

*Case Study:*

# Impact of Service Quality on Customer Satisfaction in Bangladesh Tourism Industry: An Empirical Study

Mowla Mohammad Masrurul

Department of Business Administration, International Islamic University, Chittagong, BANGLADESH  
mmmiuc@gmail.com

## Abstract

*This research attempts to find the impact of service quality on customer satisfaction in Bangladesh tourism industry. 5 point non-comparative Likert scale has been used to measure the variables. A total of 28 questions were selected including the 22 questions in "original SERVQUAL scale", along with additional questions to measure the dependent variables. Customer Satisfaction was included. A total of 100 respondents were taken using convenience sampling technique for collecting data. SPSS 22.0 software has been used for performing the analysis of descriptive, regression and correlation respectively.*

*The results confirm that there is a good relationship between service quality dimensions and customer satisfaction. This study will help the policy makers to make comprehensive planning and strategy how to serve tourists better; it will also help for the overall tourism development of Bangladesh.*

**Keywords:** Service quality (SQ), SERVQUAL model, Customer Satisfaction, Bangladesh.

## Introduction

The aim of this study is to investigate the impact of service quality on tourist satisfaction in Bangladesh. "Service quality is a prevalent topic in the literature on which many researchers have conducted numerous investigations".<sup>2,5,9</sup> SQ is an important element that peruses and encourages the customers towards the activities of trade. In that case service industry is becoming more popular industry here and the tourism industry is an important service oriented and customer centric sector which is considered more essential than other industries for improving service quality. Hotel service has been recognized as one of the prime businesses which is an emerging industry in Bangladesh during the past decade.

For improving this sector, hotel managers need to take long term planning. In this regard, "the attention to service quality from the perspective of customers is considered as one of the most important factors deciding the success of tourism". Tourism is often viewed as a "smokeless industry" all over the world. Most of the tourists love Asian destinations for its amazing attractions which deal "wide-range of fascinations in terms culture and people". Especially, "tourism in ASEAN countries has seen considerable development by attracting

huge and increasing number of arrivals with 73.7 million tourists in 2010, 81.2 million in 2011 and 89.2 million in 2012 (Association of Southeast Asian nations, 2014)".

Our objectives are:

1. To examine the impact of Reliability and Responsiveness on customer satisfaction.
2. To identify the impact of Assurance and Empathy on CS.
3. To analyze the impact of Tangibility on CS.

**Hypothesis of the Study:** There is an impact of "service quality dimensions on Customer Satisfaction".

## Review of Literature

The significance of service quality for business performance has been recognized in the literature of many scholars who identified it as an important criterion.<sup>8,10</sup> SERVQUAL,<sup>2</sup> "Synthesized model of service quality,<sup>11</sup> Antecedents and mediator model have been developed and extensively used by academics and practitioners". Among them, SERVQUAL is widely used and accepted model especially in service sectors and in many countries.

Parasuraman et al<sup>2</sup> developed this theory by associating expectations with perceptions. By 1988, this rule was further "identified with 5 dimensions of service quality namely Tangible, Reliability, Responsiveness, Assurance and Empathy and these five dimensions are thus assessed by a total of 44 items in which 22 items to measure the general expectations of customers concerning a service; and the remaining 22 items measure the perceptions of customers regarding the levels service actually provided by the company within that service category".

Reliability means "the ability of a service provider to deliver the promised services honestly and consistently". For this reason, "reliability is a crucial factor that is measured while gauging service quality".

It is said by many scholars "if employees of organizations display trustworthy behaviour, the satisfaction level of customers can be enhanced significantly".<sup>13</sup> It may also encourage customers intention to buy frequently.<sup>14</sup> "Customers pursue approaches to assure quality in service delivery in order to maximize their satisfaction about the service experience and recuperate from service disappointments".<sup>15</sup> Significance of Assurance attribute in CS was proven by many investigators<sup>16</sup> who examined satisfaction in relation to SQ.

“Tangibles rank amongst the top aspects that bring customer satisfaction according to many researchers and in their study on the relationship between tangible and intangible components within tourism industry on customer satisfaction, Albayrak et al<sup>17</sup> found that tangible elements play a vital role in overall customer satisfaction than the intangible elements, as adaption and renewal of tangibles is considerably simpler and straightforward”.

The adopted attitude towards the clients incites “a sense of importance in the customer and hence, leads to retention behaviour and also customers to recommend the business to others”.<sup>18</sup> “Empathy was found as the most important factor leading to customer satisfaction” in the research done by Minh et al.<sup>19</sup>

Responsiveness is the “enthusiasm of the staff to assist customers and provide prompt service to them”.<sup>2</sup> According to Kotler et al,<sup>9</sup> customer satisfaction mainly originates from the excellence of responsiveness from service staff towards a customer during service delivery.

**Methodology and Design**

Descriptive research design has been adopted to make this study. 100 tourists have been chosen purposively to collect the data from the Saint Martin tour spot. For collecting the data, convenience sampling techniques have been used and

the location has been chosen in Saint Martin. It is noted here that this tour spot is the most attractive tourist’s zone in Bangladesh. A structured questionnaire has been designed by following SERVQUAL model. Data have been collected from primary and secondary sources. SPSS-22 Software was chosen for data analysis. After data entry into the SPSS software, descriptive statistics of the questionnaire have been generated using SPSS. Afterwards, reliability testing has been carried out by using Cronbach’s Alpha and the Cronbach’s alpha value is 0.81 ensuring data reliability.

**Demographic Profile of the Respondents:** Among 120 forms delivered to respondents, only 100 responses were collected. After inputting data and screening questionnaires, 20 missing replies were rejected from the data set and the remaining 100 valid responses have been used to analyze by “SPSS 22.0-version software”. Among the respondents, 82% are male and 18% of them are female. Most of the respondent's age is below 25 and their percentage is 50 and 35% of respondents age are between 26 and 40 years. 15% of respondent’s age is above 40 years.

**Correlation Analysis:** Table 1 depicts the analysis. The service quality dimensions which contain “Responsiveness (RS), Tangibles (TG), Assurance (AS), Empathy (EM) and Reliability (RL) were chosen as independent variables while customer satisfaction (CS) was taken as the dependent variable”

**Table 1  
Correlations**

	Reliability	Responsiveness	Assurance	Empathy	Tangible	Overall satisfaction
Pearson Correlation	1	.671**	.529**	.592**	.554**	.333**
Sig. (2-tailed)		.000	.000	.000	.000	.001
N		100	100	100	100	100
Pearson Correlation		1	.613**	.574**	.502**	.488**
Sig. (2-tailed)			.000	.000	.000	.000
N			100	100	100	100
Pearson Correlation			1	.653**	.723**	.543**
Sig. (2-tailed)				.000	.000	.000
N				100	100	100
Pearson Correlation				1	.620**	.608**
Sig. (2-tailed)					.000	.000
N					100	100
Pearson Correlation					1	.541**
Sig. (2-tailed)						.000
N						100
Pearson Correlation						1
Sig. (2-tailed)						
N						

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

It is carried out to find the relationship between constructs. “The correlation coefficients span on a range of -1 to +1 where -1 represents perfect negative correlation and +1 representing perfect positive correlation”.<sup>12</sup> By analyzing the results of the correlation table, “most dimensions of service quality have strong relationship with customer satisfaction and except Reliability which had values of 0.333”. The ‘empathy’ dimension was correlated with a value of R=0.608, with dependent variable customer satisfaction amongst the five SQ dimensions. “The relationship between assurance and customer satisfaction and also tangible and customer satisfaction are positively moderate correlated and the correlated value is .543 and .541”.

Moreover, the relationship between customer satisfaction and responsiveness dimension is .488 which is positively moderate correlation. By analyzing the correlation matrix, it shows service quality dimensions have good relationship with customer satisfaction.

Therefore, according to the correlation analysis done on the SQ dimensions on the dependent variable “Customer Satisfaction”, the highest correlation was found with

empathy and the lowest correlation was found with reliability.

**Regression Analysis:** It was performed to predict the impact of “service quality on customer satisfaction” in the tourism industry of Bangladesh. The dependent variable selected for this study is the CS.

As demonstrated in the above model, summary table which foretells the customer satisfaction, dependent variable is CS while REL, RES, ASS, EMP and TAN are used as independent variables. It shows “R value of 0.681, R square value as 0.463 and Adjusted R square value of 0.435”. This suggest 43.5% of variance of CS can be used to forecast the independent variables, “RES (Responsiveness), TAN (Tangibles), (ASS) Assurance, (EMP) Empathy and (REL) Reliability used in the study”. Though, it is stated that a good fit will be able to forecast a variation of dependent variable which is not less than 60%, nevertheless due to the fact that results of this regression fall just below the minimum rate by few decimals, this model is a perfect one. The “Durbin Watson result shows that there is no auto correlation between respondents chosen for this study”.

**Table 2**  
**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig.F Change	
1	.681 <sup>a</sup>	.463	.435	.40089	.463	16.236	5	294	.000	1.831

a. Predictors: (Constant), TAN, RES, EMP, REL, ASS  
b. Dependent Variable: Customer satisfaction

**Table 3**  
**Beta Coefficient for CS**

Beta Coefficient for CS								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.639	.317		5.170	.000		
	Reliability	-.227	.097	-.259	-2.326	.022	.461	2.168
	Responsiveness	.211	.093	.255	2.261	.026	.448	2.231
	Assurance	.077	.124	.077	.619	.538	.366	2.733
	Empathy	.287	.077	.412	3.712	.000	.463	2.158
	Tangibles	.191	.091	.245	2.096	.039	.418	2.395

a. Dependent Variable: Customer satisfaction

“Multicollinearity is regarded as the extent of correlation that exists among the independent variables”.<sup>21</sup> As such, for the independent variables used in this study, multicollinearity was examined for “Tolerance test and Variance Inflation Factor”. The reference ranging for both the tests posited by Hair et al propose that “Tolerance test should give a value above 0.10 and VIF (Variance Inflation Factor) should not go beyond 10, in order for

multicollinearity to be in acceptable range”. Hence, the model can be equated as follows:

CS = β1 REL + β2 RES + β3 ASS+ β4 EMP + β5 TAN + C  
The beta coefficient results of REL (-0.227, p= 0.022), RES = (0.211, p= 0.026), EMP (0.287, p=0.000) and TAN (.191, p=.039) show “a significant and positive relationship on customer satisfaction, while Assurance (ASS) is not significant and the value is (0.077, p=.538)”. In addition, the

constant should also be deducted from the original equation since it is also significant.

Hence the empirical model is shown as below:

$$CS = 1.639 - 0.227 REL + 0.211 RES + 0.287 EMP + .191TAN \quad (1)$$

So according to this model, a change of 1 unit in REL, RES, EMP and TAN while other items kept constant will change CS by 0.654 unit. The insignificant factor ASS is not included in the formulation of the equation.

Based on the above findings, the hypotheses proposed for this study are either accepted or rejected.

**Conclusion and Recommendations**

This study adopted “SERVQUAL approach” to measure perceived SQ and its impact on customer satisfaction in Bangladesh tourism Industry. A background with complete questionnaire consists of 28 question including customer satisfaction variables. The research results demonstrate that the “service quality is a strong driver for customer satisfaction”. Among 5 quality dimensions, all five variables

of SQ have positive correlation. From the above hypothesis it was found that “all service quality dimensions have a positive relationship with customer satisfaction except assurance”. That means the hotel entrepreneurs can considerably increase their CS level if they may better perform their “assurance dimensions”.

The study indicates that “service quality plays a vital role as a driver for higher customer satisfaction level in hotel service”. So, Hotelier’s should focus on “Tangibility, Reliability, Responsiveness and Assurance to gain customer satisfaction which leads to customer loyalty and helps to achieve profit”. This research result also stressed “Empathy with strongest impact on customer satisfaction”. Hoteliers need to focus more on reliable dimension for better customer satisfaction. One concerning suggestions for hoteliers is that they should arrange some training programs for developing the skills of their staff. As a result, hotel employees should be more confident to serve and help customers with efficiency. There are some limitations of this study and sample size is very small. So further research can be conducted with other cities of Bangladesh and sample size can be increased for getting more effective results.

**Table 4**  
**Hypothesis testing**

Decisions on Hypothesis	Beta Coefficient	Significant P<0.05	Decisions
“Reliability will have a positive and significant impact on Customer Satisfaction”	-.227	.022 Significant	Accepted
“Responsiveness will have a positive and significant impact on Customer Satisfaction”	.211	.026 Significant	Accepted
“Assurance will have a positive and significant impact on Customer Satisfaction”	.077	.538 Not Significant	Rejected
“Empathy will have a positive and significant impact on Customer Satisfaction”	.287	.000 Significant	Accepted
“Tangibles will have a positive and significant impact on Customer Satisfaction”	.191	.039 Significant	Accepted

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