and Ferrell, 1996; Iglesias and Guillen, 2004). Having competent, knowledgeable and professional employees leads to provision of quality service as employees dominate the service delivery process. Even though expertise factor is perceived as the crucial factor to focus on, the other interaction quality factors should not be ignored in the overall provision of quality service. This is attributed to the argument that employees conduct, friendliness, courtesy, commitment, trust, effective solving of customer complaints and other staff personalities (Brady and Cronin, 2001; Caro and García, 2007; Wu et al., 2011) influence the overall service delivery process. Employees who are well trained on customer service and able to handle guests’ requests and complain promptly are equally an important asset to the hotel as it leads to delivering high quality service. The service skills of employees are crucial to the delivery of a high-quality service. Good service training equips service staff with the competence to deliver a high-quality service. Moreover, training and development experience enhances the ability of employees to deliver a high-quality service and to meet the needs of customers more effectively and in a more friendly way. This is because such employees’ traits contribute to guests’ overall evaluation of service quality. This implies that despite employees being equipped with the necessary skills customers still evaluate service quality based on attitude, behavior and how employees handle

complaints. If employees have a negative attitude on their job then this will affect guests' overall evaluation of service quality. Interaction quality factors should be given preference in order of their importance in evaluation of service quality. This simply means that employees' expertise factor should be considered first followed by complaint handling factor, behavior factor and lastly the attitude factor in that order of importance.

Physical environment quality factors

The five physical environment quality factors registered high percentage of variance (73.91%) in evaluation of service quality, an indication that all the five service factors are critical measurement of service quality. Factor one was named ambient conditions because the variables which loaded on it were explaining aspects of the property's ambience i.e. the general outlook of the hotel. Factor two was named cleanliness since the items loading on it were concerned with cleanliness aspects of the establishment. Factor three was named social factors because its entire factor loading items were concerned with interaction of people. Factor four was named location since the items loading on it were concerned with aspects of location of the establishment. Factor five was named design as the item that loaded onto it emphasized on the property's layout. The ambient conditions features of the establishment are considered the most important aspects in measuring physical environment quality. This result is consistent with the findings of Ou (2002) who argues that the physical environment plays an important role in raising the level of hotel service quality and this dimension should not be ignored in hotel studies. This is attributed to the fact that service occurs where a customer is present as a whole and parts of the service process. Interior and exterior aspects of the hotel are very important to customers. The effects of layout accessibility, facility aesthetics, equipment and cleanliness on the perceived quality of the facility

from the findings revealed that physical environment significantly affected a customer's evaluation of service quality. However, the perception that the ambience of a hotel is the most important factor in evaluating physical environment quality does not mean that the other four factors should be overlooked. Cleanliness, social factors, location and design are also believed to be very crucial in the overall evaluation of service quality for any hospitality establishment. These physical environment factors have implications in the general evaluation of service quality. Hotels should therefore focus on ambient conditions, cleanliness, social factors, location and design in that order of importance.

Outcome quality factors

The three outcome quality factors registered high percentage of variance (66.35%) in evaluation of service quality, an indication that all the three service factors are critical measurement of service quality. Factor one was named waiting time because the variables which loaded on it were explaining aspects of speed of service delivery. Factor two was named valence since the items loading on it were concerned with the outcome or the value that a customer attaches to the whole service experience. Factor three was named tangibles because its' entire factor loading items were concerned with tangible components in the service delivery process. This finding coincides with the viewpoint that the outcome of the service encounter significantly affects customer perceptions of overall service quality. This is because the physical surroundings represented by objects are thought to create a positive consumer experience which according to Leong (2008) plays a pivotal role in sustaining business growth. The findings imply that managers of hotels needs to focus more on those factors perceived to create positive experience. To achieve high quality of service, hotels need to concentrate or dedicate most of their time in improving the service environment.

5.1.2. Service quality aspects that best drives customer loyalty

The second objective of the study was to determine the significance of each service quality aspect in determining customer loyalty. The results of the study suggested that most service quality aspects measured had a significant impact on customer loyalty. To begin with, all the three dimensions proved to predict customer loyalty although all the sub-dimensions did not prove to make a significant contribution. The results showed that physical environment quality dimension had the highest contribution in predicting customer loyalty as it explained 72.60% of the variation in customer loyalty whereas interaction quality and outcome quality explained 59.00% and 54.00% respectively. For interaction quality dimension, complaint handling proved to be the most important predictor of customer loyalty as it had the highest beta values of .57. Expertise also confirmed the second important predictor followed by behavior and lastly attitude.

Most of the physical environment quality sub-dimensions (design, location and social factors) proved not to have a significant contribution in predicting customer loyalty as they had lower beta values of .10, .14 and .15 respectively. Cleanliness proved to be the most important predictor of customer loyalty with Beta values of .73 while ambient conditions were the second important determinant with beta values of .39. All outcome quality variables confirmed to make a significant contribution in predicting customer loyalty with valence being the most important determinant, followed by waiting time and lastly tangibles. These results support other researchers' findings that there is a positive relationship between service quality and customer loyalty (Boohene & Agyapong, 2011). The importance of service quality in determining customer loyalty is highlighted from the quantitative findings which indicated that each of the service quality dimension model tested explained over 50.00% variance in customer loyalty. The study further suggests that customer loyalty is often shaped by positive evaluation of service

quality by the customer during his/her stay in a hotel. This has also been confirmed by several researchers such as Nasution & Mavondo (2008), Cronin and Taylor (1992) and Bei and Chiao (2001). A number of factors contribute to the experience and customers' perception of service quality. The results of the study supports Yavas and Babukus (2005) study which identified cleanliness, customer service, facilities, price and food as key contributors to customer overall evaluation of service quality. Physical environment factors are critical as they impact on the customer perceptions of the overall service quality and they form the initial impression a consumer draws from the consumption setting in order to ultimately build customer loyalty. This supports Berry and Carbone (2007) findings that inanimate objects or environments offer a physical representation of the service and has a direct relationship with customer loyalty. Interaction quality also predicts customer loyalty. Complaint handling and expertise which make up the first two factors that predicts customer loyalty indicates that in order to form a loyal customer base employees expertise, professionalism and ability to offer services promptly are important aspects to any hotel operation. This supports other study findings that employee's competence, behavior and performance during the service are important service quality factors that influence the customer's perceptions of the total customer experience and create emotional attachments with the customer which contributes to loyalty (Berry and Carbone, 2007; Bitner, 1992; Zeithaml et al., 1985). The study further confirms that outcome quality also predicts customer loyalty. Marketing researchers demonstrate that the outcome of the service encounter affects customer perceptions of service quality (Rust & Oliver 1994; Grönroos, 1990, 1984) which as a result determines customer loyalty to an establishment. The findings further suggest that outcome quality of a service encounter influences customers' perceptions of service quality and customers' behavioral intentions.

5.1.3. Relationship among service quality, customer satisfaction and customer loyalty

The other objective of this study was to examine the relationships among the constructs of “service quality”, “customer satisfaction”, and “customer loyalty”. The conceptual model proposed in the study postulated that “service quality” impacts on “customer loyalty” both directly and indirectly (through “customer satisfaction”). There are several important implications that emerged from the model tests. First the results confirmed that there is both negative and positive influence of service quality sub-dimensions on customer satisfaction. All interaction quality and outcome quality sub-dimensions revealed a positive influence on customer satisfaction. For physical environment quality dimensions design and cleanliness positively influenced customer satisfaction whereas social factors, location and layout had a negative influence. This finding supports several researchers’ points of view that service quality is a predictor of customer satisfaction (Wakefield & Blodgett (1996) Hu et al., 2009; Chen, Chen & Hsieh, 2007; Wilkins et al., 2006).

Relationship between customer satisfaction and customer loyalty was also investigated and the results indicated that there is a positive relationship between the two constructs. These results support and clarify the findings of previous studies. Several studies have suggested that perceived service quality affects customer loyalty. Bowen and Chen (2001) have pointed out that a small increase of customer satisfaction leads to customer loyalty dramatically; this current study finds that customer satisfaction has a large positive correlation with customer loyalty in hotel industries within Kisumu City. This means that as the customers are satisfied, there is a high chance for them being loyal to the hotel.

A direct relationship between service quality aspects and customer loyalty was also assessed. The study revealed that there is a positive relationship between all service quality aspects and customer loyalty. Cleanliness shows the highest positive correlation with customer loyalty in the current study followed by expertise with the design sub-dimension having the lowest positive correlation. This could indicate that maintenance of high standards of cleanliness will add to the perception of the entire hotels and help in facilitating the return of guests. This finding is consistent with previous observations by Usha & Ramakrishnan (2010) that cleanliness as an attribute has much significance in shaping customers' intention to stay again.

This suggests that if hotels strive to offer high quality service then there is a high tendency of them creating a loyal base with most of its customers.

Finally, the mediational effect of customer satisfaction on customer loyalty was also examined. The conceptual model proposed in the study postulated that "service quality" impacts on "customer loyalty" both directly and indirectly (through "customer satisfaction"). The results of the study only confirmed the direct influence of service quality on customer loyalty whereas the indirect influence was not supported. These results do not support the findings of previous studies. Several studies have suggested that perceived service quality affects customer loyalty only indirectly (Cronin and Taylor, 1992; Boulding et al., 1993; Bei and Chiao, 2001). However, other studies reported that service quality has both direct and indirect influences (through satisfaction) on customer loyalty (Cronin et al., 2000; Varki and Colgate, 2001; Brady et al., 2005; Bei and Chiao, 2006).

5.1.4. Managers' views on service quality, customer satisfaction and customer loyalty

Customer satisfaction was perceived by hotel managers as the best predictor of customer loyalty. According to them a customer chooses to stay in a hotel with a perception that his or her needs will be met. If guests' needs are met they become satisfied which in turn translates into loyalty. Hotels however, were focusing more on physical environment factors which include cleanliness general atmosphere and ambience of the hotel. This could be attributed to the fact that before guests make an evaluation of service quality they first consider whether the surrounding environment is appealing to them. If the environment is appealing to them they will undoubtedly choose to stay and be able to make a repeat purchase anytime they are within the area. Apart from physical environment managers viewed interaction quality factors as important in prediction in customer loyalty. Employee personalities, expertise and professionalism were seen as important factors in predicting customer loyalty. This was attributed to the fact that employees have a constant interaction with guests and they should therefore well trained and conversant with the service procedures. For instance, warm receiving of guests and effective complaint handling require professionalism and knowledge of qualified personnel both at the management and junior level. However the study further revealed that majority of managers acknowledge the contribution of offering high quality service in predicting customer loyalty.

5.2. Conclusions

While service quality has always been viewed as an important construct in enhancing customer satisfaction and building customer loyalty measuring service quality should be the first thing to be considered. As a result, well informed on how customers measure service. Recognizing the significant aspects of determining and evaluating service quality is very critical in provision of service that will meet customer expectations. This study revealed three dimensions; interaction

quality, physical environment and outcome quality as important in evaluation of service quality in that order of importance. This research further identifies important factors in evaluation of service quality factors as attitude, cleanliness, tangibles, expertise, waiting time, valence, behaviour, location, complaint handling, social factors ambient conditions and design in that order of importance with regard to evaluation of overall service quality. Within these identified factors are various components each with a given level of contribution to evaluation of service quality. The study also revealed that there is a relationship between service quality factors and customer loyalty. Some service quality factors contribute to development of service quality more than others. Cleanliness is the most significant determinant of customer loyalty as it had the highest beta value of .73. This suggests that hotels in Kisumu City should ensure maintenance of high standards of cleanliness so as to form a loyal customer base with its clients. The other factors contributes in building customer loyalty in the following order; complaint handling, valence, waiting time, expertise, behavior, tangibles, ambient conditions, social factors, location, design and attitude.

The study further reveals that there is a relationship between the three study constructs: service quality, customer loyalty and customer satisfaction. Having a good understanding on the factors that customers use to evaluate overall service quality, hotels will be in a better position of enhancing customer satisfaction and building a loyal customer base. When guests receive high quality services their tendency to return back to the property is high as 80.4% variations in customer loyalty is attributed to perception of service quality ($R^2=.804$). Quality of service received by guests also determines whether the guest is satisfied or not ($R^2=.724$). It can also be concluded that if customers are satisfied with the service performance, the tendency of them

becoming loyal to the hotel is high; if they perceive the overall service quality as good then they become satisfied. Customer satisfaction and positive evaluation of overall service quality leads to building a loyal customer base.

5.3. Recommendations

1. It is important for hotels to use a multi-level structure in measuring service quality. The three dimensions of service quality; interaction, physical environment and outcome quality proved to be applicable in measuring service quality in the Kenyan context. Managers should pay attention to each of the service quality dimensions in order to create perceived service quality.
2. Hotels should put more focus on cleanliness, complaint handling, valence, waiting time, expertise, behavior and tangibles in order to build customer loyalty with its customers.
3. Managers should avoid paying more attention on social factors, design and attitude service quality aspects as they have lower contribution in predicting customer loyalty.
4. The revealed relationships of service quality, customer satisfaction and customer loyalty highlight the importance of enhancing customer satisfaction and service quality in order to leverage the impact of the service quality dimensions in predicting customer loyalty. Hospitality managers should therefore focus on enhancing service quality within their establishments in order to satisfy their customers and build customer loyalty.

For future research it is recommended that data should be collected over different time periods of the year to understand the changing patterns of hotel service quality attributes in building customer loyalty. More geographical regions within Kenya could also be considered to investigate the variations of evaluation of service quality across cultures. The study further recommends the need to investigate how customers in non-commercial hospitality organizations

evaluate service quality. Other studies should also be conducted by considering other key determinants such as value, image and other customer experience conceptualizations in relation to building customer loyalty.