

# Customer's Expectations of Hospitality Services- A Study on Five Star Hotels in Hyderabad City

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**ABSTRACT:** This paper analyzes the customer's expectations and their satisfaction levels with regard to services offered by five star hotels in Hyderabad city. A structured questionnaire has been used to obtain feedback from the 150 customers of from five star hotels based on convenience sample method. Statistical tools such as Chi-square and Pearson's correlation were employed to validate the results. Findings of the study are (i) there is a relationship between expectations of the customers and the services provided by the star hotels (ii) there is a relationship between customers satisfaction with regard to price charged by the star hotels for the quality of services offered. It is also proved that there is a positive correlation among the above presented parameters. It is suggested that the application of customer relationship management (CRM) is the need of the hour to fulfill the expectations of customer services.

Keywords: Customer expectations; Loyalty; Satisfaction; Retention; Strategy;

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## INTRODUCTION

Customer life cycle starts with identification of customer needs, acquisition of customers, development of customers and finally retaining the customers. Above all stages of life cycle the very first and the most important stage is identification of customer needs. This aspect influences the customer right from the time of selection of the hotel itself. According to customer expectations, he selects the respective hotel where he can fulfill his requirements with utmost personalization and customization. To understand certain expectations and services one should not forget the basic characteristics of Hospitality Sector. The services features include (i) perishability- services are perishable and it cannot be stored for future periods. Services can be stored to some extent for future with the help of tangible goods but not fully. (ii) intangibility- services are intangible i.e. they cannot touch or taste. While the physical structure and certain components of the hospitality product are tangible. (iii) inseparability- the special characteristic of services is production and consumption is inseparable. Services should be consumed when they are produced and (iv) variability- services can be deliberately varied to meet the specific needs of individual customers.

## IMPORTANCE OF CUSTOMERS EXPECTATIONS

Customer expectations are beliefs about service delivery that serve as standards or reference points against which performance is judged. Because customers compare their perceptions of performance with these reference points when evaluating service quality, thorough knowledge about customer expectations is critical to services marketers. Knowing what the customer expects is the first and possibly most critical step in delivering good quality service. Being wrong about what customers want can mean losing a customer's business when another company hits the target exactly. Being wrong can also mean expending money, time and other resources on things that do not count to the customer. Being wrong can even mean not surviving in a fiercely competitive market.

## REVIEW OF LITERATURE

**Karnikeya Budhwar (2004)** in his article —Understanding the success factors for independent restaurants in the Delhi / Gurgaon region, an analysis of the gap between management perceptions and customer expectations, opines that the operators must incorporate the need to be flexible in their thinking. Operators must not neglect the long term impact of access to their facilities as it does have an impact on repeat clientele. **Gundersen et al. (1996)** in his research article —Hotel guest satisfaction among business travellers: What are the important factors? —, emphasizes that the quest for improved quality, hospitality industry managers often face two major obstacles viz. they do not know what aspects the guest considers to be important when evaluating the hotel experience, and they do not have reliable and valid instruments for measuring quality perceptions. **Gronross (1987)** in his article —A service quality model and its marketing implementations, points that the functional quality is a more important dimension of perceived service than technical quality. Essence of service quality lies in improving the functional quality of a firm's service by managing the buyer-seller interaction as compared to traditional marketing activities. He emphasized the need for more research on consumer's view of service quality.

**Parasuraman, Zenithal and Berry (1985)** in their article, —A conceptual model of Service Quality and its implications for Future Research, revealed that it is very important to work with customers to understand their expectations. As research has consistently indicated that one of the major reasons for poor service quality is the gap between managers' perceptions about the customer's expectations and actual customer's expectations. This article stressed why there is gap between management and customers. **Su and Allan (2004)** have focused on hotel guest comment cards (GCCs) and customer satisfaction management schemes in Taiwan. Content analysis was used to determine the extent to which each hotel's comment card design corresponded to the identified best practice criteria. Results revealed that no single hotel analyzed within the survey sample of study meets all identified best practice criteria for their GCCs. **Akbaba (2005)** has said that the role of service quality in the success of hotel businesses cannot be denied. It is vital for

the hotel managers to have a good understanding on what exactly the customers want. Identifying the specific expectations of customers, the dimensions of the service quality, and their relative importance for customers for each specific segment of hotel industry would definitely help managers in the challenge of improving the service quality.

### NEED FOR THE STUDY

In today's era of liberalization and globalization, every industry faces increasing competition. Hotel industry is no exception. Rather, the presence of so many hotel groups in the market ensures that the level of competition remains considerably higher than many other service industries. It becomes increasingly difficult to keep one's market share intact for a long time. For any hotel, a reasonable utilization of its room capacity is essential to earn a reasonable rate of return. Hence, retaining regular customers and attracting new customers are the priorities for the management. Any hotel which wants to retain the customers in the long run will have to constantly outperform the competitors when it comes to customer satisfaction. This requires that customer dissatisfaction should be avoided at any cost.

### OBJECTIVES OF THE STUDY

The main objective of the study is to analyze the expectations of customers towards services provided by the five star hotels in Hyderabad city. The specific objectives are:

1. To study the factors influencing customers in selection of star hotels;
2. To analyze the satisfaction level of the customers with the services of star hotels; and
3. To examine the co-relation among variables which are used by hotels to attract and retain customers.

### HYPOTHESES

1. There is no relationship between expectations of the customers and the services provided by the five star hotels.
2. There is no relationship between customers satisfaction with regard to price charged by the five star hotels for the quality of services offered.

### METHODOLOGY

*Scope and period of the study* - is restricted to five star hotels in Hyderabad city out of 11 star hotels in Hyderabad city. But only seven five star hotels are taken into consideration for the study as convenient sample. *Tools of data collection and analysis*- a simple structured questionnaire designed and canvassed among the sample respondents from 150 customers of seven different five star hotels in Hyderabad city. Simple percentages, chi-square and correlations tests were used to draw the inferences.

### RESULTS AND DISCUSSION

**Sources of information about the hotel(s):** Customers are usually categorized into two different types as new customers i.e., first time visitors and existing customers i.e., customer's already experienced once or more than one time. A new customer usually gathers the information about a particular hotel through an advertisement in media, from friends and relatives, colleagues, tie ups with other organizations or from travel agents and others. An attempt has been made to analyze sources of information at the time of selection of the hotel.

**Table -1 Source of information about the Hotel(s)**

Responses	No. of Respondents	Percent
Media Advertisement	62	41
Friends & Relatives	62	41
Tie-up with the Organization	6	4
Others	20	13
<b>Total</b>	<b>150</b>	<b>100</b>

Source: Primary Data

Table 1 reveals that the majority (41%) of respondents revealed that they have come to know about the hotel through friends and relatives. An equal number of respondents said that they have come to know through media advertisement. Whereas the organizations which had tie-up with particular hotels has become source of information which accounted for 4 per cent, followed by others worth only 13 per cent. Hence, it is concluded that media advertisement and friends & relatives has played an equal role in promotion and as a source of information about the hotels. Word of mouth through friends & relatives and media advertisement could reach as many no. of customers as possible and made them to visit the particular hotel.

**Factors which influence the customers for selection of a hotel:** Knowing about a particular hotel and its information will not be sufficient to finalize the hotel. There are certain other factors like location, price and good service which influence the selection of a hotel. The details regarding the factors influence the customers for selection of a hotel is presented in the table 2. This study reveals that there are 44 per cent of the respondents have chosen a five star hotel because of location advantage and proximity. 29 per cent respondents selected a particular hotel because of good service. 25 per cent respondents are influenced by price of the room. Very meager no. of respondents (1%) has not responded. From the above results it is clear that the majority of the respondents prefer the Five Star Hotel which has more location advantage and proximity of the hotel is near prime locations like airports, shopping malls, etc.

**Table -2 Factors which influence the customers for selection of a hotel**

Responses	Frequency	Per cent
Location Advantage and Proximity	66	44
Good Service	44	29
Price of Room	38	25
Un Decided	2	1
<b>Total</b>	<b>150</b>	<b>100</b>

Source: Primary Data

**Customer Preference in selection of hotel(s):** There are plenty of options available these days to the travelers. They prefer to stay with their friends or relatives, stay in company guest house, stay in one star hotel, three star hotels, five star hotels or stay in lodges and so on. There are varied reasons for customers to stay in five star hotels. Table 3 presents customer preference in selection of hotel (s) that there are about 51 per cent of the respondents would like to stay with their friends or relatives instead of hotels, whereas 21 per cent of the respondent's prefer three star hotels. 10 per cent respondents have opted company guest house. With regard to star hotels it is observed that the customers prefer one star hotel and five star hotels accounted for 8 per cent and 7 per cent respectively. Very negligible number of respondents (2%) have not expressed about their choice of accommodation. The reason may be lack of information about the hotels. Hence, it is concluded that more than half of the customers were interested to stay with their friends and relatives and spend time with them rather than preferring star hotels for their stay.

**Table -3 Customer preference in selection of hotel (s)**

Responses	Frequency	Per cent
Five Star Hotels	10	7
Three Star Hotels	32	21
One Star Hotels	12	8
Company Guest House	16	11
With friends & relatives	77	51
None of the these	3	2
<b>Total</b>	<b>150</b>	<b>100</b>

Source: Primary Data

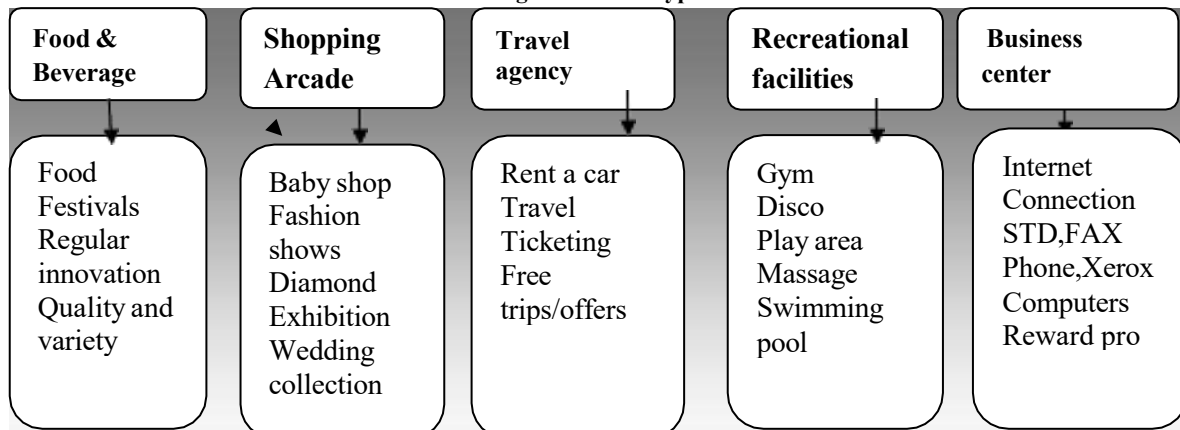
**Kind of Services Expected by the Customers:** Services offered by five star hotels are many but, these are different from one hotel to another. An attempt has been made to assess the extent of customer preference for the services provided by the hotels. Services of five star hotels are many to list, like Food Festivals, Regular innovation, laundry, recreation, rent a car, free trips, telephone, internet etc. The table 1.4 reveals the fact that 70 per cent of the customers prefer food and beverages, 51 per cent prefer recreation facilities like gym, swimming pool etc. 41 per cent avail travel agency services and 40 per cent opted that they prefer shopping arcade. 18 per cent of the respondents prefer business centre like STD, FAX, XEROX, Laundry and iron etc. Hence, it is concluded that most (70%) of the customers are found giving preference to food & beverages and recreational facilities. Understand the customer's perspective and what the customer actually wants, and put in systems to deliver services accordingly, so that the customer knows that the hotel understands their needs accurately.

**Table -4 Kind of Services Expected by the Customers**

	No		Yes		Total	
	Count	%	Count	%	Count	%
Food & Beverage	45	30.0	105	70.0	150	100.0
Shopping Arcade	90	60.0	60	40.0	150	100.0
Travel Agency for car Rental/travel ticketing etc.	88	58.7	62	41.3	150	100.0
Recreational facilities like gym, swimming pool	73	48.7	77	51.3	150	100.0
Business center (phone STD, FAX, XEROX, Computers, Laundry etc.,)	123	82.0	27	18.0	150	100.0

Source: Primary Data

Fig- 1 Different types of services



**Customer's satisfaction towards the services of the hotel(s):** One of the significant areas of concern is customer's satisfaction with the type of services, quality and facilities provided by the star hotels. Generally customer expectation towards the services, quality and facilities of the stars hotel will be high as compared to any other category of hotel and they include: price charges, brand name of the hotel and facilities in the hotel are high in five star hotels all these leads to high customer expectations too. Keeping this in view an attempt has been made to study the customer's expectation towards the type of services, quality and facilities provided by the five star hotels. It is clear from the table 5 that 73 per cent of the respondents are satisfied, while 15 per cent of the respondents cannot say, i.e., neither they are satisfied nor dissatisfied. Only 9 per cent of the respondents have expressed that they are highly satisfied with the services and facilities provided by the star hotels. Hence, It is concluded that majority (73 %) of the customers are happy with the services and facilities offered by the select hotels. But still there is gap of 18 per cent (Can't Say 15% and No Response 3%) of the customers neither they are satisfied nor dissatisfied.

Table -5 Customer's satisfaction of hotel services

Responses	Frequency	Per cent
Highly Satisfied	14	9
Satisfied	109	73
Can't Say	23	15
No Response	4	3
<b>Total</b>	<b>150</b>	<b>100</b>

Source: Primary data

$H_0$ : There is no relationship between expectations of the customers and the services provided by the five star hotels.

Chi-Square Tests

	Value	Df	Asymp.Sig (2 sided)
Pearson Chi-Square	23.406	9	.946

The chi-square test has been applied to test validity of the results and the values that are arrived here indicate the degree of consistency among the opinions presented against respective groups. Here, the calculated value of chi-square is 23.406 at a degrees of freedom of 9 is more than the table value at 5 per cent (14.130) level of significance. This clearly indicates that the null- hypothesis is rejected and the alternative hypothesis is accepted. In other words, there is a significant relationship between expectations of the customers and the services provided by the five star hotels. It is evident that the services provided by the five star hotels have been satisfying the customer's expectations.

**Customers Response for the Price Charges:** To assess whether customers are happy with the price charged by the five star hotels against the quality of services offered. The results presented in table 1.6, it is evident that 30 per cent of the customers expressed that they are fully satisfied. Whereas 40 per cent of the customers expressed that they were satisfied with the price charges, followed by 17 per cent of the customers neither satisfied nor dissatisfied. But 7 per cent of the customers opined that they felt cheated with the quality of services against price charges. Hence, it is concluded that most (30% + 40%) of the customers are satisfied with the prices charged by star hotels. But still there are 30 per cent of the customers who were unhappy with the price charges of the star hotels. This means the prices charged by the star hotels are not commensurate with the services provided by the hotels.

**Table -6 Customer's response on the price charges**

Responses	Frequency	Per cent
Fully satisfied	45	30
Satisfied	60	40
Neither satisfied nor dissatisfied	26	17
felt cheated	10	7
Can't say		6
<b>Total</b>	<b>150</b>	<b>100</b>

Source: Primary Data

***H<sub>0</sub>: There is no relationship between customers satisfaction with regard to price charged by the five star hotels against the quality of services offered.***

**Chi-Square Test**

	Value	Df	Asymp. Sig (2-sided)
Pearson Chi-Square	47.421	25	.866

The chi-square value calculated here indicates the degree of consistency among the opinions presented against respective age groups. Here, the calculated value comes to 47.421 at degrees of freedom of 25, which is more than the table value (38 at 5%, 44.3 at 1%). This clearly shows that the null-hypothesis is rejected and the alternative hypothesis is accepted. In other words, there is a significant relationship between customers happiness with regard to price charged by the five star hotels for the quality of services offered.

**Correlation among the variables of reasons, awareness, services, offers and need for services:** To find the correlation among five different variables which are important to attain and retain customers. Those are:

Reasons	:	Reasons for selection of the hotel by customers.
Services	:	Services used by the customers during their stay.
Awareness	:	Awareness on the special offers offered by the Star Hotels.
Need for Services	:	Those services which are not provided by the hotel but needed by the customers.
Offers	:	Different offers offered by the star hotels.

When the collected data are analyzed by using correlation for a sample size of 150(N), on 2 tailed basis, it is found that the correlation is at 5% (.05) significance level. To cross check the same on 1% which offers highest degree of accuracy, it is proved that there is again a perfect positive correlation among the above presented parameters.

As far as the reasons and services are concerned, the Pearson's Correlation indicates negative at 0-.167 and the same trend continued till awareness by-.064. This trend reversed when value added offers are provided along with the needed services by 0.038 and brought meaningful correlation between reasons, services, awareness, value added services and needed services. As far as the services to the customers based on the above sample size is analyzed, there is a perfect lower degree of correlation by 0 .41, 0.02, 0.026 and 0.152 on the same parameters analyzed above. The services quality analyzed has proved that the correlations are positive but in very low degree which insists the improvement in services.

On third parameter awareness, the Pearson's correlation is negative between awareness and reasons by 0 .064, but turned to be positive between awareness to services and offers. However, there appears a spurious correlation on awareness part indicating no correlation. As far as the value added offers are concerned, correlation is positive with regard to reasons (.038), services (.182), awareness (.220) and the needed services (.265). The last parameter needed services to strengthen the customer service quality yielded negative correlation in relation to its reasons by 0-.081, in relation to services 'r' is positive by 0.117, in relation to awareness 'r' is positive by 0.223 and in relation to offers it is positive by 0.265. From the above analysis, it clearly revealed that there exists a degree of association between all the five parameters used for analysis. In one situation, the correlation transformed from negative to positive correlation, there by indicating improvement in service quality, value added services, awareness measure initiated and needed services visualized to implement by improving the quality of administrative decision making.

**Table -7**

Correlations

		Reasons	Services	Awareness	Offers	Need services
Reasons	Pearson Correlation	1	-.167*	-.064	.038	-.081
	Sig. (2-tailed)		.041	.436	.641	.323
	N	150	150	150	150	150
Services	Pearson Correlation	-.167*	1	.254**	.182*	.117
	Sig. (2-tailed)	.041		.002	.026	.152
	N	150	150	150	150	150
Awareness	Pearson Correlation	-.064	.254**	1	.220**	.223**
	Sig. (2-tailed)	.436	.002		.007	.006
	N	150	150	150	150	150
Offers	Pearson Correlation	.038	.182*	.220**	1	.265**
	Sig. (2-tailed)	.641	.026	.007		.001
	N	150	150	150	150	150
Need services	Pearson Correlation	-.081	.117	.223**	.265**	1
	Sig. (2-tailed)	.323	.152	.006	.001	
	N	150	150	150	150	150

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\*. Correlation is significant at the 0.01 level (2-tailed).

## SUGGESTIONS

1. The existing customers who have experienced the facilities of a hotel, in turn, act as a ready referendum to new customers. They share their experiences after they return from a trip, whether they are good or bad. Therefore the hoteliers must take utmost care and cater to the needs and requirements of the existing customers.
2. In order to get an advantage of proximity, hotels need to be located in the prime areas of the city with easy access to shopping centers, sporting facilities, medical services etc., which are convenient to the customers. This helps the customer to reach the hotel and save their time without wasting in traffic and travelling. If the intended stay is for a holiday, then proximity to beaches, fun parks, tourist attractions and restaurants will play a critical role in decision making.
3. Hotels have to undergo remodeling to refresh the interiors of guest rooms and public spaces in order to remain competitive. From the study it is found that only 7 per cent of the customers were interested in five star hotels. This indicates that very less percentage of the customers were showing interest towards star hotels. Hoteliers should focus on this aspect immediately, and plan for different CRM Strategies to attract the customers more to the five star hotels.
4. When the stay is comfortable with good food and recreation, the customers naturally get attracted to stay in. Hotels should provide wide range of food & beverages to cater to a variety of nationals and tourists. They should employ specialist chefs for each cuisine and set up large number of restaurants specializing in serving different exotic cuisine.
5. Hotels should also provide recreation facilities like Spa, Golf Course, Tennis Court, Gymnasium, Boating, Pools, Kids club, Movies, Indoor Games, Arts and Crafts, etc to attract more customers.
6. The hotel should ensure that the customer gets complete information on all services and products. Not only should the information be complete, but it should also be accurate. Constant feedback from guests has to be encouraged on the quality of their experience and the services offered for any suggestions and improvement. Hotels have to practice transparency and accuracy in billing and ensure that customers benefit and get full satisfaction for the price paid by them.
7. Understanding the expectations and requirements of customers is important for success in hospitality sector. For example, providing add-on services, giving high level personalized services; collecting feedback from existing customers regularly will fill the gap between the expectations of customers and services provided by the hoteliers. Hotels that charge extra for internet access are perceived as taking advantage of guests, the numbers of places that offer this service for free are more in the recent past. Hence hotels should ensure that they provide this service free of cost to the customers.
8. According to correlation test, the relationship between the five parameters of services, reasons, awareness, offers and need for services, it is found that there exists a degree of association between all the five parameters used for analysis. This indicates that on an average customer dissatisfaction level is going down and the satisfaction level is proportionately increasing on the services of star hotels. Hence, it is suggested that the hoteliers are to increase the levels of satisfaction among customers. This can be possible only with the proper planning of the management and full co-operation from the staff. This result shows that the organization has lot of scope to introduce synergy in developing customersatisfaction.

## CONCLUSION

This study indicates that most of the service firms lose more than 30 per cent of their customers mainly because of poor service. Market shares do not drop because competitors are usually in the same position and are losing customers to their rivals. Hotels need to be proactive to convert this particular percentage of the customers into satisfied customers. Another area where hotels have to pay more attention is for the price charged by them for the given services. Developing close relationship with customers will be very helpful to decrease the level dissatisfaction among customers in all categories. This study gives information only from customers' point of view. All these five star hotels are rich with a minimum of five years experience. During last five years there are few more five star hotels are established in Hyderabad city include: Vivanta, Westin, Park Hyderabad, Taj Falaknuma Palace.

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