



**FUNDAÇÃO GETÚLIO VARGAS  
ESCOLA BRASILEIRA DE ADMINISTRAÇÃO PÚBLICA E DE EMPRESAS  
MESTRADO EXECUTIVO EM GESTÃO EMPRESARIAL**

**An analysis of the perceived service quality of the hospitality industry in Rio de Janeiro  
through the SERVQUAL model  
A multiple case study**

**DISSERTAÇÃO APRESENTADA À ESCOLA BRASILEIRA DE ADMINISTRAÇÃO  
PÚBLICA E DE EMPRESAS PARA OBTENÇÃO DO GRAU DE MESTRE**

**ANA RITA DOS SANTOS BASTOS**  
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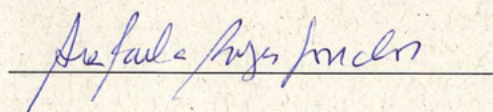
ANA RITA DOS SANTOS BASTOS

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through the SERVQUAL model - A multiple case study**

***Orientador Acadêmico***

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A handwritten signature in blue ink, reading "Ana Paula Borges", is written over a horizontal line.

ASSINATURA DO PROFESSOR ORIENTADOR ACADÊMICO

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### **Abstract**

Brazil is under political and financial crises where the end seems far away. Because of that, researchers argue that the hotel rooms offered by Rio de Janeiro, built to host the Olympic Games 2016, will be difficult to occupy after the event. It is then necessary for the hotels to understand how guests perceive the service quality in order to adapt to this new era. If guests' perceptions meet or exceed their expectations, they will be satisfied and will probably return. Thus based on the SERVQUAL approach, this paper aims to study the impact of the service dimensions on the guests' overall satisfaction at hotels of Rio de Janeiro. Two hotels were considered representative of the city in terms of service quality and customers' profile. Interviews to the hotel managers were performed, and questionnaires to the guests were administered. Among the five SERVQUAL dimensions – Reliability, Tangibles, Responsiveness, Assurance, and Empathy – the Empathy dimension appears to be the only one that affects the guests' overall satisfaction. The study could also identify that gender, country of residence, home country and family income have an impact on guests' satisfaction. This study has no intention of generalization, but rather of refining the theory about services and the SERVQUAL model.

### **Resumo**

O Brasil encontra-se numa crise política e financeira que parece estar longe do fim. Consequentemente, académicos defendem que os quartos de hotel oferecidos pelo Rio de Janeiro, construídos para receber os Jogos Olímpicos 2016, serão difíceis de ocupar depois do evento. É então necessário para os hotéis entender como os hóspedes avaliam a qualidade do serviço, de forma a se adaptarem a esta nova era. Se as suas percepções condizerem com as suas expectativas, os hóspedes ficarão satisfeitos e provavelmente retornarão. Assim, com base no SERVQUAL, este trabalho pretende estudar o impacto das dimensões de serviço na satisfação global dos hóspedes dos hotéis do Rio de Janeiro. Dois hotéis representativos da cidade em termos de qualidade de serviço oferecida e perfil dos consumidores foram considerados. Os gerentes dos hotéis foram entrevistados e questionários aos seus hóspedes foram administrados. Entre todas as dimensões do SERVQUAL – Confiabilidade, Capacidade de Resposta, Tangíveis, Segurança e Empatia, a dimensão Empatia é a única que afecta a satisfação global dos hóspedes. O estudo identificou que sexo, país de residência, país de origem, e rendimento familiar dos hóspedes têm impacto na satisfação dos hóspedes. Este estudo não tem intenções de generalizar os resultados, mas aprofundar a teoria acerca de serviços e do modelo SERVQUAL.

## 1. Introduction

Differentiation plays a determinant role in industries where competition is the word of everyday. In service businesses where the variables are not tangible, the type and quality of services are the only opportunities left out to outperform or position against competitors.

Berry (1991) highlights that nothing matters more to the success of a business than how customers perceive the service for which they've paid. A company that employs a differentiation strategy does so with the intention of creating a service that is perceived by its customers as unique and better than the competition. Especially in the hospitality market where the competition is growing every day, service differentiation is the key to create a solid competitive advantage. Guests are less likely to seek out specific brands or hotel chains than ever before, favoring the hotels that offer a better package of value, composed by tangible and intangible products.

Being the service quality the difference between customers' perceptions and their expectations (Parasuraman, Zeithaml and Berry, 1990), it is the customer who decides if he is satisfied or not. Satisfied customers are not only expected to return and become loyal, but also to spread positive word-of-mouth about the company, helping to attract new customers. Thus, understanding how customers evaluate quality and how they get satisfied becomes a relevant field of study for a hotel that ambitions to be successful in the industry.

Besides, since its publication in 1988, the SERVQUAL model, developed by Parasuraman, Zeithaml and Berry, seems to be the generic tool employed to measure service quality. It is the one considered to be the most reliable by many academics (e.g. Akan (1995), Juwaheer (2004), Home (2006), Chand (2010)). Therefore, through the framework of the SERVQUAL approach, this paper aims to understand which SERVQUAL dimensions better contribute to the guests' overall satisfaction. Hotel 1 and Hotel 2, located in Rio de Janeiro, in Brazil, were considered to reach these conclusions. In fact, because of their characteristics, the selected hotels are considered representative of the city of Rio de Janeiro, making the study a research multiple case study. The respective managers were interviewed in order to get a deeper understanding about the service attributes current offered to their customers. Also, questionnaires to the guests were conducted with the objective of measuring the expectations and perceptions of the service, as well as their degree of satisfaction.

The structure of the paper comprehends different parts. Apart from the introduction that includes the contextualization of the problem and the justification of the theme selection, it comprises a dedicated section for the problem, counting with research questions, general

and specific objectives, and definition of the problem's limits. Thereafter, literature is reviewed, embracing topics such as the definition of service and its characteristics, the concept of service quality, the delivery process of service quality, the importance of service quality management, an explanation of the SERVQUAL model and its application in the hospitality industry. Following the literature review, the research method is addressed, involving the research approach, the research design, the qualitative data collection, and the quantitative data collection. Finally, qualitative and quantitative data are analyzed and discussed, followed by the main conclusions, basic assumptions adopted, method limitations, and indications for further research.

## 2. Relevance and justification of the theme selection

Brazil is living political and financial crises that have been frightening the country for months. However, the hospitality industry can represent an opportunity for the country to grow. Notice that the travel and tourism activities represented 9,6% of the Brazilian GDP and 8.8% of total employment in 2014 (WTCC).

Nowadays, with the large infrastructure investments that have been made to the World Cup and for the next Olympic Games in 2016, the country increased the ability to receive tourists and is now a renewed destination with great tourism potential. According to *Folha de S. Paulo*, the number of hotel units in Rio de Janeiro increased from 19800 in 2010 to 24000 in 2014, representing a total number of 50000 hotel rooms in 2016. In the same article, it is argued that although the city's supply is now sufficient to host the Olympic Games in 2016, the hotels will not be able to occupy their rooms after the big event.

Moreover, with the current exchange rate where the Brazilian Real is devaluated, it becomes cheaper for foreigners to travel around Brazil, and Brazilians have the tendency to travel less abroad. The dollar's rise already showed its consequences, since the expenses of Brazilians abroad were 47% lower in September 2015 than the value of its homologous period (Banco Central do Brasil, 2015). Besides, according to SAE (2014), 44.7 million Brazilians joined middle class from 2003 to 2013, which also motives touristic activities.

Nevertheless, the Brazilian hotels are in charge of meeting or exceeding the expectations of the tourists when offering their service, so that the perceptions about the hotels, the culture and the country will be positive. With an outstanding service quality, there is a higher probability to make guests return and occupy the hotel rooms that are left out, softening the effects of the Brazilian crises. For that to happen, it is imperative to understand the customer experience, be aware of the hospitality service dimensions that guests better value, and verify at what extent are they satisfied with the service offered. For this purpose, Hotel 1 and Hotel 2 were considered relevant to base the research on. On one hand, the first Hotel Group was founded in November of 1972, counting with more than 45 of experience in the hospitality industry. It currently comprehends a total number of 87 hotel units in 15 different countries. Hotel 1 is nowadays considered a classic of Copacabana beach and a mandatory point of visit for tourists that value panoramic views. On the other hand, the second Hotel Group is a leading company that integrates the ranking of the 250 largest hotel companies in the world. It is currently responsible for the management of 27 hotel units, being 20 established in Portugal and 7 in Brazil. Despite its short lifetime, Hotel 2 in Rio de Janeiro is already triumphing.

### **3. Research Objectives**

#### **3.1. Research Question**

As mentioned before, it is of extreme importance to understand how guests evaluate the service quality of hotels in Rio de Janeiro and how these hotels keep guests satisfied. For this purpose, the hotels 1 and 2 were considered. The research question of the study is then “What is the impact of the SERVQUAL dimensions on the overall satisfaction of guests from Hotel 1 and Hotel 2?”.

#### **3.2. General objective**

Taking into account the research question stated above, the general objective of the study is to identify the most important SERVQUAL dimensions for the overall satisfaction of the guests from the hotels in analysis. In other words, it aims to understand what are the SERVQUAL dimensions that better contribute for the overall satisfaction in the eyes of the guests from Hotel 1 and Hotel 2.

#### **3.3. Specific Objectives**

Apart from the general objective, there are specific ones that will be comprehended. First, it is intended to group the final scores about the service attributes from the questionnaire in order to outline the SERVQUAL dimension. Therefore, after concluding about the SERVQUAL dimension that impacts the guests’ overall satisfaction regarding Hotel 1 and Hotel 2, the current performance of each hotel along the service dimensions will be studied.

#### 4. Literature review

Before starting this chapter it is important to highlight that a study about services gained relevance when companies realized they needed to differentiate from each other. Customer service was this way introduced. When a customer is dissatisfied, new companies see the gap and enter the market. This sudden increase on competition obliged companies to reinvent themselves. Companies started to value and get to better understand what exactly were customers demanding. For the first time, the whole process of the service started to matter. Together with this, scholars realized the necessity to better study this subject. These were the 80's. As one may notice in the following paragraphs the main theories explored were developed around the 80's which helps to explain why this paper uses not so recent theories (Parasuraman, Zeithaml and Berry, 1990).

##### 4.1. Definition of service

The meaning of service suffered some evolution along the years and was discussed many times by several academics. From the beginning the word "service" is used in many meanings, ranging from personal service to a service as a product (Grönroos, 1988). In fact, all market offerings are service offerings, sometimes provided directly, but other times with the aid of a tangible good (Vargo and Lusch, 2009).

In 1988 Grönroos argued that a service is not a thing but a series of activities or processes. He highlighted that services are intangible and produced and consumed simultaneously, at least to some extent. Because of their degree of intangibility, when services are described by customers, expressions such as experiences, trust, feeling, and security are used.

Later, Lovelock (1996) defined service as something that delivers a bundle of benefits to the customers who purchase and use them. Besides the usual services, he believed that there is a hidden service sector, known as the internal services. These cover activities such as recruitment, publications, legal services, payroll administration, office cleaning, freight transport, and many others.

In his studies, Kotler (1997) sees a service as any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything.

Recently, Ford, Sturman and Heaton (2012) present service as the intangible part of a transaction relationship that creates value between a provider organization and its customer,

client, or guest. More specifically, they consider that a hospitality industry is made up of organizations that offer guests courteous, professional food, drink and lodging services. It includes theme parks, airlines, gaming centers, cruise ships, trade shows, fairs, meeting planning and convention organizations.

Several authors have been attempting to define the concept of service. Although the definitions seem to be very different, they have common characteristics that are discussed in the next section.

#### 4.2. Services' characteristics

Zeithaml (1981) was one of the first authors arguing that services have distinguishing characteristics that make them more difficult to evaluate than goods. For instance, while consumers may find it easy to evaluate the performance of everyday services (e.g., restaurant meals, housekeeping, or lawn care) prior to consumption, they may find it impossible to judge those performed by professionals and specialists with extensive training or experience in a specialized skill (e.g., medical diagnosis, television repair, or estate settlement).

In 1990, Parasuraman *et al.* confirmed the opinion of Zeithaml, suggesting three fundamental characteristics – intangibility, heterogeneity, and inseparability - that separate services from goods in terms of how they are produced, consumed and evaluated. First, services are intangible. They are performances and experiences rather than objects, meaning that a uniform quality is hard to define (Parasuraman, Zeithaml, and Berry 1990). Indeed, services cannot be seen, felt, tasted, or touched in the same manner in which goods can be sensed (Zeithaml, 1981). Second, services are heterogeneous, which means that their performance varies from producer to producer, from customer to customer, and from day to day (Parasuraman, Zeithaml, and Berry 1990). Consequently, the quality of interactions between service providers and customers are not consistent, being a consumer never certain about performance (Zeithaml, 1981). Third, the production and the consumption of services are inseparable. In many circumstances, the service customers are in the service factory, observing and evaluating the production process as they experience the service (Parasuraman, Zeithaml, and Berry 1990). This way, the buyer usually participates in producing the service, thereby affecting the performance and quality of the service (Zeithaml, 1981).

In 1996, Lovelock added that most services are multidimensional and quite complex, being composed of numerous different elements. For him, the key distinction between goods

and services lies in the fact that customers usually derive value from services without obtaining permanent ownership of any tangible elements. Besides the characteristics suggested before by the other authors, he adds the idea of perishability, emphasizing that services cannot be stored.

Kotler, Bowen and Makens (1999) have one of the most remarkable works about service in hospitality industry. In their publishing, they mention that members of a hotel sales force cannot take a hotel room with them on a sales call. In fact, instead of a selling a room itself, they sell the right to use a room for a specific period of time. Because of hotel services' level of intangibility, when hotel guests leave, they only have a receipt to prove the purchase and memories to share. Therefore, hotel managers face a continuous need to make their products tangible, in order to reduce the uncertainty caused by service intangibility.

In a hotel, the guest has also a direct participation in a production process of most services offered by a hotel. For instance, services such as haircutting or lodging, for obvious reasons need the presence of the client. However, there are other kinds of services, which do not require the physical presence of the customer, as the case of online booking or customer service through call centers. But because they are both present at the moment the service is produced and consumed, the relation between service providers and the guests also affects the outcome. Hence, the characteristic of inseparability requires hotel managers to manage both their employees and their customers (Kotler, Bowen, Makens, 1990).

Besides services such as lodging, leisure and events, the hotel guest can also find physical products such as food and beverage and hygiene products. Many authors argue that hospitality companies usually offer a package of value with both services and products, which provides the experience to the customer. Nevertheless, the high degree of contact between the service provider and the guest means that product consistency depends on the service provider's skills and performance at the time of the exchange, which also limits quality control (Kotler, Bowen, Makens, 1990). Besides, fluctuating demand makes it difficult to deliver consistent products during periods of peak demand. Many authors emphasize that the variability or lack of consistency in the product is a major cause of customer disappointment in the hospitality industry.

According to Kotler (1997), the perishability of services is not a problem when demand is steady because it is easy to staff the services in advance. Kotler, alongside with Bowen and Makens in 1990, highlights that the revenue lost from not selling rooms in a period of time is gone forever, and therefore, nowadays, some hotels charge guests a fee for reservation, even when they fail to check into the hotel. The reason for that underlies in the

fact that managers realize that if someone does not show for a reservation, the opportunity to sell that room may be lost. The authors claim that if services are to maximize revenue, they must manage capacity and demand since they cannot carry forward unsold inventory.

As verified, the need to deliver service quality is the main concern of winning hotel managers. However, given the characteristics of services, it becomes more and more difficult to make them be perceived of good quality, since the process depends on many factors. The concept of service quality is then discussed on the next section.

#### 4.3. The concept of service quality

Although it has been argued that service quality is the great differentiator among service providers, there is no agreed definition for the concept. However, it is widely accepted in literature that quality is only observed when customers' needs and expectations are met.

Parasuraman, Zeithaml and Berry (1990) were the biggest promoters of the concept of service quality. For them, service quality, as perceived by customers, can be defined as the extent of discrepancy between customers' expectations or desires and their perceptions. This means that when customers' expectations do not meet customers' perceptions, the service is not considered of good quality. Thus, if customers get more than expected, quality is positive; if customers get less than expected, quality is negative.

On the other hand, the authors emphasize that service quality perceptions result from a comparison of consumer expectations with actual service performance, being the customers' expectations shaped by some factors. These are the word-of-mouth communications, the personal needs and the past experience of customers, the external communications from service providers, and the price of the service. As the expectations most of the times depend on companies' external factors, most hospitality organizations try to provide their guests with accurate information ahead of time so these customers come to the experience with expectations that the organizations can meet or exceed (Ford, Sturman and Heaton, 2012). The challenge for hospitality organizations is, consequently, to anticipate guest expectations as accurately as possible and then meet or exceed them. Marketers must be careful to set the right level of expectations, because if expectations are too low, they may satisfy those who buy but fail to attract enough buyers; if expectations are too high, buyers are likely to be disappointed (Ford, Sturman and Heaton, 2012).

Parasuraman, Zeithaml and Berry (1988) also report that the perceived quality is based on the consumer's judgment about an entity's overall excellence or superiority. According to this paradigm, customers decide when they are satisfied. Ford, Sturman and Heaton (2012) postulate that in the hospitality field, no matter how brilliantly the organization designs the service, the environment, and the delivery system or develops measurable service standards, if the guest is dissatisfied with any of these elements, the organization has failed to meet the guest's expectations. In other words, it has not provided a guest experience of acceptable quality and value.

Many authors (e.g. Kotler, Bowen and Makens, 1999, and Ford, Sturman and Heaton, 2012) underline that perceived service quality depends heavily on the quality of the buyer-seller interaction during the service encounter. In fact, effective interaction depends on the skills of the frontline service employees, and on the service production and support processes backing these employees. Thus successful service companies focus their attention on both employees and customers. Presbury, Fitzgerald and Chapman (2005) confirm the tourism and hospitality employees are part of the product because they are responsible for the delivery of the service.

Grönroos (1982) proposes two different types of service quality: the technical quality and the functional quality. In the author's view, *technical quality* is related to what the customer actually receives from the service, in other words the technical dimensions of a product. But as the process of service delivery depends on the interaction between the consumer and the service provider, customers are also interested in how the service is provided. This is called *functional quality*, which regards the manner in which the service is delivered.

Kotler, in 1997, defines quality as the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs. The author, together with Bowen and Makens (1999), adds three types of quality: product features, freedom from deficiencies and societal quality. The first, *product features*, enhances customer satisfaction and is supported by the fact that customers must either be willing to pay for the added costs of additional product features or that these features must make them more loyal. The second, *freedom from deficiencies*, increases customer satisfaction and assures that the service is delivered according to customers' expectations. Finally, the *societal quality* refers to the ethical responsibilities that a firm must consider when developing products or services. In this perspective, a service is considered of good quality

when avoids product features that can cause harm and adds those that eliminate potential safety hazards.

Saleh and Ryan (1991) had a great contribution for the service delivery process in hospitality industry. They concluded that the physical (technical) qualities are the visible components of the hotel, such as the rooms or the reception area. For them, the functional quality is the expressive performance of the service, being the nature of the greeting or the care and attention given to the guest examples of this type of quality in a hotel. Also, the societal quality is derived in part from the technical and functional components of service, allied with any marketing promotion that takes place. In their point of view, the quality of the functional service can, to at least some extent, offset minor deficiencies in the physical component of the service. If a technical problem happens, the fact that it was quickly rectified becomes a positive aspect in the guest's perception of the hotel and its service.

According to Kotler, Bowen and Makens (1999), total quality in hospitality industry can never be achieved, since it is highly dependent on internal and external factors that influence the perceptions of hotel guests. Presbury, Fitzgerald and Chapman (2005) confirm this difficulty, emphasizing that hotel customers are becoming much more discerning and demanding and competition in the industry is increasing around the globe, forcing hotels to offer better amenities, superior service, and loyalty programs at a price that reflects value. Nevertheless, it becomes relevant to show how the process of delivering service quality should be conducted to offer customers the service they expect.

#### 4.4. Delivering service quality

A service business will be successful if the managers know how to manage customers' expectations, how to include employees in the service delivery process, and how to tangibilize their product. More specifically in hospitality industry, it is essential to manage capacity and demand of the hotels, and assure consistency when delivering the service.

##### *4.4.1. Manage Expectations*

Many academics argue that the key to deliver an outstanding service quality is by exceeding the customers' expectations. Berry (1991) began the discussion reasoning that it is the customer's perception that determines whether he or she will buy from the same company the next time. This means that everything a company does must be driven by what the customer wants. Managers have to see the business through the eyes of the customer, and

must be constantly aware of how customers are reacting to the service they buy and the way they are treated during each step of the buying experience. After all, customers are the most important assets any company has, even though they don't show up on the balance sheet.

Parasuraman, Zeithaml and Berry (1993) develop the concept of zone of tolerance. It corresponds to a range of expectations between customer desired service (the level of service the customer hopes to receive), and adequate service (the level of service the customer will accept). However, the zone of tolerance can be wide or narrow, change over time, or vary among individuals and type of services. Thus expectations must be assessed frequently to assure that the delivered service quality is within the range expected by customers. Otherwise, the service will not be considered of good quality.

Nevertheless, Lovelock (1996) states that homogeneity of the customer base is not always possible. It has important implications for both the image of the service organization and the nature of the service experience. Therefore, marketers need to ensure that they attract customers from the most appropriate market segments and that these individuals know the appropriate dress and behavior. If customers are properly informed in advance about the specific nature of a service, they will know what to expect. If not, the impression of the service can be damaged and chances of retaining customers destroyed.

Similarly, Kotler, Bowen and Makens (1999) consider necessary to identify the expectations of target customers concerning service quality. Besides, it is important that the service provider clearly defines and communicates the level of service to provide, so that its employees know what they must deliver and customers know what they will get.

Ford, Sturman and Heaton (2012) develop the concept of *guestology*, asserting that each organization should start everything it does by looking systematically at the guest experience from the customer's or guest's point of view. For them, what customers do and want are first studied, modeled and predicted, and only then can the rest of the organizational issues be addressed. This allows the organization to effectively meet the customer's expectations and still make a profit.

#### *4.4.2. Employees as part of the process*

Nowadays, successful service companies also focus their attention on both employees and customers. It is the employees who apply the tools and concepts of quality to meet customers' needs, and it is the customers who ultimately construct the report card that describes the extent to which the company is achieving quality (Berry, 1991). This illustrates

the importance of well-managed human resource functions, especially in a high-contact service like hospitality. According to Parasuraman, Zeithaml and Berry (1999), there is an interconnection between service excellence and employees' pride, which, in turn, is linked to how employees perceive the managers' work.

Kotler, Bowen and Makens (1999) add new concepts. They emphasize that more than just traditional external marketing using the four P's, both internal marketing and interactive marketing are needed. Internal marketing means that everyone in the organization must be customer-oriented, for the firm to deliver consistently high service quality and provide customer satisfaction. Interactive marketing, in turn, means that perceived service quality depends heavily on the quality of the buyer-seller interaction during the service encounter. Overall, employees should be empowered and motivated to satisfy customers' needs.

Ford, Sturman and Heaton (2012) suggest that smart hospitality organizations know that their employees must get the same consideration that they want their employees to extend to their guests. For the authors, employees should be selected, trained and then trusted to deliver a good guest experience. In fact, they can be the most important component of the service delivery system, since their attitude, friendliness, genuine concern and helpfulness ensure the success of the guest's coproduction and, consequently, the value and the quality of the experience. Service organizations are increasingly dependent on the authenticity of their employees, since authentic employees may have a greater impact on the customer's emotional state than non authentic employees (Hennig-Thurau *et al.*, 2006). Crick (2000) argues that hospitality service employees may be expected to act as if they enjoy their jobs and even as if they are not really working by are "paid to play". They may even be seen as failing in their jobs if they do not see themselves having fun while interacting with guests (Guerrier and Adib, 2003).

It can be concluded that service providers must work to interact effectively with customers to create superior value during the process of service delivery (Kotler, Bowen and Makens, 1999). Thus effective interaction depends on the ability of employees to deliver the service in an appropriate way that will satisfy the customers. Normann (cf. Lovelock 1996), develops the term *moments of truth*, which represents the encounters between customers and service personnel. It is what determines the customer level of satisfaction. Similarly, Ron Nykiel (cf. Kotler, Bowen and Makens, 1999) presents the concept of *point-of-encounter*, which refers to any point at which an employee confronts the customer.

Most of the points-of-encounter are neglected because the managers simply do not see them; they are so familiar that become invisible. To overcome this problem, Lovelock

(1996) introduces the notion of flowcharting. It clarifies how the customer experience unfolds over time and identifies the many different activities serving to create service encounters.

#### *4.4.3. Tangibilize the product*

Besides the relationship between employees and customers, many academics also find essential to provide customers with evidence that will help to tangibilize the product, and therefore decrease the perceived risk associated to services' intangibility. As a matter of fact, customers who buy hospitality products experience some anxiety because they cannot experience the product beforehand (Kotler, Bowen and Makens, 1999). Promotional material, employee's appearance, and the service firm's physical environment, all help to tangibilize the service. For instance, in a hotel, the promotional material might include a meeting planner's packet, containing photographs of the hotel's public area, guest rooms and meeting space. The wrappers that some put on drinking glasses in the guest rooms serve the purpose of letting the guest know that the glasses have been cleaned. In the bathroom, the fold in the toilet paper lets the guest know that the bathroom has been tidied.

Kotler, Bowen and Makens (1999) underline that the appearance of salespeople becomes even more relevant, since they may be the customer's first contact with the company. If they are well groomed, dressed appropriately, and answer questions in a prompt professional manner, they will help the guest to develop a positive image of the hotel.

The physical surroundings follow the same logic. Negative messages communicated by poorly managed physical evidence can hurt a business, since it reinforces the product's positioning in the customer's mind. Zeithaml (1981) claims that when the price is the only information available, consumers use it to assess quality; when there is tangible evidence, consumers base decisions about quality on physical facilities.

Ford, Sturman and Heaton (2012) opine that such efforts to give tangible evidence of service quality help not just the customers but also the employees. It helps organization members to form a mental image of what their service should be like and what organization's quality levels should be.

#### *4.4.4. Manage Capacity and Demand*

Since services are perishable, managing capacity and demand is also a key function of hospitality marketing. On one hand, the managers need to assure that the business operates

at maximum capacity. On the other hand, their main goal is to create satisfied customers through a positive experience. Kotler, Bowen and Makens (1999) illustrate a situation in hospitality industry:

“Suppose that the hotel projects a two-week period of low occupancy six months from now. One system is to reduce staff and other expenses when the period arrives, including arranging for the staff to take its holidays during the period. This, however, creates service problems. A more proactive move is to book extra corporate burins during this period. Corporate group meetings are generally booked one to six months in advance, and national associations may book one to six years prior to the event. The sales manager may resign a salesperson from association groups to corporate groups, thus putting more emphasis on a market with high probability of producing business during the predicted soft spot. Hotels can also use this period of FAM (familiarization) trips and public relations in which members of the press, such as travel writers and food section reporters, can be invited to the hotel”.

The authors claim that when hotels operate near capacity, problems are likely to occur. It can result in a negative guest experience and the service will be perceived as bad quality. Ford, Sturman and Heaton (2012) recall that if demand exceeds capacity, then guests have to wait or don't get served at all; if capacity exceeds demand, then the hospitality organization's human and physical resources sit idle.

Lovelock (1996) proposes developing a framework for establishing pricing policy and capacity allocation decision by service class (type of customers) and time period. By contrast, Kotler, Bowen and Makens (1999) suggest different strategies to manage both capacity and demand. In order to manage capacity, the authors recommend involving the customer in the service delivery system by expanding the number of people that one employee can serve, cross-training employees to shift them from department to department if necessary, and using part-time employees during an unusually busy period of time. Moreover, renting or sharing extra facilities and equipment to not be constrained by space or equipment limitations, scheduling downtime during periods of low capacity (repairs and maintenance, employees' vacations, etc.), extending service hours and using technology and price, are possible approaches indicated by the authors. In an ideal situation, managers simply expand capacity to meet demand, however there are times that a hotel receives requests for rooms that exceed its capacity. Therefore, the authors mention price flexibility, reservations and overbook as the main strategies to monitor demand. Nevertheless, managing queues, shifting demand, changing the salesperson's assignment and creating promotional events should also be considered.

#### 4.4.5. *Manage Consistency*

In the point of view of Kotler, Bowen and Makens (1999), the consistency of the service quality affects the perception of consumers. Consistency means that customers will receive the expected product without unwanted surprises. In the hotel industry, this means that a wake-up call requested for 7 a.m. will occur as planned and that a coffee ordered for a 3 p.m. meeting break will be ready and waiting. Managers should strive to develop as consistent a product as possible in order to have their customers satisfied. For this purpose, the authors emphasize that the company policies and procedures must be clear for the employees to understand how the service should be delivered, and training programs should be offered in order to assure a high performance at the moment of contact with the customer.

Concluding, there are several ways that a service can differentiate itself in order to deliver a consistent higher quality than its competitors do. The following section debates the importance of an outstanding quality in a service business.

#### 4.5. Importance of service quality management

Managing quality is an integral part of service management. Services are so much a part of what is produced, consumed, and exported nowadays that it would be surprising if quality was not a concern (Parasuraman, Zeithaml, Berry, 1990). In fact, with service excellence, everyone wins: customers, employees, management, stockholders, communities, and the country.

Berry (1991) introduced reasons that justify the practice of service management and can still be applied nowadays. First, the business environment is extremely competitive and companies need to be exceedingly effective. Second, consumers demand quality more than ever before. Third, consumers are more willing to switch from company to company not just to get a better price, but also for better service. Indeed, customers determine the success of companies, meaning that each business needs a companywide focus on customers. The author considers that having the competitive advantage can be defined as being the customers' supplier of choice.

Following the same logic, Kotler, Bowen and Makens (1999) state that to succeed or simply to survive, companies must be customer centered. The authors claim that companies must deliver superior value to their target customers, be focused on building customers rather than just building products, and be skillful in market engineering and not just product engineering.

Nevertheless, customer satisfaction, customer loyalty and company profitability are linked closely to product and service quality. Many authors suggest that higher levels of quality result in greater customer satisfaction, while at the same time supporting higher prices and often lower costs.

#### *4.5.1. Customer Satisfaction*

Kotler (1997) presented important studies that helped concluding about the consumers' behavior. In his publishing, he defines satisfaction as a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance in relation to his or her expectations. Similarly, Kotler Bowen and Makens (1999) advert that customer satisfaction depends on the product's performance relative to buyer's expectations. In a service business, customers will be satisfied if the service quality match or exceed their expectations. More recently, Torres and Kline (2006) argue that customer satisfaction means that customers are at ease but they are not necessarily excited by the firm.

Customers respond to firms that offer better perceived value than that of competitors. That value is the customer's overall assessment of the utility of a product based on perceptions of what is received and what is given (Parasraman, Zeithaml and Berry, 1990). In other words, it is the difference between total customer value and total customer cost of a marketing offer (Kotler, Bowen, Makens, 1999). Total customer value is the total of all product, services, personnel, and image values that a buyer receives from a marketing offer, while total customer cost is the total of all the monetary, time, energy, and psychic costs associated with a marketing offer. Thus the service will be considered of good quality if the delivered value is, at least, what customers expect to be.

Kotler, Bowen and Makens (1999), argue that for customer-centered companies, customer satisfaction is both a goal and a major factor in company success. Satisfied customers are less price sensitive and remain customers for a longer period. They buy additional products over time as the company introduces related products or improvements. Also, they talk favorably to others about the company and its products. However, a satisfied customer doesn't mean he/she is a loyal customer.

#### *4.5.2. Customer loyalty*

In the past, many companies took their customers for granted. Customers often did not have many alternative suppliers, or the other suppliers were just as poor in quality and

service, or the market was growing so fast that the company did not worry about fully satisfying its customers. Nowadays, customers churn involve higher costs than customer retention and dissatisfied customers spread negative word-of-mouth that can harm company image. This makes top service providers concerned about customer loyalty.

Customer loyalty can be considered as the cornerstone of successful service management (Grönroos, 1984). Services are perceived as greater risks due to its high degree of intangibility, which means that customer loyalty is considered a big competitive weapon among service providers. In fact, customers depend on brand loyalty to a greater extent than when they purchase products (Zeithaml, 1981).

While customer satisfaction measures how well a customer's expectations are met, customer loyalty, on the other hand, measures how likely customers are to return and their willingness to perform partnership activities for the organization (Kotler, Bowen, Makens, 1999). Therefore, it is easily understandable why customer satisfaction is a requisite for loyalty. If a customer is not satisfied, he will not return to the company.

However, the other way around doesn't verify. Kotler, Bowen and Makens (1999) enumerate several reasons why satisfied customers may not become loyal customers in hospitality industry. First, some travelers do not return to an area on a regular basis, which means that even if they think a hotel is great, they can never return to the hotel only because they never return to the area. Second, some customers like to experience different hotels when they return to an area. These customers may be satisfied with each hotel, but they keep changing to gain a new experience. Third, some guests are price sensitive and will shop for the best deal. Even though they are satisfied with the last hotel, they will try another one because of the deal they were offered. Finally, customers expect to be satisfied with their purchase; if not, they would not have made the purchase. Thus satisfaction ratings tend to be inflated.

Customer satisfaction does not mean the customers will return. In fact, in order to develop loyal customers, managers must have extremely satisfied customers. Naturally, loyal customers are more valuable to the company than satisfied customers. Torres and Kline (2006) argue that delighted customers are not only excited by the firm but are also likely to give positive referrals to others. Kotler, Bowen and Makens (1999) postulate that a satisfied customer who does not return and spreads no positive word-of-mouth has no net present value for the company. By contrast, a loyal customer who returns and spreads positive word-of-mouth has a net present value of more than \$100,000 to a luxury hotel.

Nevertheless, service managers have the responsibility of identifying those patrons who are likely to become loyal customers and create more customer delivered value than the competition for these customers. Kotler, Bowen and Makens (1999) suggest that relationship marketing, by creating, maintaining, and enhancing strong relationships with all stakeholders, is a good strategy to follow. It reduces marketing costs, decreases price sensitivity of loyal customers, and motivates strong word-of-mouth, business referrals, publicity, among others. Besides, various studies have shown that generally it costs four or five times more to win new customers than to keep the ones a company already has. Long-term relationships instead of short-term deals and are proved to be determinants of a service company's success. In fact, the combination of the attributes of loyal customers means that a small increase in loyal customers can result in a major increase in profitability (Kotler, Bowen and Makens, 1999).

#### 4.5.3. Profitability

The positive relationship between perceived quality and profitability is documented empirically in the Profit Impact of Market Strategy (PIMS) program. It was first developed by Sidney Schoeffler and complemented by other companies, with the intention of providing empirical evidence of which business strategies lead to success, within particular industries. The study identifies several strategic variables that typically influence profitability.

Parasuraman, Zeithaml and Berry (1990) mention the contribution of Buzzell and Gale in The PIMS Principles. They show that in the long run, the most important single factor affecting a business unit's performance is the quality of its products and services relative to those of competitors. The authors make two different points:

“In the short run, superior quality yields increased profits via premium prices. In the longer term, superior and/or improving relative quality is the more effective way for a business to grow. Quality leads to both market expansion and gains in market share. The resulting growth in volume means that a superior-quality competitors gains scale advantages over rivals. As a result, even when there are short-run costs connected with improving quality, over a period of time these costs are usually offset by scale economies. Evidence of this is the fact that, on average, businesses with superior quality products have costs about equal to those of their leading competitors. As long as their selling prices are not out of line, they continue to grow while still earning superior profit margins.”

Summing up, market share growth due to an exceptional service quality drives down costs due to scale economies. Companies with high market shares built through high quality benefit from these scale economies and from higher revenues due to heavy sales volume and premium prices (Parasuraman, Zeithaml and Berry, 1990).

In their publishing, Parasuraman, Zeithaml and Berry (1990) claim that true customers are like annuities, since they keep pumping revenue into the company's coffers. For that to happen, the service performance must be outstanding. It is the performance of the service that separates one service firm from others, that creates true customers who buy more, who are more loyal, who are willing to pay premium prices, and who spread favorable word-of-mouth.

Berry (1991) also cites the PIMS Letter 4: "Product quality is an important determinant of business profitability: high quality and high return on investment usually go together". The author, based on the PIMS Letter 31 research, insists that a customer-oriented, quality-differentiation strategy can often lead to customer preference and loyalty, as well as increase market share and lower costs.

For Kotler, Bowen and Makens (1999), a profitable customer is a person, household, or company whose revenues over time exceed, by an unacceptable amount, the company costs of attracting, selling, and servicing that customer. The definition includes lifetime revenues and costs rather than profit from a single transaction, confirming the importance of customer loyalty for a service company and supporting the conclusions of the other authors. They also refer that companies should not pursue and satisfy every customer. They should make a disciplined choice of which customers to serve and which specific combination of benefits and price to deliver to them (and which to deny them). Otherwise, there will be situations in which the investment of attracting a customer will be higher than the revenue that customer gives to the company.

Concluding, it is understandable why an outsider easily feels adrift when confronted with the concept of service quality. However, its importance is unquestionable and applies for every kind of service, being the industry hospitality, transportation, communication, or others. Thus, service management plays its role in companies that aspire to make the difference in the market and be profitable in the long-term.

#### 4.6. SERVQUAL

A common problem for assessing service quality was the lack of well-established measures and/or benchmarks. Confronted with the need of understanding how customers evaluate service quality in different industries, A. Parasuraman, Valarie A. Zeithaml and Leonard L. Berry developed a model what would be the first comprehensive framework available for measuring service quality. From the beginning it is widely applied and its

characteristics are highlighted. The next table shows several authors that have been using the SERVQUAL approach in their studies, being these about different industries in different countries.

**Table 1 - Authors that have been using the SERVQUAL model**

<b>Authors</b>	<b>Year</b>
F. Saleh & C. Ryan	1991
P. Akan	1995
F. Buttle	1996
A. Wong & O. Mei	1999
Tsang & Qu	2000
B. Wuest	2001
Ekinci <i>et al.</i>	2003
T. D. Juwaheer	2004
A. Akbaba	2006
S. Markovic	2006
R. A. Home	2006
Gržinić	2007
J. Chang	2009
M. Chand	2010
I. Blesic & D. Tesanovic	2011
S. Saraei & A. Amini	2012

#### *4.6.1. Model development*

##### *4.6.1.1 Phase I*

The service quality model was developed in three different phases since 1983. Phase I consisted in an exploratory study, involving a series of in-depth interviews to executives from four companies from different service sectors: retail banking, credit cards, securities brokerage, and product repair and maintenance. It had the purpose of gathering information concerning potential causes of service-quality shortfalls. A set of four key gaps was identified. The shortfall perceived by customers is documented as GAP 5, and the shortfalls considered as providers are defined as GAPS 1 through 4. The gaps are described next.

#### *4.6.1.1.1. GAP 1: Customers' Expectations – Management Perception GAP*

Service firm executives may not always understand what features connote high quality to consumers in advance, what features a service must have in order to meet consumer needs, and what levels of performance on those features are needed to deliver high quality service (Parasuraman, Zeithaml and Berry, 1985). Therefore, this GAP constitutes the difference between customer expectations of service and a company's understanding of those expectations. Wilson, Zeithaml, Bitner, and Gremler (2012) suggest key factors that justify the existence of this GAP. First, an inadequate marketing research orientation, motivated by insufficient marketing research or lack of focus on service quality, makes the company be unaware of customers' expectations. Second, the company might use marketing research inappropriately if there is a lack of upward communication, a lack of interaction between management and customers, insufficient communication between contact employees and managers, or if there are too many layers between contact personnel and top managers. Lastly, an insufficient relationship focus, based on a lack of market segmentation, a focus on transactions rather than relationships and a focus on new customers rather than relationship customers, can also increase GAP 1.

#### *4.6.1.1.2. GAP 2: Management's Perceptions – Service-Quality Specifications GAP*

Parasuraman, Zeithaml and Berry (1985) define this GAP as being the discrepancy between management perceptions of consumer expectations and the actual specifications established for a service. In other words, this gap is supported by not selecting the right service quality designs and standards affect customers' perceptions. Wilson, Zeithaml, Bitner, and Gremler (2012) justify the GAP openness based on the existence of poor service design, supported by an unsystematic new service development process, a vague and undefined service designs, and a failure to connect service design to service positioning. Additionally, the authors emphasize that an absence of customer-driven standards due to a lack of customer-driven service standards, due to an absence of process management focusing on customer requirements or an absence of formal process for setting service quality goals, increase GAP 2. Also, an inappropriate physical evidence and servicescape, motivated by a failure to develop tangibles in line with customer expectations, a servicescape that does not meet customer and employee needs, or an inadequate maintenance and updating of the servicescape contribute to the presence of this GAP.

#### *4.6.1.1.3. GAP 3: Service-Quality Specifications – Service-Delivery GAP*

Once service designs and standards are in place, the firm must ensure that service quality at least matches the designs and standards previously defined. Therefore, GAP 3 is the difference between the service quality specifications and the service delivery (Parasuraman, Zeithaml and Berry, 1985). Once again, Wilson, Zeithaml, Bitner, and Gremler (2012), propose several factors that lead to this GAP. The deficiencies in human resource policies, such as ineffective recruitment, role ambiguity and role conflict, poor employee-technology job fit, inappropriate evaluation and compensation systems or lack of empowerment, perceived control and team work are among the issues that must be addressed to close the GAP. Similarly, if customers do not fulfill their roles because of a lack of knowledge of their roles and responsibilities, and negatively impact each other, the service is more unlikely to be appropriately delivered. Moreover, if the company faces problems with service intermediaries due to channel conflict over objectives and performance, due to difficulty in controlling quality and consistency, or due to tension between empowerment and control, the GAP will increase. Likewise, a failure to match supply and demand, justified by either a failure to smooth peaks and troughs of demand, an inappropriate customer mix or an overreliance on price to smooth demand are factors leading to GAP 3. Finally, an inadequate service recovery, motivated by a lack of encouragement to listen to customer complaints, a failure to make amends when things go wrong or an inappropriate recovery mechanism in place to service failures, are also aspects to consider.

#### *4.6.1.1.4. GAP 4: Service Delivery – External Communications GAP*

The creators of the SERVQUAL model (1985) claim that external communications can affect not only consumer expectations about a service but also consumer perceptions of the delivered service. As a matter of fact, discrepancies between service delivery and external communications can affect consumer perceptions of service quality. Wilson, Zeithaml, Bitner, and Gremler (2012) argue that a lack of integrated marketing communications, namely the tendency to view each external communication as independent, the absence of interactive marketing in communication plan and the absence of strong internal marketing programme, are difficulties associated with GAP 4. Another issue in GAP 4 is the ineffective management of customer expectations, which is supported by an absence of customer expectation management through all forms of communication or by a lack of

adequate education for customers. Over-promising in advertising, in personal selling and through physical evidence cues also affect the customers' perceptions if what is promised is not fulfilled. The final factor that contributes to GAP 4 is the inadequate horizontal communications due to insufficient communication between sales and operations and advertising and operations, and due to the difference in policies and procedures across branches or units.

#### 4.6.1.1.5. GAP 5: Expected Service – Perceived Service GAP

The GAP 5, or the Customer GAP, is the difference between customer perceptions and expectations. The key to closing this GAP is to close provider GAPS 1 to 4 and keep them closed (Wilson, Zeithaml, Bitner, and Gremler, 2012). If one or more provider gaps exist, customers perceive service quality shortfalls. Indeed the direction and size of this GAP is dependent upon the nature of the first four GAPS.

#### 4.6.1.2. Phase II

In Phase II, a method for measuring GAP 5 was developed. The authors considered ten general dimensions that customers use in assessing service quality. These were previously identified in Phase I during the exploratory study. They were labeled as Tangibles, Reliability, Responsiveness, Competence, Courtesy, Credibility, Security, Access, Communication, and Understanding the Customer. Quantitative studies consisting of customer surveys in five different service sectors suggested the consolidation of some dimensions into two broader ones. The alterations are illustrated in the following table.

**Table 2 - Description of the SERVQUAL dimensions**

Original Ten Dimensions for Evaluating Service Quality	New Five Dimensions for Evaluating Service Quality	New Definition
Tangibles	Tangibles	Appearance of physical facilities, equipment, personnel, and communication materials.

Reliability	Reliability	Ability to perform the promised service dependably and accurately.
Responsiveness	Responsiveness	Willingness to help customers and provide prompt service.
Competence Courtesy Credibility Security	Assurance	Knowledge and courtesy of employees and their ability to convey trust and confidence.
Access Communication Understanding the customer	Empathy	Caring, individualized attention the firm provides its customers.

Source: author's table adapted from Parasuraman, Zeithaml and Berry (1990)

Parasuraman, Zeithaml and Berry (1990) emphasize that the ten dimensions are not necessarily independent of one another and capture all criteria used by customers to evaluate service quality, even if different services are considered. Indeed the five distinct dimensions include facets of all the ten originally conceptualized dimensions.

These studies resulted in a scale branded SERVQUAL that measure the five dimensions and is better described in the next sections.

#### 4.6.1.3. Phase III

Finally, Phase III focused on the service providers, where a reasonably complete set of factors affecting the magnitude and direction of each of the first four GAPS were developed (Parasuraman, Zeithaml and Berry, 1990).

#### 4.6.2. Model description

Parasuraman, Zeithaml and Berry (1988) define SERVQUAL as a concise multiple-item scale with good reliability and validity that retailers can use to better understand the service expectations and perceptions of consumers and, as a result, improve service. In other

words, SERVQUAL is “a 22-item instrument for measuring customers’ expectations and perceptions along five quality dimensions” (Parasuraman, Zeithamal and Berry, 1990).

The framework comprehends two sections: (1) An expectations section containing 22 statements to ascertain the general expectations of customers concerning a service, and (2) a perceptions section containing a matching of 22 statements to measure customers’ assessments of a specific firm within the service category (Parasuraman, Zeithamal and Berry, 1990). This format encompasses statements for the five service-quality dimensions – Tangibles, Reliability, Responsiveness, Assurance and Empathy. A seven-point Likert scale ranging from 7 (strongly agree) to 1 (strongly disagree) escorts each statement, which allows converting the questionnaire data into perception-minus-expectation scores for the various items. The final value corresponds to the perceived service quality, computing GAP 5. If a negative score is obtained, it means that customers’ expectations are higher than perceptions and thus service quality is considered of bad quality. A positive score corresponds to a good perceived service quality, since customers’ expectations are lower than perceptions.

#### 4.6.3. Model applications

SERVQUAL was developed to provide managers with a better understand about the service expectations and perceptions of consumers and, consequently, improve service. The authors highlight that the framework should be used periodically to track service quality trends and in conjunction with other forms of service quality measurement.

One of the most important characteristics of the model is its flexibility. In fact, the SERVQUAL framework provides a basic skeleton through its expectations/perceptions format encompassing statements for each of the five service quality dimensions (Parasuraman, Zeithaml and Berry, 1988) that when necessary, can be adapted to a broad spectrum of services.

Parasuraman *et al.* (1988) report that SERVQUAL can be used to assess a given firm’s quality along each of the five service dimensions by averaging the difference scores on items making up the dimension. Besides, it can provide an overall measure of service quality in the form of an average score across all five dimensions. However, the creators advise that SERVQUAL is limited to current or past customers, since responses to the perceptions’ section require respondents to have some knowledge of or experience with the company being researched.

Another potential application of SERVQUAL is to determine the relative importance of the five dimensions in influencing customers' overall quality perceptions. For instance, by regressing the overall quality perception scores on the SERVQUAL scores for the individual dimensions (Parasuraman, Zeithaml and Berry, 1988).

The instrument can also be used in categorizing a firm's customers into several perceived-quality segments (e.g., high, medium, and low) on the basis of their individual SERVQUAL scores (Parasuraman, Zeithaml and Berry, 1988). These segments can then be analyzed on the basis of (1) demographic, psychographic and/or other profiles; (2) the relative importance of the five dimensions in influencing service quality perceptions; and (3) the reasons behind the perceptions reported. With its findings, the department store's management would be able to better understand what needs to be done to improve its image in the eyes of a very important group.

Moreover, SERVQUAL is sometimes used by multi-unit retail companies to track the level of service provided by each store in the chain (Parasuraman, Zeithaml and Berry, 1988). The authors argue that by asking respondents to indicate the particular store in the chain with which they are most familiar, and to provide perception responses for that unit, the researcher can compare each store's average SERVQUAL score with the scores from other stores. Service quality scores can then be a factor in store manager performance appraisals and compensation, among other uses. Furthermore, Parasuraman, Zeithaml and Berry (1988) suggest that SERVQUAL scores for the individual stores can be used to group outlets into several clusters with varying quality images. An examination of the characteristics of the stores in the different clusters may reveal key attributes that facilitate or hinder the delivery of high quality service.

Finally, SERVQUAL can also be used to assess a company's service performance relative to its principal competitors (Parasuraman, Zeithaml and Berry, 1988). The two-section format of the instrument, with separate expectation and perception sections, makes it convenient to measure the quality of several firms simply including a set of perception statements for each firm.

In summary, SERVQUAL has several potential applications that help managers deliver a service of excellence. It assesses consumer expectations and perceptions of service quality and provides an understanding of critical factors that require managerial attention and action to improve service quality.

#### 4.6.4. Limitations and criticisms of the SERVQUAL

After its publishing, several authors tested the SERVQUAL validity and reliability (e.g. Carman, 1990, Brensinger and Lambert, 1990, Babakus and Boller, 1991, and Finn and Lamb, 1991), and their conclusions are still mentioned today when talking about the limitations of the model.

The main limitation suggested by these authors is related to the difficulties when replicating the basic dimensions of SERVQUAL across a variety of industries. Recent studies confirmed this problem and tried to develop adapted models that would fit specific industries' characteristics. For hospitality, HOLSERV (Wong *et al.*, 1999), LODGQUAL (Getty and Thompson, 1994) and LODGSERV (Knutson *et al.*, 1990) are examples of derivative models adapted from the SERVQUAL.

The reliability of the SERVQUAL's dimensions is also questioned by Babakus and Boller (1991) and Carman (1990), who argue that there is a high degree of inter-correlation between the five dimensions. The authors also discredit the cohesiveness among the scale items and their convergence to each construct. Still, only Carman (1990) emphasize that the 22 items encompassing the questionnaire are not meaningful and representative of constructs to measure.

Babakus and Boller (1991) and Carman (1990) distrust the empirical usefulness of the expectations data. Consumers use standards other than expectations to evaluate service quality. Also, Smith (2010) argue that statements as the ones used in SERVQUAL are so abstract that it is questionable whether they provide any practical insights into customer expectations and experiences at specific business. Valls (2005) also questions the utility of perceptions. He refers that customers' perceptions are unquestionable: they like or do not like. Hecker (2001) still infers that it is not valid to measure service quality through established parameters, since respondents always try to give their best when answering questionnaires.

Moreover, SERVQUAL is based on calculating differences between service needs and experiences. Babakus and Boller (1991) and Carman (1990) raise psychometric concerns about the appropriateness of using measures defined as difference scores in multivariate analyses. They found that the dominant contributor to the score was the perception score because of a generalized response tendency to rate expectations high. Smith (2010) adds that while the individual scale items have been shown to be internally reliable, this reliability does not extend to differences between statements (Smith, 2010, c.f. Peter *et al.*, 1993).

Concluding, there are several limitations of the SERVQUAL framework that question its reliability and validity. As a response to some of these perceived limitations, some researchers have proposed alternative models. However, SERVQUAL is still considered by many authors the most reliable tool to be used by managers to assess service quality.

#### *4.6.5. Model applied to hospitality industry*

Fick and Richie (1991) mention the advantages of the SERVQUAL methodology when applied to travel and tourism industry. Among these there is the understanding of the relative importance of consumer expectations, which corresponds to the different dimensions of service quality, adapted to the different tourism sectors. Moreover, the authors highlight that SERVQUAL allows comparisons of the different service quality dimensions along the different tourism sectors. Also, the tool provides an overview about the service quality that companies from the same industry are currently offering, such as hotels or airline companies.

Gržinić (2007) also recognizes the importance of the SERVQUAL model when evaluating the service quality in the hospitality industry. He states that SERVQUAL allows hotel managers to know the position of their business concerning its strategic, operational and marketing decisions. In hospitality industry the service quality is highly subjective and critical to customers' satisfaction. Thus the SERVQUAL instrument helps to know the expectations of guests, the performance of its actual service and understand what is behind the existing gaps.

Akababa (2006) points out that over the past ten years, several authors have focused their studies on service quality in the hotel industry. These studies contributed with relevant understandings about the service quality dimensions. However, they also proved that there might be more dimensions to evaluate service quality in hotels than in other service businesses. Even within the hospitality industry, there are several types of hotels with distinct characteristics, such as resorts, spas, motels, among others. The authors could then conclude that some of the service quality dimensions demand different descriptions from the ones presented in the SERVQUAL model, when assessing the service quality in hospitality industry. Notice that the original SERVQUAL dimensions suggested by Parasuraman *et al.* (1988) are considered valid, however they ended up being added after others concerning the hospitality industry.

Akan (1995) had a great contribution for literature concerning hospitality. In his studies, he shows that Reliability is one of the most important dimensions for customers. Courtesy, service fastness and competency are among the key aspects to deliver a service of good quality. The author was able to conclude that attitudes in service delivering and employees' problem solving are critical factors to customers' satisfaction. Yet, Coyle and Dale (1993) highlight that even though Tangibles were not considered as key aspects to deliver service quality during the SERVQUAL development, when they are not present, it generates customers' dissatisfaction.

Although the SERVQUAL framework seems to require minor changes in the service dimensions when touching hospitality industry, it is seen as a potential tool to evaluate the service quality. In fact, the SERVQUAL model has been the first choice of most authors when studying the service quality of a hotel in different cities of Brazil. The next table presents some examples of authors that considered the SERVQUAL in their publishing about hospitality in Brazil.

**Table 3 - Authors that have been using the SERVQUAL model in Brazilian hospitality**

<b>Authors</b>	<b>Year</b>
S. Tavares & M. Eusébio	2011
D. Glória, W. Ferreira, M. Fortes & E. Trindade	2011
D. Lima-Filho, I. Marchiotti & F. Quevedo-Silva	2012
E. Souza, J. Meira & D. Maske	2012
J. Macedo <i>et al.</i>	2013
C. Dal Maso	2013
C. Corrêa & D. Hansen	2015

Based on literature, the SERVQUAL model seems to be the most accurate tool to evaluate the service quality of a hotel. As shown, authors still prefer to use the SERVQUAL model to assess service quality in Brazil. As the objective of this study is to identify the service dimensions that better contribute for hotel guests' satisfaction in hotel of Rio de Janeiro, in Brazil, it is more than relevant to consider the SERVQUAL model to base the following research on. Thus the SERVQUAL framework will sustain the study, and explain and support the conclusions of the research.

## 5. Methodology

### 5.1. Research Approach

#### 5.1.1. Case study research

Stake (1988) presents case studies not as a methodological choice, but a choice of object to be studied. For him, case studies are defined by interest in individual cases, and not by the methods of inquiry.

More recently, Yin (2009) describes the concept as an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. For the author, case studies can be based on any mix of quantitative and qualitative evidence.

The fact that the case study inquiry copes with the technically distinctive situation in which there will be many more variables of interest than data points is a consensus in literature. As a result, it relies on multiple sources of evidence over a period of time. Moreover, it benefits from the prior development of theoretical propositions to guide data collection and analysis.

Yin (2009) explains that the difference between teaching case studies and research case studies is the fact that the first need not to be concerned with the rigorous and fair presentation of empirical data, but rather to establish a framework for discussion and debate among students. He highlights five different applications of research case studies. First, case studies explain the causal links in real-life interventions that are too complex for the survey or experimental strategies. Second, they describe an intervention and the real-life context in which it occurred. Third, they can illustrate certain topics within an evaluation in a descriptive mode. Fourth, the case study strategy may be used to explore those situations in which the intervention being evaluated has no clear, single set of outcomes. Fifth, the case study may be a “meta-evaluation” - a study of an evaluation study.

Yin (2009) also reminds that the type of research questions determines the research strategy to be used in a study, and summarizes research strategies in the following table.

**Table 4 - Research strategies**

<b>Strategy</b>	<b>Form of research question</b>	<b>Requires control over behavioral events?</b>	<b>Focuses on contemporary events?</b>
Experiment	How, why	Yes	Yes
Survey	Who, What, Where, how many, how much	No	Yes
Archival analysis	Who, what, where, how many, how much	No	Yes/No
History	How, why	No	No
Case study	How, why	No	Yes

Source: author's table adapted from Yin (2009)

According to the author, in general, the use of case studies is favored when “how” and “why” questions are raised, when researchers have no control over behavioral events, and when the research is focused on contemporary events of a real life context. He claims that “exploratory” case studies can be complemented with two other studies: exploratory or descriptive.

Several academics (e.g. Stake, 1988, Ventura, 2007, Yin, 2009) emphasize that case studies also have some limitations that should be considered by the researcher. The most serious seems to be the difficulty of the generalization of results, even if a multiple case study is intentional. Stake (1988) argues that a case study has no objective of being representative of a population. Instead, it aims to represent a specific case and then establish limits to its generalization. Yin (2009) also underlines that cases are not characterized as sampling units and are not intended to enumerate how often a phenomenon occurs.

The researcher supports the opinions just reviewed and concludes that this research is classified as a research multiple case study, since two different organizations are studied, not having the purpose of stimulating discussion among students. Recapping the research question, it aims to study how guests from both hotels classify the importance of the SERVQUAL dimensions for their general satisfaction. Indeed research questions rely on “how” issues, the researcher has no control over behavioral events, and the study corresponds to current events of two existing hotels. According to Stake (1988), this case study is considered an instrumental case, since the elements of analysis, namely the hotel

guests, are examined to provide insights on the research questions or to refine a theory. Once again, it is not intended to generalize the results, but to develop a theory. In this case, the relationship between the importance given to each of the SERVQUAL dimensions and the hotel guests' satisfaction is considered.

### *5.1.2. Selection of the case*

#### *5.1.2.1. The industry*

The tourism sector, which includes the hospitality industry, is one of the activities with the greatest worldwide economic highlight alongside with the oil industry. Especially Brazil is placed at the eyes of the world due to recent events, such as the World Cup in 2015 and the Olympic Games in 2016. Although the country is living political and financial crises, researchers argue that tourism contribution to Brazilian GDP is likely to increase.

In fact, the country conducted efforts to develop its infrastructure, and it offers now more proper conditions to receive tourists. Brazilians role in this aspect is also representative. An increasing middle class and the Real depreciation contribute positively to the national GDP, since it makes Brazilians travel more inside the country and less abroad. Finally, it becomes cheaper for foreign tourists to go to Brazil, considering the favored exchange rate.

Indeed if the service quality delivered by Brazilian hotels do not meet or exceed guests' expectations, customers will not be satisfied, will not return to the hotel and may even spread bad word-of-mouth related to the service and the country itself. If it concerns to foreign tourists, the hotel may have only one shot to satisfy customers' needs and incentivize them to come again. Therefore, the study of the hospitality industry in Brazil, namely in Rio de Janeiro which is the host city for the next Olympic Games, becomes more than relevant. If hotel managers can understand the mistakes of the process of service quality delivery according to its customers' profile, this study can make a difference in the long run.

#### *5.1.2.2. The companies*

The selected companies were Hotel 1 and the Hotel 2, both located in Rio de Janeiro. They compose a non-probabilistic sample, in which convenience and judgmental sampling techniques were used. On one hand, the hotels were selected because their managers were accessible and available to be interviewed, which characterizes the convenience sampling technique. On the other hand, the subjects were chosen in an intentional way, according to

their high presence in the Brazilian hospitality market, which describes the judgmental sampling technique.

Hotel 1 and Hotel 2 were considered to be representative of the Brazilian and Rio de Janeiro's hospitality market. They have both their origins in Portugal, but are currently seen as two of the largest companies in the world in the Tourism sector. Their internationalization processes count with several presences all over the world. Indeed their experience in the industry is remarkable and their reputation is peerless. Besides, the two hotels offer different hospitality concepts and are located in key distinctive places of Rio de Janeiro, embracing the different guests' profiles that search for a lodging experience in the city.

A more detailed characterization of each of the hotels is presented next.

#### *5.1.2.2.1. Hotel 1*

Seen as one of the classics of the Copacabana beach in Rio de Janeiro, Hotel 1 belongs to a Portuguese Hotel Group founded 40 years ago. Its advantaged location provides a perfect accommodation guests who like to enjoy the view over the beautiful beaches, are simply interested in the Brazilian culture or like to practice sports.

The hotel has 247 rooms, offering different kinds of rooms according to the guests' needs, being possible to choose between having a view to the beaches of Rio de Janeiro or to the city. Guests are also offered with a pool in a rooftop bar, gym, business center, SPA center, shops, and private parking.

Presently, the hotel works with a total of 174 employees, in which 70 belong to the beverage and food department, 24 to front office, 34 to housekeeping and laundry, 11 to security, 2 serving the beach, 8 in sales and marketing department and finally, 17 in the management and administrative area.

#### *5.1.2.2.2. Hotel 2*

Founded in 2014, Hotel 2 offers a privileged location for guests who value a bohemian life. It is located in the historic center of Rio de Janeiro, in the famous Lapa district, full of bars and restaurants. Nearby there are touristic sites, such as Arcos da Lapa or the Selarón staircase. The Santos Dumont airport is located at 10 minutes by car.

Hotel 2 is the result of the restoration of an old and abandoned school, offering now a modern décor inspired on Samba and Bossa Nova. It has a total of 292 rooms, and offers

extra services, such as pool, bar, restaurant, gym, library, SPA center and a convention center with eight different rooms.

Currently, the hotel employs 83 people, in which 35 belong to front office and housekeeping, 38 to food and beverage, 5 to maintenance and 5 to the management and administrative area.

## 5.2. Research Design

Yin (2005) emphasizes that a mixed method should be used in case studies in order to maximize the study reliability through a data convergence in a triangulating fashion. The author claims that if the research follows this method, the study benefits from the prior development of theoretical propositions to guide data collection and analysis. Thus both analysis complement each other and help getting a more complete and exhaustive view about the research subject.

The presented case study adopts a qualitative research approach using exploratory interviews, and a quantitative one, conducting several questionnaires within hotels' facilities. The managers of Hotel 2 and Hotel 1 in Rio de Janeiro, Brazil, were contacted by e-mail. In each case, the purpose of the study was explained and an interview to each of them and a questionnaire to their customers were requested. The interviews had the purpose of exploring the views and experiences of hotel managers regarding the service quality of the hotel they are working in. They are believed to provide a deeper understanding about how the hotel provides quality in each of the SERVQUAL dimensions. The questionnaires, in turn, had the objective of evaluating the service quality of both hotels in the eyes of their guests, according to the SERVQUAL dimensions. It is useful because it allows collecting the same outputs, namely expectations and perceptions of service quality of both hotels, from a large number of guests, without any intervention of the interviewer.

One can then conclude that the study adopts both exploratory and descriptive approaches. On one hand, exploratory research intends to explore the research questions, not intending to offer final solutions to existing problems. It provides with the basis of a more conclusive research through secondary data or qualitative approaches, such as interviews. On the other hand, descriptive research takes up the bulk of questionnaires and helps getting more detailed and precise ideas due to its quantitative nature. Unlike exploratory research, descriptive research is planned and structured in advance so the information collected can be statistically inferred from the population.

The information was gathered during a defined period of days, more specifically throughout the months of October and November of 2015. It had the purpose of looking at how the hotels' service quality is at the time of observation. Regarding sampling, this study encompasses a non-probabilistic sample of guests. In fact, the sample is not a product of a randomized selection process. Only the guests that were accessible to the researcher, namely present at common areas of the hotels, such as the pool, breakfast and reception areas were asked to fulfill the questionnaire. Thus a convenience sampling technique was applied. Similarly, the process of selecting interviewees into the sample relies on the personal judgment of the researcher to be part of the sample. Hotel managers were included in the sample for the researcher to get an overview of how the hotels are currently offering their service. Notice that non-probabilistic samples can provide estimates of population characteristics, but are bound to misrepresent the entire population accurately. Therefore, the results of a research based on this kind of sample cannot be used in generalizations concerning the entire population.

### 5.3. Qualitative data collection

Interviews were made to the managers of the Brazilian selected hotels. The first interview with Hotel 1's manager was conducted at his office in the beginning of November, and took about 50 minutes to complete. In turn, the second one took place in the Hotel 2's pool area at the end of October and lasted around 40 minutes. Both interviews were conducted in person and were audio-recorded, being later transcribed to provide accurate data.

As preparation for the interviews, the available information on SERVQUAL was reviewed so that the conversations headed the right direction and discussions flowed naturally. Interview guides were used to keep interactions focused, but some latitude to answer freely was allowed. The interviews included a total of five questions about the dimensions of the SERVQUAL model – Reliability, Assurance, Tangibles, Responsiveness and Empathy – applied to the Hotel in question, as described in Appendix 1. Once again, they aimed to get an overview about how the managers of the hotels perceive the hotel's performance along the SERVQUAL dimensions, and which kind of activities are implemented to satisfy customers' needs.

The observation method was also applied to complement the insights from the in-depth interviews. Hotels' websites were reviewed and an analysis of social networks, such

as Facebook, Twitter, Instagram and Youtube, and touristic platforms, namely TripAdvisor, were contemplated.

#### 5.4. Quantitative data collection

The final questionnaire followed the structure of the SERVQUAL model approach developed by Parasuraman, Zeithaml and Berry, which is commonly used by academics who intend to evaluate a service quality. The authors consider the perceived service quality as the difference between perceptions and expectations. Hence, the questionnaire structure is composed by two sections: the respondents' expectations and the respondents' perceptions of the service attributes according to the five dimensions identified by the authors – Reliability, Tangibles, Responsiveness, Empathy and Assurance. The perceived service quality can then be calculated by subtracting the customers' expectations to the customers' perceptions. A negative score would mean that, on average, the expectations of the guests were above the perceived service quality, and vice versa for positive scores.

The final questionnaire comprised a total of 44 questions, being 22 about the customers' expectations and the remaining 22 about their perceptions about the hotel where they were staying. It was developed under a 7-point Likert scale, where 1 means "Strongly Disagree" and 7 "Strongly Agree". A filler question about Hotel information was inserted between the expectations and perceptions sections to help respondents change their frame of reference from expectations to performance perceptions. A last question about the overall service quality level of the hotel was also included. The final section of the questionnaire contained questions on respondents' demographics, such as gender, age, reason for the lodging experience, country of residence, country of origin, and familiar income for classification purposes. An illustration of the final questionnaire can be found in Appendix 2.

Before implementing the final questionnaire, a pre-test was developed in order to observe and correct possible mistakes in its elaboration. Ten people with a similar profile to the respondents were asked to answer the questionnaire. One respondent showed some doubts regarding question E22 and its equivalent on the perceptions section, asking it to be more specific. Thus a question that was expressed as "Employees of hotels should understand the specific needs of their guests" before, was changed to "Employees of hotels should understand the specific needs of their guests, for instance when to proceed with the housekeeping or which kind of food to include for breakfast". Also, three respondents

mentioned that they couldn't reply anything else than 7 (Totally Agree) to every item of the expectations section, arguing that the scale was not appropriate because customers will always expect the best performance. Therefore, only in the expectations section, the scale was changed. Instead of Totally Disagree, 1 now means Totally Dispensable, and 7 means Totally Indispensable, leaving room for respondents' judgment.

Questionnaires were conducted during three days in each of the selected Hotels. In Hotel 2, it was recommended to administer the questionnaires during the weekend, since it comprehends different types of clients, namely the corporative ones and those who seek leisure. Curiously, the occupancy rate is usually higher in working days in Hotel 1, thus weekends were not considered for this hotel.

The questionnaire was distributed by hand in common areas of the Hotels, such as the pool, the breakfast room or the reception. It was distributed in two versions, one in Portuguese and other in English, according to guests' nationality. Only those respondents who had recently had a lodging experience in the hotel or were currently staying were considered to have vivid and precise memories of the experience and then asked to answer the questionnaire. Once again, a judgmental sampling technique was applied.

At the end, a total number of 121 questionnaires were collected, being 62 from Hotel 2's guests, and the remaining 59 from Hotel 1's guests.

## **6. Qualitative data analysis**

According to Taylor and Bogdan (1984), the use of interviews is justified by the attempt to learn about what is important to the research elements, in this case the hotel managers. Interviews aim to identify their perspectives and their way of categorizing and understanding the world. For these authors, qualitative data gathered from interviews and observations can be reduced to categories in which data shares the same meaning or connotation.

Insights given by the hotel managers were divided according to the five SERVQUAL dimensions – Reliability, Tangibles, Assurance, Empathy and Responsiveness. Nevertheless, during the qualitative data analysis, the researcher noticed that some information was missing. For instance, when touching the Tangibles dimension, the manager of Hotel 1 referred that the hotel's location is a sign of service quality, while the Hotel 2's manager did not directly mention it, presenting a different perspective about the same question. Although both hotels are located in different places, it is a fact that the Hotel 2 location is also seen as a differentiation factor of its service. Its hotel manager even said

“the hotel is located in a historic and bohemian place, close to famous bars such as Carioca da Gema, Rio Scenarium, Lapa 40 Graus, and to the airports”.

Therefore, some questions rose. Did managers not include some information on purpose or just forgot to mention it? For the location issue, did Hotel 2 manager not consider the hotel location a way of tangibilizing the service, or did he suppose that this characteristic was implicit? If this occurred, other kinds of issues are possible to emerge regarding other dimensions.

The researcher found relevant to proceed with a secondary research to complete the findings. Notice that only facts rather than guests’ opinions were considered in this phase, since this research had the purpose of understanding how managers perceive the performance of their hotels. The insights from both researches is presented in the following table, which shows how each of the selected hotels transmits service quality to their customers, regarding each of the SERVQUAL dimensions.

**Table 5 - Service attributes of each hotel according to SERVQUAL dimensions**

<b>Dimension</b>	<b>Hotel 2</b>	<b>Hotel 1</b>
<b>Reliability</b>	<ul style="list-style-type: none"> <li>• Brand</li> <li>• 4-star hotel</li> <li>• Concept of the hotel</li> <li>• Portuguese origins</li> <li>• Recovery and preservation of the building</li> <li>• Reputation of the food and beverage area</li> </ul>	<ul style="list-style-type: none"> <li>• Brand</li> <li>• 5-star hotel</li> <li>• Reputation of the food and beverage area</li> <li>• Ability to define the guest profile with assertiveness and deliver a personalized service</li> <li>• Certificate of excellence by TripAdvisor</li> </ul>
<b>Tangibles</b>	<ul style="list-style-type: none"> <li>• Location</li> <li>• Hotel preservation</li> <li>• Outdoor pool inserted in an oasis environment</li> <li>• SPA center</li> <li>• Fitness center</li> <li>• Practical rooms: good bed,</li> </ul>	<ul style="list-style-type: none"> <li>• Location</li> <li>• Deck with an outdoor pool, panoramic view and a lounge environment</li> <li>• Indoor pool</li> <li>• SPA center</li> <li>• Fitness center</li> </ul>

	<p>good pillow, good water pressure and air conditioning</p> <ul style="list-style-type: none"> <li>• Convention center with 8 rooms</li> <li>• Business center</li> <li>• Laundry</li> <li>• Parking lot</li> <li>• 2 restaurants and 2 bars</li> <li>• Free WiFi</li> <li>• Access to disabled people</li> </ul>	<ul style="list-style-type: none"> <li>• Remodeled suites with great views and a balcony</li> <li>• Convention center with 17 rooms</li> <li>• Business center</li> <li>• Parking lot</li> <li>• Shops</li> <li>• One restaurant and 2 bars</li> <li>• Free WiFi</li> </ul>
<b>Assurance</b>	<ul style="list-style-type: none"> <li>• Brand</li> <li>• Continuous training</li> <li>• Supervision</li> </ul>	<ul style="list-style-type: none"> <li>• Brand</li> <li>• Continuous training</li> <li>• Supervision</li> <li>• Strengthening teams</li> <li>• Service culture</li> <li>• Information availability for both customers and employees</li> <li>• Being rigorous, involving employees, giving responsibilities, motivating</li> </ul>
<b>Empathy</b>	<ul style="list-style-type: none"> <li>• VIP treatment: calling directly by names, placing fresh water, fruit and a welcome card in the room, upgrading category, giving late check-out</li> </ul>	<ul style="list-style-type: none"> <li>• VIP treatment: calling directly by names, placing fresh water, fruit and a welcome card in the room, upgrading category, giving late check-out, phone contacting to get feedback</li> <li>• Daily meetings with heads of department to discuss and analyze new guests' arrivals</li> <li>• Having a Guest Relations</li> <li>• Employees' empowerment</li> </ul>
<b>Responsiveness</b>	<ul style="list-style-type: none"> <li>• Value for money relation</li> </ul>	<ul style="list-style-type: none"> <li>• Asking for feedback</li> </ul>

	<ul style="list-style-type: none"> <li>• Location: everything a guest needs is nearby positioned</li> </ul>	<ul style="list-style-type: none"> <li>• Gathering the maximum information possible about previous accommodations and analyze them</li> <li>• Adjusting the service according to guests' opinions</li> <li>• Fast and effective check-in</li> <li>• Reliable and workable WiFi</li> <li>• Efficient breakfast</li> </ul>
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Source: author's table based on qualitative research

The Hotel 2's manager mentioned that the reliability of the hotel comes essentially from its name, since "the second Hotel Group has history in Brazil and is an expert of the Portuguese market". For him, Hotel 2 in Rio de Janeiro is the only hotel recovered from an antique palace in the neighborhoods, what makes the difference in costumers' mind. The concept itself makes it special. Also, he emphasized that "in less than a year, we already serve 2500 meals for outsiders, which is very good for a hotel that is located at the center of Lapa", showing the current reputation of the food and beverage area of his hotel. On the other hand, the manager of Hotel 1 observed that the Hotel brand is associated to service quality, good hotel location and good price/quality relation. Moreover, he highlights "it is important to identify the guest profile and be as assertive as possible", being Hotel 1 able to "do a historic track and define the typical guest according to segments, nationalities, etc.". In order to better meet customers' needs, Hotel 1 has an internal system, called ReviewPro, which aggregates everything that has been said about the hotel in social networks and platforms. Information is then analyzed and individual guest experiences are examined.

About tangibilizing the service, the Hotel 2's manager adverted that the hotel preservation, the SPA Center, the Fitness Center and the Convention Center with 8 different rooms show the service quality of the hotel. The outdoor pool inserted in an "oasis" environment was considered something "out of the Lapa reality". He also made an allusion to the rooms, saying that "they provide an equipment that is nowadays seen as viable in each hospitality unit", highlighting their practicability. Regarding Hotel 1, its location, SPA Center, Fitness Center, Business Center, Convention Center with 17 rooms, parking lot and free WiFi were mentioned. The manager also mentioned that the hotel rooftop deck, with an outdoor pool, a panoramic view over the beaches and a lounge environment is a

“differentiating factor among the hotels located right in front of the Copacabana beach”. Additionally, the Hotel 1’s manager said that the recently remodeled oceanic suites are “absolutely fantastic”, since they have a balcony oriented to the sea, with “a view of 180 degrees”, which rarely happens in a similar hotel.

Once again, the brand of Hotel 2 was recalled. The manager related its reputation with the Assurance dimension verified in its service quality. Besides, he declared that the supervision and continuous training the hotel offers to its employees prevents from service failures and allows offering a better service to customers according to their needs. The manager of Hotel 1 agreed with these ways of assuring the service quality but added that teams should be strengthened and a service culture developed. He enhanced that it is important to provide information to the customers and employees, arguing that “most of the times an unsuccessful business is justified by the non availability of clear information”. In his opinion, only being rigorous, involving employees, giving them responsibilities and motivating them, will create a trusting basis that will determine the hotel success. This is what he, as the manager of Hotel 1, always tries to do.

Regarding the Empathy dimension, both managers mentioned a VIP treatment. Both call VIP guests directly by their name, place fresh water, fruit and a welcome card in the room, upgrade the category and give late checkout. Hotel 1’s employees also call their VIP guests in the next day of their arrival to check if everything is fine or if they need something. Furthermore, the Hotel 1’s manager has daily meetings with heads of department to discuss and analyze new guests’ arrivals. The hotel presents its customers with a Guest Relations, who takes care about special requests. The manager also claims that “the contact that employees have with guests depend on their personal valorization”, being the employee’s empowerment determinant to ensure that customers perceived the service as good. The Hotel 2 manager also highlighted that the hotel is very new, so that occupancy rate is not as high, and the hotel is more capable of delivering an individualized service.

Lastly, there it comes the Responsiveness dimension. Hotel 2’s manager emphasized the value for money the hotel is currently offering to its guests, which he considered to be the main reason for customers to choose the hotel. Besides, the fact that the hotel is located in a place where guests can find everything nearby was mentioned as a sign of responsiveness to their needs. Hotel 1’s manager adverted that asking for guests’ feedback is the best way of being responsive. The hotel tries to gather the maximum information possible about previous accommodations and analyze them. It adjusts the service according to guests’ opinions, but the manager highlighted that “a single input does not mean we will

immediately change the service”. Additionally, a fast and effective check-in, a reliable and workable WiFi, and an efficient breakfast were included as activities that contribute to the dimension in question.

Concerning the secondary qualitative research, the hotels’ website analysis was extremely useful. Both websites communicate the extra services the hotels are currently offering, which allowed completing the attributes regarding the Reliability and Tangibles dimensions. In Hotel 2, location, business center, laundry, parking lot, restaurants and bars, access to disabled people and free WiFi completed the Tangibles dimension. The fact that it is a 4-star hotel was included as an attribute of the Reliability dimension. In Hotel 1, the definition of a 5-star hotel was integrated in the Reliability dimension, as well as the reputation of food and beverage area, due to the award-winning restaurant offered by the hotel. The indoor pool, the shops and the restaurant and bars complemented the Tangibles dimension of Hotel 1.

Both hotels have channels on Youtube. While the one from Hotel 1 is more focused on the Hotel Group in general and does not give much information on the hotel in analysis, the second Hotel Group posts videos about each of its hotels. However, the Hotel 2 video corresponding to the Rio de Janeiro hotel is based on reasons to visit the city and on customers’ opinions about the hotel. Thus information provided on Youtube was not considered for any of the hotels.

On Twitter, both companies share pictures, promotions and events concerning all their hotels. The hotels considered for analysis are rarely mentioned on their Twitter accounts, and when done so, the information on it is not pertinent for this study. Hence Twitter information was not included in qualitative conclusions. The same happened for Facebook and Instagram, even though only Hotel 2 has an Instagram account.

Regarding TripAdvisor, only Hotel 1 offers a Certificate of Excellence to its guests, being this an indication of Reliability.

## 7. Quantitative data analysis

A total number of 121 questionnaires were collected. It was noticed that there were some guests that left questions in blank or did not finish the questionnaire until the end. Thus to proceed with an accurate analysis, the questionnaires that were not complete were then not considered, reducing the data to 100 questionnaires.

The quantitative data was analyzed through the SPSS (Statistical Package for the Social Sciences) program. A 95% of confidence level was always considered. A factor analysis was applied to the service attributes, followed by a reliability and correlation analysis. A regression between guests' global satisfaction and the SERVQUAL dimensions was then run, in order to understand the impact of each dimension on the overall perceived service quality of the hotel in the eyes of customers. Demographic variables were also included to test if they could moderate the results. Finally, a descriptive analysis helped to understand how the hotels are currently performing according to the guest's views.

### 7.1. Sample

The sample of respondents was 100. If the population is defined as the total number of people willing to visit Rio de Janeiro, it is assumed that it will tend to infinitum. Then, the sampling error is estimated to be around 10%, if a confidence level of 95% and a sample proportion of 50% are taken. Notice that the higher the sample, the smaller the sampling error. In this case, the sampling error is considered relatively high, which is justified by the sample size.

Of the sample, 50% of the respondents were Hotel 2 guests, and the remaining 50% were staying at Hotel 1. 50% were female and 49% male. The majority, namely 54%, was aged as more than 35 years old, which is the typical age of the segments both hotels are targeting. The respondents ranging from 25 to 35 years old were 32%, and the ones with less than 25 years old were 14% of the sample. 56% of respondents were staying in the hotels for leisure, 38% for business, and 6% had different, not specified, reasons. Most of the respondents were from Brazil (68%), and were also living in the country (69%). Finally, 60% had a family income higher than R\$ 10000 per month, which was expected, since both hotels charge a relatively high price per night. 36% were within a range from R\$ 2000 to R\$ 10000, and 4% had less than R\$ 2000 of family income. An illustration of sample characteristics in the form of a table is presented next.

**Table 6 - Characteristics of the sample**

<b>Gender</b>	<b>Valid Percent</b>
Male	49%
Female	51%
<b>Age</b>	<b>Valid Percent</b>
<25 years old	14%
25-35 years old	32%
>35 years old	54%
<b>Purpose of the trip</b>	<b>Valid Percent</b>
Business	38%
Leisure	56%
Other	6%
<b>Country of residence</b>	<b>Valid Percent</b>
Brazil	69%
Other	31%
<b>Home country</b>	<b>Valid Percent</b>
Brazil	68%
Other	32%
<b>Family income</b>	<b>Valid Percent</b>
<R\$ 2000	4%
R\$ 2000 - R\$10000	36%
>R\$ 10000	60%
<b>Hotel</b>	<b>Valid Percent</b>
Hotel 1	50%
Hotel 2	50%

## 7.2. Results and discussion

### 7.2.1. Categorization into the SERVQUAL dimensions

The SERVQUAL questionnaire's structure present in Appendix 2 is developed under five different service dimensions – Tangibles, Reliability, Responsiveness, Assurance and Empathy. The difference between perceptions and their corresponding expectations of each

group of questions measure the perceived service quality of the attributes that encompass each dimension.

Therefore, a factor analysis was carried out on each group of questions about expectations and perceptions of the 22 attributes. In total, ten factor analyses were run, resulting in ten different factors. They relate to (1) Expectations of Tangibles, (2) Perceptions of Tangibles, (3) Expectations of Reliability, (4) Perceptions of Reliability, (5) Expectations of Responsiveness, (6) Perceptions of Responsiveness, (7) Expectations of Assurance, (8) Perceptions of Assurance, (9) Expectations of Empathy, and (10) Perceptions of Empathy. The factors were identified using Principal Components as the method of extraction and Varimax as the rotation method. The results of the factor analyses are summarized in Table 7. All accounted for more than 50% of the variance and the Kaiser-Meyer-Olkin (KMO), a tool that measures sampling adequacy, ranged from 0,608 to 0,854. This last presented high values, showing that the factor analyses can be proceeded, since the partial correlations among the variables that comprehend each group are high. This means that the variables are related with each other and should be categorized, making sense carrying on with the factor analyses. See Table 8 to confirm the results.

Factor 1, Expectations of Tangibles, represents the guests' general expectations about the appearance of physical facilities, equipment, personnel, and communication materials of a hotel, while Factor 2, Perceptions of Tangibles, deals with the corresponding guests' perceptions about the hotel they were staying in, at the time of the questionnaire.

Factor 3, Expectations of Reliability, focus on the guests' expectations about a hotel's ability to perform the promised service dependably and accurately. Factor 4, Perceptions of Reliability, measure the guests' perceptions about the same variables, but now considering the actual hotel.

Factor 5, Expectations of Responsiveness, communicates the expectations about the willingness to help customers and provide prompt service in a hotel, while Factor 6, Perceptions of Responsiveness, covers the corresponding perceptions of service related to the hotel experience the guest was having at the moment of the questionnaire.

Factor 7, Expectations of Assurance, characterizes expectations about the knowledge and courtesy of employees and their ability to convey trust and confidence. On the other hand, Factor 8, Perceptions of Assurance, is related to the guests' perceptions of the actual hotel service on the same variables.

Finally, Factor 9, Expectations of Empathy, deals with the expectations about receiving caring and individualized attention from a hotel. Factor 10, Perceptions of Empathy, is focused on the corresponding guests' perceptions about the current hotel.

**Table 7 - Factors and their attributes**

<b>F. 1 - Exp. of Tangibles</b>	<b>F. Loading</b>	<b>F. 2 - Perc. of Tangibles</b>	<b>F. Loading</b>
E1	0,772	P1	0,818
E2	0,732	P2	0,78
E3	0,705	P3	0,758
E4	0,654	P4	0,612
<b>F. 3 - Exp. of Reliability</b>		<b>F. 4 - Perc. of Reliability</b>	
E5	0,892	P5	0,94
E6	0,889	P6	0,915
E7	0,865	P7	0,909
E8	0,683	P8	0,678
E9	0,635	P9	0,473
<b>F. 5 - Exp. of Responsiveness</b>		<b>F. 6 - Perc. of Responsiveness</b>	
E10	0,837	P10	0,947
E11	0,784	P11	0,919
E12	0,73	P12	0,883
E13	0,601	P13	0,847
<b>F. 7 - Exp. of Assurance</b>		<b>F. 8 - Perc. of Assurance</b>	
E14	0,927	P14	0,892
E15	0,92	P15	0,885
E16	0,881	P16	0,876
E17	0,75	P17	0,739
<b>F. 9 - Exp. of Empathy</b>		<b>F. 10 - Perc. of Empathy</b>	
E18	0,854	P18	0,926
E19	0,821	P19	0,914
E20	0,794	P20	0,902
E21	0,682	P21	0,892
E22	0,659	P22	0,759

**Table 8 - KMO and percentage of variance explained by the factors**

	<b>KMO</b>	<b>% of Variance</b>
<b>F. 1 - Exp. of Tangibles</b>	0,714	51,379
<b>F. 2 - Perc. Of Tangibles</b>	0,688	55,676
<b>F. 3 - Exp. of Reliability</b>	0,828	64,101
<b>F. 4 - Perc. of Reliability</b>	0,819	64,622
<b>F. 5 - Exp. of Responsiveness</b>	0,608	55,264
<b>F. 6 - Perc. of Responsiveness</b>	0,826	80,964
<b>F. 7 - Exp. of Assurance</b>	0,818	76,104
<b>F. 8 - Perc. of Assurance</b>	0,736	72,299
<b>F. 9 - Exp. of Empathy</b>	0,691	58,653
<b>F. 10 - Perc. of Empathy</b>	0,854	77,58

It was then necessary to conclude about the perceived service quality of each dimension. Thus new different variables were created. First, the average of each factor was processed, generating ten new variables. Second, following the logic of the SERVQUAL model and using the variables just created, five new others were computed. They would correspond to the difference between the average of each Perception's factor and the average of the corresponding Expectation's factor. Indeed the perceived service quality of each dimension according to the 22 attributes of the questionnaire was reached. The new variables were finally named as (1) Tangibles, (2) Reliability, (3) Responsiveness, (4) Assurance, and (5) Empathy.

### *7.2.2. Reliability test*

A reliability test on the raw data of expectations and perceptions about the service attributes that encompass each SERVQUAL dimension and served the factor analyses was conducted. The reliability estimates for the service dimensions are reported in Table 9. Cronbach's Alphas range from a low 0,705 to a 0,809 and are above the cut-off point for basic research recommended in literature. Thus the five dimensions demonstrate internal consistency.

**Table 9 - Reliability analysis for the SERVQUAL dimensions**

<b>Dimension</b>	<b>Number of Items</b>	<b>Cronbach's Alphas</b>
<b>Tangibles</b>	8	0,705
<b>Reliability</b>	10	0,784
<b>Responsiveness</b>	8	0,737
<b>Assurance</b>	8	0,785
<b>Empathy</b>	10	0,809

However, the correlation analysis on the final variables named as the SERVQUAL dimensions, shows values ranging from 0,549 to 0,816 (see Table 10). The high correlations among the service quality dimensions indicate that they are not independent from each other, which implies that the model does not have discriminant validity. Strictly speaking, the high correlations suggest that the SERVQUAL dimensions are not enough distinctive from each other to be considered as different in further analyses.

As a matter of fact, some authors had problems when replicating the model across industries. For instance, Babakus and Boller (1991) and Carman (1990) argued that there is a high degree of inter-correlation between the five dimensions, and discredited the cohesiveness among the scale items and their convergence to each construct. More specifically in the hospitality industry, although several authors see advantages when using the SERVQUAL framework to evaluate the service quality, many also emphasize that it requires some minor changes in the description of the service dimensions. Based on these opinions, despite the high correlation among the dimensions, the analysis was carried on. However, one should always take into account these results in the following analyses.

**Table 10 - Correlations coefficients among the SERVQUAL dimensions**

<b>Measures</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>1. Tangibles</b>	1				
<b>2. Reliability</b>	0,601	1			
<b>3. Responsiveness</b>	0,6	0,816	1		
<b>4. Assurance</b>	0,585	0,798	0,781	1	
<b>5. Empathy</b>	0,549	0,669	0,761	0,728	1

### *7.2.3. Impact of the SERVQUAL dimensions on the guest's overall satisfaction*

In order to study the impact of the service dimensions on the overall satisfaction of the hotel guests, a regression analysis was conducted. The overall satisfaction was

considered the dependent variable, while the variables Tangibles, Reliability, Responsiveness, Assurance and Empathy were inserted as independent. The results are presented in Table 11.

Only the dimension Empathy appears to be statistically significant when analyzing the impact of the guest's overall satisfaction, since its significant value is 0,024. Indeed its coefficient is 0,321, which means that for each extra unit increase on the average score of the Empathy dimension, the guests' overall satisfaction increases 0,321. However, the adjusted R square of 0,302 is considered low, meaning that the SERVQUAL dimension only explains 30,2% of the overall satisfaction.

Nevertheless, only Empathy has a significant impact on the guests' overall satisfaction. This means that Empathy is the most important dimension for the guests of the two hotels in analysis. Therefore, the higher the score of this dimension, the higher the overall satisfaction of the guests and vice-versa. Thus the hotel managers should pay special attention to the hotels' performance on this dimension, since customer satisfaction increases the customer retention rate, and consequently, the profitability.

Remember that Akan (1995) found that Reliability is the most important dimension for customers. It was proved that in hospitality industry, more specifically in the hotels 1 and 2, this was not the situation. Instead of the Reliability dimension, the guests of the sample considered the Empathy dimension the most important.

Also, Coyle and Dale (1993) mentioned that the service quality related to the Tangibles dimension affects the customer satisfaction. As it is possible to verify in Table 9, the significant value of Tangibles is 0,703. This means that for the guests of the selected hotels, the service quality of this dimension has no direct effect on their overall satisfaction. Thus the insights given by Coyle and Dale in 1993 do not apply to Hotel 1 and Hotel 2, located in Rio de Janeiro.

**Table 11 - Regression analysis on the SERVQUAL dimensions**

<b>Dimension</b>	<b>Beta</b>	<b>Sig.</b>
<b>Tangibles</b>	-0,043	0,703
<b>Reliability</b>	0,219	0,193
<b>Responsiveness</b>	0,182	0,297
<b>Assurance</b>	-0,06	0,71
<b>Empathy</b>	0,321	0,024

The question “What is the hotel where you are currently staying in?” was converted into a dummy variable in order to be included in the regression analysis. It had the intention of studying if the fact of being a Hotel 2 or a Hotel 1’s guest will change the previous results. The outcomes of the new regression analysis are showed in Table 12.

The coefficient of Hotel 1 is positive, which means that Hotel 1 is better qualified than Hotel 2. More specifically, the mean of the overall satisfaction of Hotel 1’s guests is 0,119 higher than the mean of the overall satisfaction of the guests of Hotel 2. However, this difference is not statistically significant, therefore the distinction between the hotels will not be discriminated for further analyses. Once again, the Adjusted R square, meaning the percentage of dependent variable explained by the independent one, has a value of 0,297, which is considered relatively low, but does not affect the effect of the independent variables on the dependent ones.

**Table 12 - Regression analysis on the hotel where the guests were staying in**

<b>Dimension</b>	<b>Beta</b>	<b>Sig.</b>
<b>Tangibles</b>	-0,028	0,798
<b>Reliability</b>	0,19	0,198
<b>Responsiveness</b>	0,144	0,352
<b>Assurance</b>	-0,068	0,639
<b>Empathy</b>	0,3	0,021
<b>Hotel 1</b>	0,119	0,591

The demographic variables were also transformed into dummy variables to see if they moderate the impact of the SERVQUAL dimensions on the overall satisfaction of guests from Hotel 1 and Hotel 2.

The effect of gender appears to be statistically significant when explaining the overall satisfaction of the guests (see Table 13). Gender actually moderates the value of the overall satisfaction. More precisely, if the guest is male, the overall satisfaction suffers a negative impact of 0,295. This indicates that female respondents are, on average, more satisfied than male respondents. In other words, male guests are more service quality demanding, thus it is harder to please them. This way, hotel managers need to run the extra mile to fulfill the male guests’ level of satisfaction.

**Table 13 - Regression analysis on Gender**

<b>Dimension</b>	<b>Beta</b>	<b>Sig.</b>
<b>Tangibles</b>	-0,118	0,294
<b>Reliability</b>	0,143	0,375
<b>Responsiveness</b>	0,126	0,455
<b>Assurance</b>	0,077	0,636
<b>Empathy</b>	0,359	0,01
<b>Hotel 1</b>	0,058	0,505
<b>Male</b>	-0,295	0,001

On the other hand, guests' age does not moderate their overall satisfaction, since the significant values are higher than 5%, as it is shown in Table 14. Although age has no effect on satisfaction, it can be said that respondents under 25 years old were, on average, 0,104 more satisfied than respondents with age ranging from 25 to 35 years, who in turn were, on average, 0,015 more satisfied than respondents with more than 35 years old. Strictly speaking, the guests with less than 25 years old of the hotels in analysis were, in general, more satisfied than the others at the moment of data collection.

**Table 14 - Regression analysis on Age**

<b>Dimension</b>	<b>Beta</b>	<b>Sig.</b>
<b>Tangibles</b>	-0,055	0,65
<b>Reliability</b>	0,195	0,253
<b>Responsiveness</b>	0,171	0,34
<b>Assurance</b>	-0,048	0,777
<b>Empathy</b>	0,368	0,014
<b>Hotel 1</b>	0,047	0,613
<b>Age &lt; 25</b>	0,104	0,278
<b>Age 25-35</b>	0,015	0,871

The purpose of the trip has also no effect on the guests' overall satisfaction, as the significant values are higher than 5%. Nevertheless, the coefficients presented in Table 15 show that, on average, the guests that were staying at the hotels for business purposes were 0,089 more satisfied than the guests that privileged leisure, who in turn were, on average, 0,031 more satisfied than the guests that chose the hotels for other, not specified, reasons. That is, business customers were, in general, more satisfied at the time of data collection.

**Table 15 - Regression analysis on Purpose of the trip**

<b>Dimension</b>	<b>Beta</b>	<b>Sig.</b>
<b>Tangibles</b>	-0,031	0,788
<b>Reliability</b>	-0,21	0,216
<b>Responsiveness</b>	-0,155	0,391
<b>Assurance</b>	-0,064	0,712
<b>Empathy</b>	0,353	0,023
<b>Hotel 1</b>	0,034	0,73
<b>Purpose - Business</b>	0,089	0,688
<b>Purpose - Leisure</b>	0,031	0,889

The country of residence presents a significant value of 0,005. This means that the country where guests currently live is statistically significant to explain the behavior of the dependent variable, in this case the overall satisfaction of Hotel 1 and Hotel 2. The results of the regression are presented in Table 16. The Beta coefficient for people living in Brazil is 0,258, which implies that they are, on average, more overall satisfied than the ones not living in Brazil. The guests from the selected hotels currently living in Brazil are less demanding in what concerns to service quality, while the ones living out of Brazil are more difficult to satisfy. Therefore, the hotel managers' efforts are required to meet the expectations of the guests that not live in Brazil and get them satisfied. Only 34,8% of the overall satisfaction is explained by the variable "country of residence. Although this value is considered low, it does not affect the previous conclusions.

**Table 16 - Regression analysis on Country of residence**

<b>Dimension</b>	<b>Beta</b>	<b>Sig.</b>
<b>Tangibles</b>	-0,077	0,493
<b>Reliability</b>	0,187	0,25
<b>Responsiveness</b>	0,049	0,779
<b>Assurance</b>	0,072	0,669
<b>Empathy</b>	0,408	0,005
<b>Hotel 1</b>	0,064	0,475
<b>Residence - Brazil</b>	0,258	0,005

As it is possible to verify in Table 17, guests' origins have a statistically significant impact on their overall satisfaction. In fact, the significant value for the variable "home

country” is 0,011, showing that it partly justifies the behavior of the variable “overall satisfaction”. More specifically, Brazilians are, on average, 0,231 more satisfied with the service quality offered by the hotels 1 and 2, than foreigners. Foreigners are actually more difficult to please. This way, hotel managers should better understand the needs of foreigners to make them more satisfied with the hotel service quality. Again, the adjusted R square is 0,339, which means that the variable “home country” only explains 33,9% of the guests’ overall satisfaction, however it has no influence on the results.

**Table 17 - Regression analysis on Home country**

<b>Dimension</b>	<b>Beta</b>	<b>Sig.</b>
<b>Tangibles</b>	-0,063	0,578
<b>Reliability</b>	0,201	0,22
<b>Responsiveness</b>	0,051	0,776
<b>Assurance</b>	-0,005	0,976
<b>Empathy</b>	-0,43	0,004
<b>Hotel 1</b>	0,059	0,509
<b>Home - Brazil</b>	0,231	0,011

Finally, only the guests’ family income between R\$2000 and R\$10000 appear to moderate their overall satisfaction. The results are described in Table 18. It has a significant value of 0,006, thus its effect on the variable “overall satisfaction” is statistically significant. The fact that guests of Hotel 1 and Hotel 2 have a family income between R\$2000 and R\$10000 positively affects the overall satisfaction. On average, the respondents with family income lower than R\$ 2000 were 0,152 less satisfied than the respondents with family income ranging from R\$2000 and R\$10000, who in turn are, on average, were 0,242 more satisfied than the ones with family income higher than R\$ 10000. In other words, the segment with family income between R\$2000 and R\$10000 was the most satisfied at the moment of data collection. If Hotel 1 and Hotel 2 are targeting the segment that has a family income ranging from \$2000 and R\$10000, they are well performing their role. If not, hotel managers should focus on understanding how to increase the level of satisfaction of the remaining segments. As happened before, the adjusted R square is only 0,376, but it does not affect the impact of the dependent variables on the independent ones.

**Table 18 - Regression analysis on Family income**

<b>Dimension</b>	<b>Beta</b>	<b>Sig.</b>
<b>Tangibles</b>	0,059	0,593
<b>Reliability</b>	-0,176	0,272
<b>Responsiveness</b>	-0,191	0,255
<b>Assurance</b>	-0,016	0,921
<b>Empathy</b>	-0,239	0,09
<b>Hotel 1</b>	0,034	0,699
<b>Income &lt; 2000</b>	-0,152	0,072
<b>Income 2000-10000</b>	0,242	0,006

#### 7.2.4. Performance of the hotels on the SERVQUAL dimensions

A descriptive analysis on the overall satisfaction and the SERVQUAL dimensions was run, in order to understand the current performance of Hotel 1 and Hotel 2 in the eyes of their guests. The main results are presented in Appendix 3.

The Hotel 1's guests are overall more satisfied than the Hotel 2's guests, since the means are 5,96 and 5,74 respectively. The standard deviation in Hotel 1 is also lower than the one in Hotel 2 (1,068 for 1,306), meaning that there is a higher agreement on the level of satisfaction. The results are detailed in the following table.

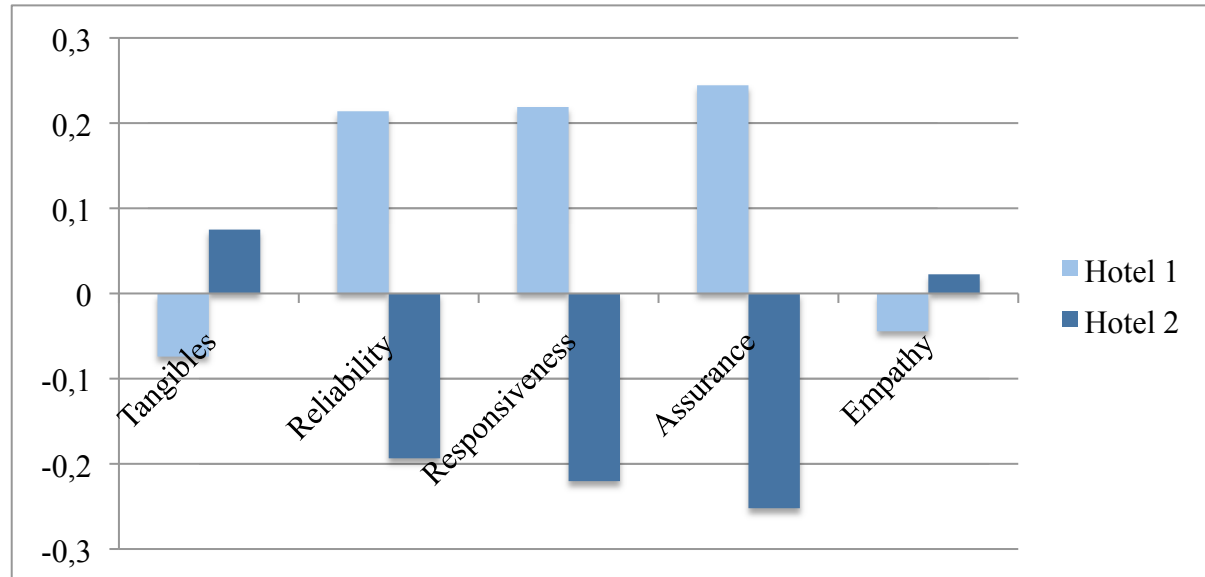
**Table 19 - Guests' overall satisfaction of each hotel**

<b>Overall Satisfaction</b>	<b>Hotel 1</b>	<b>Hotel 2</b>
Minimum	2	3
Maximum	7	7
Mean	5,96	5,74
Std. Deviation	1,068	1,306

Going deeper, the means of each SERVQUAL dimension in each of the hotels were considered. Remember that if the mean is negative, it means that the perceptions of hotel guests about service quality are lower than their expectations. By contrast, if the mean is positive, the perceptions about service quality exceeded the hotel guests' expectations. A summary of the hotels' performance is presented in the following chart. Guests from Hotel 1 have higher expectations than perceptions on Tangibles and Empathy, while the expectations of guests from Hotel 2 are higher than their perceptions on Reliability, Responsiveness and

Assurance. Strictly speaking, Hotel 1 is not performing well on Tangibles and Empathy, while Hotel 2 is performing negatively on Reliability, Responsiveness and Assurance.

**Chart 1 - Performance of each hotel according to the SERVQUAL dimensions**



Regarding the Tangibles dimension, Hotel 2 is positively performing, while Hotel 1 presents negative scores. The difference on the dimension between the two hotels can be explained by the lifetime of each one. Remember that Hotel 2 opened its doors less than a year ago so that its facilities are completely new, while Hotel 1 offers its service for several years. In any case, looking at the insights from the qualitative research, Hotel 2 offers some attributes that are not present in Hotel 1 and that could make a difference on the guests' perceptions. For instance, the fact that the building was totally recovered, the service of laundry or the access to disabled people could justify this difference. However, this explanation is not certain and requires further research. Also notice that this dimension has no statistically significant effect on the overall satisfaction, so there is no need of considering it a top priority on the list of improvements.

In the Reliability dimension there is a high discrepancy between the two hotels. For guests, Hotel 1 has a higher ability to perform the promised service dependably and accurately, while Hotel 2 does not do so. The fact that Hotel 1 initiated its operations a long time ago and has an already established reputation in the market can justify its Reliability value. Also, if the qualitative research conclusions are taken into account, the certificate of excellence provided by TripAdvisor to Hotel 1 and for being a 5-star hotel, could influence the perceptions of guests. In order to affirm these conclusions with confidence, deeper

analyses are needed. Once again, notice that the Reliability dimension does not justify the behavior of the variable “overall satisfaction”.

The Responsiveness dimension also shows a high discrepancy between the hotels. For guests, Hotel 1 is much more willing to help its customers and provide prompt service than Hotel 2. The performance of Hotel 2 on this dimension is actually negative, which means that the hotel fails to meet the expectations of their guests about the service attributes of the Responsiveness dimension. Considering the speeches of the hotel managers, Hotel 1 seems to have much more actions on understanding and responding to customers’ needs. For example, they are constantly asking for guests’ feedback, and according to the information gathered and the service feasibility, they adjust the service. Hotel 2 seems not to have significant actions of this kind, which probably has influence on the dimension’s score. Notice that these are mere suggestions and cannot be asserted with certainty. This dimension is also not statistically significant to explain the guests’ overall satisfaction, thus its improvement will not considerably increase guests’ punctuation.

Assurance is curiously the dimension that presents the highest divergence between the two hotels. It is the dimension best quantified for Hotel 1, but the worst for Hotel 2. The means are respectively 0,2444 and -0,2521. Based on the insights from the qualitative research, it is possible to understand how much focused is Hotel 1 on developing a service culture and empowering the employees. While Hotel 2 only provides training and supervision for the employees, Hotel 1 also does team building and stimulates transparency between managers, employees and customers. Managers of Hotel 1 are also instructed to be rigorous, to motivate, involve and give responsibilities to employees. These could be reasons for the high discrepancy between the two hotels on the Assurance dimension. Yet, this justification cannot be affirmed with certainty and requires further analyses.

Finally, Empathy, for being the only dimension that directly affects the guests’ overall satisfaction, it is the one that requires more attention. A positive mean on Empathy increases the guests’ punctuation on overall satisfaction, while a negative mean decreases it. In this case, it is the Hotel 2 who shows better results. The mean for Hotel 2 is 0,0225 and for Hotel 1 is -0,0444. Therefore, Hotel 1’s mean contributes negatively to the guests’ overall satisfaction, and Hotel 2’s mean causes a positive impact. Observe that Hotel 2 has much lower values in almost all dimensions but the overall satisfaction is still very close from Hotel 1. Remember that if Hotel 1 increases a unit on the mean of the Empathy dimension, the overall satisfaction will increase 0,312. If the insights from qualitative research are taken into account, it is obvious that Hotel 1 tries harder to respond to

customers' needs on this dimension. Yet, during the interview with the Hotel 2 manager, he mentioned that for being a new hotel in town, it is easier to offer its guests a more individualized service, since the occupancy rate is often not very high. Indeed when the occupancy rate is about 100%, it becomes difficult to serve specific guests' needs, which is what happens with Hotel 1 in most cases. Hence although Hotel 1 has more effort on the Empathy dimension, Hotel 2 is often more able to deliver an individualized service due to its moderately low occupancy rate. This fact can be a reason for the Empathy scores, but it cannot be affirmed with absolute certainty; additional researches are needed for precise conclusions. In any case, the Empathy dimension, by having a great impact on the overall satisfaction of guests from Hotel 1 and Hotel 2, should be treated as top priority. Thus its improvement is essential and decisive for the hotels' success. In fact, if guests are satisfied, their loyalty and retention rate are more likely to increase, which will also increase the companies' profitability.

## 8. Conclusion

Services are more difficult to evaluate than goods thanks to their inherent characteristics such as intangibility, heterogeneity, inseparability and perishability. Besides, the definition of service quality is wide and depends on the customers' judgment to evaluate it. If service quality is described as the discrepancy between customer's expectations and their perceptions, only the customer decides when he/she is satisfied. In turn, if the customer is satisfied, he/she will be less price sensitive, will spread positive word-of-mouth about the company, and will remain a customer for a longer period. Customer loyalty is then more likely to increase, and profit will stand out.

Being customer satisfaction determinant for a company's success, it is essential to understand how customers evaluate de service. More precisely, it is relevant to determine which service dimensions have more impact on customers' overall satisfaction. Despite some limitations when applied across industries, the SERVQUAL model, which encompasses five different service dimensions – Tangibles, Reliability, Responsiveness, Assurance, and Empathy - is the tool most employed by managers.

Meeting the main research objective, the study was able to conclude that guests from Hotel 1 and Hotel 2 see Empathy as the most important dimension when evaluating the hotels' service quality. It is the only service dimension which performance has a direct effect on these hotel guests' overall satisfaction. Thus it is the more that requires more attention during the service delivery process. Curiously, although Hotel 1 tries harder than Hotel 2 to achieve good results on this dimension, its performance is poor, which affects negatively the guests' satisfaction. By contrast, Hotel 2 performs well on the Empathy dimension, contributing positively to the guests' punctuation on satisfaction.

Even though the remaining service dimensions have no impact on the guests' overall satisfaction, it is pertinent to mention that Hotel 1 is not also performing well on the Tangibles dimension. Differently, Hotel 2 is not attaining good results on Reliability, Responsiveness and Assurance. Thus it is possible to infer that the SERVQUAL GAP 5 (Expected Service – Perceived Service) has a high degree of openness. The distinctive performances of the two hotels are explained by the different service attributes offered to guests, which influence their perceptions about service quality. In order to improve their performance, literature counsels to manage customers' expectations, to involve employees in the service delivery process, and to find ways of tangibilizing the product. Additionally, especially for hospitality industry, it is advised to manage hotels' capacity and demand, and

assure the consistency of service delivery. In any case, a deeper analysis through the four provider GAPs is needed in order to understand where the failures arise.

It was also possible to conclude that gender, country of residence, home country, and family income of guests have influence on the opinions about overall satisfaction in the hotels in analysis. For both hotels, the most satisfied customers are female, from Brazil, living in Brazil, and with a family income between R\$ 2000 and R\$ 10000.

Notice that these conclusions are only applied to Hotel 1 and Hotel 2 in Rio de Janeiro, in Brazil. This study is a research multiple case study and has no intention of generalizing the results, but rather deepening a theory.

## **9. Assumptions, limitations and further research**

### **9.1. Basic Assumptions Adopted**

For the development of the interviews guide, it was assumed that the interviewees could deliver accurate information about the service quality offered by the hotels in analysis. It was presumed that the managers of Hotel 1 and Hotel 2 were aware of the relationship between employees and customers, the value that the brand has for the clients, all activities developed within the hotel installations, the hotel demand and its physical characteristics.

Even though one of the Hotels, namely Hotel 2, opened less than a year ago, the manager was expected to have enough experience in the industry and access to all kind of information related to the Hotel, so that precise material about the service quality delivery is provided. Similarly, the researcher was informed that the current manager of Hotel 1 took the office about four months ago and was still trying to understand the hotel dynamics. In any case, given the interview guide, the manager considered himself capable of participating in the qualitative data collection with accurate information.

Also, the chosen days to administer the questionnaire, namely three days of weekend in Hotel 2 and three working days in Hotel 1, seemed sufficient to cover a wider range of guests, allowing a deeper understanding of reality.

### **9.2. Method Limitations**

This study represents a multiple case study of previously selected hotels, and not a study about the hotels of Rio de Janeiro in general. The city comprehends a wide range of hotels, meaning that only with strong, and perhaps difficult to justify, premises about this universe and the hotels included in the study, would be possible to have a representative sample through the available observations (answers to the questionnaires). In other words, a multiple case study does not seek generalizations but a theory deepening.

The period and days of research were considered able to give more diversified opinions about service quality. However, it is known that the demand of hotel services fluctuates and it is difficult to foresee that certain days will comprehend both corporate and leisure clients. Notice that this strategy aims to have a more extensive sample of hotel guests, but does not mean that it is representative.

Additionally, this study took into account the perspectives of managers and customers, not including the assessments of other major players in services encounters, such as employees.

Finally, the reliability test on the SERVQUAL dimensions showed that the correlations are high, meaning that the validity of the model is limited when applied to the hotels 1 and 2.

### 9.3. Further Research

When analyzing the quantitative data, the SERVQUAL dimensions appeared to be highly correlated once applied to Hotel 1 and Hotel 2 in Rio de Janeiro. Indeed, based on the opinions of academics, it is suggested to test the impact of the service dimensions on guests' overall satisfaction, using a revised version of the SERVQUAL model adequate to be applied to hospitality industry.

Another potential research would be to study the contribution of each hotel service attribute to the performance score of each SERVQUAL dimension. For instance, by regressing the perceived service quality scores of each attribute on the corresponding SERVQUAL dimension's mean. Also, instead of including the service dimensions as a whole, it would be interesting to know the impact of each hotel service attribute on the guests' overall satisfaction.

Besides, a cluster analysis would be interesting to run in order to better understand the profile of the guests, and regress it with the question about the overall satisfaction and the SERVQUAL dimensions' means. Doing so, managers would be able to know which segment of customers are more satisfied and which service dimensions each one better values. It would help them to manage the service according to their target' perceptions of quality.

It is also indicated to conduct an internal questionnaire to the hotels' employees about the service provider GAPs. This way, it would be possible to understand how closed are the provider GAPs, and infer the causes of bad performances of the hotels on GAP 5, more precisely on the five service dimensions.

Finally, it would be useful to conduct a research over the hotels of Rio de Janeiro and be able to generalize the results, so that hotel managers would know what the tourists of Rio de Janeiro expect and how to keep them satisfied.

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## 11. Appendix

### 11.1. Interview guide

1. What are the hotel characteristics that make customers rely in your services? How does the hotel provide service exactly the way it promised to do so? (**Reliability**)
2. What are the hotel tangibles that make guests believe that the service is of good quality? (**Tangibles**)
3. How does the hotel assure quality and consistency when delivering the service? (**Assurance**)
4. How does the hotel ensure that each guest receives individual attention? How much accessible are the employees to the hotel guests? How is the communication between employees and guests? (**Empathy**)
5. How does the hotel show that it is entirely at the guests' disposal? How much is the hotel willing to adjust the service according to the guests' needs and to help them in any occasion? (**Responsiveness**)

## 11.2. Questionnaire to the hotel guests



**FUNDAÇÃO GETÚLIO VARGAS  
ESCOLA BRASILEIRA DE ADMINISTRAÇÃO PÚBLICA E DE EMPRESAS**

STUDENT: Ana Rita dos Santos Bastos

SUPERVISOR: Prof. Ana Paula Borges

I'm a Business Master student at FGV – EBAPE and I'm currently doing a research about service quality in two hotels of Rio de Janeiro. This questionnaire is part of the data collection phase, and it takes a maximum of **10 minutes** to complete. It is totally anonymous and the results will contribute only to academic researches.

Two tables with affirmative sentences compose the questionnaire. The first is about your **expectations**, as a guest, of an ideal hotel in general. The second is related to your **perceptions** about the hotel you are currently staying in.

For each sentence you should write an “**X**” according to the level of the scale you are agreed with. The following scales should be considered:

- |                                   |                             |
|-----------------------------------|-----------------------------|
| <b>1 – TOTALLY DISPENSABLE</b>    | <b>1 – TOTALLY DISAGREE</b> |
| <b>2 – DISPENSABLE</b>            | <b>2 – DISAGREE</b>         |
| <b>3 – SOMEWHAT DISPENSABLE</b>   | <b>3 – PARTLY DISAGREE</b>  |
| <b>4 – INDIFFERENT</b>            | <b>4 – INDIFFERENT</b>      |
| <b>5 – SOMEWHAT INDISPENSABLE</b> | <b>5 – PARTLY AGREE</b>     |
| <b>6 – INDISPENSABLE</b>          | <b>6 – AGREE</b>            |
| <b>7 –TOTALLY INDISPENSABLE</b>   | <b>7 – TOTALLY AGREE</b>    |

If a single question is not fulfilled, the questionnaire will be **invalidated**, thus will not participate in the final results.

Thank you for your collaboration and time.

Rita Bastos

Consider 1= Totally Dispensable and 7= Totally Indispensable

		<b>Expectations of an IDEAL HOTEL</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
<b>TANGIBLES</b>	E1	Hotels should have modern-looking equipment: furniture, lifts, TV, internet, air conditioning, etc.							
	E2	The physical facilities of the hotel should be visually appealing: rooms, reception sofas, restaurant, etc.							
	E3	Employees of the reception, of the restaurant, housekeepers and managers should be neat appearing.							
	E4	Materials offered to guests, such as pamphlets, city maps or access cards to the rooms should be visually appealing.							
<b>RELIABILITY</b>	E5	When the hotels promise to do something by a certain time, they should do it.							
	E6	When a guest has a problem, hotels should show a sincere interest in solving it.							
	E7	Hotels should perform the service right the first time.							
	E8	The hotel should provide services such as breakfast, at the time they promise to do so.							
	E9	Hotels should insist on error-free records, such as on guests' profiles, reservations, bills of the restaurant, etc.							
<b>RESPONSIVENESS</b>	E10	Hotels should tell guests exactly when services will be performed, such as breakfast, laundry, phone calls, etc.							
	E11	Employees should give prompt service to guests.							
	E12	Employees should always be willing to help guests.							
	E13	Employees should never be too busy to respond to guests' requests.							
<b>ASSURANCE</b>	E14	The behavior of employees should instill confidence in guests.							
	E15	Guests should feel safe in their transactions, for instance reservations and food and beverage consumption will be correctly documented.							
	E16	Employees should be consistently courteous with guests.							
	E17	Employees should have the knowledge to answer guests' questions.							
<b>EMPATHY</b>	E18	Hotels should give guests individual attention.							
	E19	Hotels should have operating hours convenient to all their guests, such as breakfast, laundry, or room service.							
	E20	Hotels should have employees who give guests personal attention.							
	E21	Hotels should have the customer's best interests at heart.							
	E22	Employees of hotels should understand the specific needs of their guests, for instance when to proceed with housekeeping or which kind of food to include for breakfast.							

Hotel where you are currently staying: \_\_\_\_\_

Consider 1= Totally Disagree and 7= Totally Agree.

		<b>Perceptions of the CURRENT HOTEL where you are staying</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
<b>TANGIBLES</b>	P1	The hotel where you are staying has modern-looking equipment: furniture, lifts, TV, internet, air conditioning, etc.							
	P2	The physical facilities of this hotel are visually appealing: rooms, reception sofas, restaurant, etc.							
	P3	Employees of the reception, of the restaurant, housekeepers and managers are usually neat appearing.							
	P4	Materials offered to guests, such as pamphlets, city maps or access cards to the rooms are visually appealing.							
<b>RELIABILITY</b>	P5	When this hotel promises to do something by a certain time, it does.							
	P6	When a guest has a problem, this hotel shows a sincere interest in solving it.							
	P7	This hotel usually performs the service right the first time.							
	P8	This hotel provides services such as breakfast, at the time they promise to do so.							
	P9	This hotel insists on error-free records, such as on guests' profiles, reservations, bills of the restaurant, etc.							
<b>RESPONSIVENESS</b>	P10	This hotel tells guests exactly when services will be performed, such as breakfast, laundry, phone calls, etc.							
	P11	Employees of this hotel give prompt service to guests.							
	P12	Employees of this hotel are always willing to help guests.							
	P13	Employees of this hotel are never too busy to respond to guests' requests.							
<b>ASSURANCE</b>	P14	The behavior of employees of this hotel instills confidence in guests.							
	P15	Guests feel safe in their transactions, for instance reservations and food and beverage consumption are correctly documented.							
	P16	Employees of this hotel are consistently courteous with guests.							
	P17	Employees of this hotel have the knowledge to answer guests' questions.							
<b>EMPATHY</b>	P18	This hotel gives guests individual attention.							
	P19	This hotel has operating hours convenient to all their guests, such as breakfast, laundry, or room service.							
	P20	This hotel has employees who give guests personal attention.							
	P21	This hotel has the customer's best interests at heart.							
	P22	Employees of this hotel understand the specific needs of their guests, for instance when to proceed with							

		housekeeping or which kind of food to include for breakfast.								
--	--	--	--	--	--	--	--	--	--	--

If 1 means *Totally Dissatisfied* and 7 means *Totally Satisfied*, how do you evaluate, in general, the service of this hotel?

1	2	3	4	5	6	7

**Gender:**

F  M

**Age:**

< 25 years old

25-35 years old

> 35 years old

**Purpose of the trip:**

Business

Leisure

Other.

**Country of residence:**

Brazil

Other

**Home country:**

Brazil

Other

**Family income:**

< R\$ 2000

R\$ 2000 – R\$ 10000

> R\$ 10000

## 11.3. Descriptive analysis on the SERVQUAL dimensions according to each hotel

Dimension	Hotel	Statistic	Value
<b>Tangibles</b>	Hotel 1	Minimum	-3,16
		Maximum	2,10
		Mean	-0,0741
		Std. Deviation	1,08546
	Hotel 2	Minimum	-4,59
		Maximum	5,64
		Mean	0,075
		Std. Deviation	1,40565
<b>Reliability</b>	Hotel 1	Minimum	-2,15
		Maximum	4,42
		Mean	0,2139
		Std. Deviation	1,02606
	Hotel 2	Minimum	-3,36
		Maximum	7,79
		Mean	-0,1935
		Std. Deviation	1,64027
<b>Responsiveness</b>	Hotel 1	Minimum	-2,28
		Maximum	3,24
		Mean	0,2189
		Std. Deviation	1,10619
	Hotel 2	Minimum	-4,09
		Maximum	6,83
		Mean	-0,2203
		Std. Deviation	1,60844
<b>Assurance</b>	Hotel 1	Minimum	-2,56
		Maximum	5,08
		Mean	0,2444
		Std. Deviation	1,06182
	Hotel 2	Minimum	-3,59
		Maximum	6,96
		Mean	-0,2521
		Std. Deviation	1,60567
<b>Empathy</b>	Hotel 1	Minimum	-4,32
		Maximum	2,24
		Mean	-0,0444

		Std. Deviation	1,11853
	Hotel 2	Minimum	-3,29
		Maximum	5,26
		Mean	0,0225
		Std. Deviation	1,59128