SERVICE ENCOUNTER QUALITY, CUSTOMER EXPECTATIONS, PERCEIVED VALUE AND SATISFACTION OF HOTEL GUESTS IN KENYA

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A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF DOCTOR OF PHILOSOPHY IN BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

2020

DECLARATION

This thesis is my original work and has not been presented for a degree award in any other college, institution or university

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DEDICATION

Dedicated to the memory of my father, Ng'ang'a Gatonye, who always believed in my ability to be successful in the academic arena. You are gone but your belief in me has made this journey possible. May you continue resting in peace. And Kabawa Ng'ang'a for your support throughout my education, your love and encouragement.

ACKNOWLEDGEMENT

ABSTRACT

The main objective of this study was to evaluate the relationships amongst service encounter quality, customer expectations, perceived value and satisfaction of hotel guests. The specific objectives were to explain the statistically significant link between service encounter quality and customer satisfaction; the moderating effect of customer expectations on the relationship between service encounter quality and customer satisfaction. The study also sought to establish the mediating outcome of customers' perceived value on service encounter quality and customer satisfaction. The last objective study sought to establish the joint effect of service encounter quality, customer expectations and perceived value on customer satisfaction. Service encounter quality, customer expectations and perceived value were used to develop an integrated model to widen the scope of customer satisfaction. The study was anchored on the expectancy disconfirmation theory and supported by the value percept theory, service encounter needs theory and the three factor theory of customer satisfaction. This study was guided by the positivist philosophy and literature from previous related studies was used to develop a conceptual model and hypotheses which were tested using statistical techniques. The study adopted a descriptive cross sectional research design. Sampling was done using systematic random technique and a sample of 376 hotel guests was used in the study. A pilot study was conducted and reliability of the research tool was tested using Cronbach alpha test, validity tests were also carried out to check whether the tools measure what they were intended to. Four parametric tests; multi-collinearity, normality, heteroscedasticity and linearity of data were done to check the appropriateness and accuracy of the data. Data analysis was done using descriptive statistics, factor analysis, correlations and regression. Results showed that the influence of service encounter quality on customer satisfaction was partially mediated by perceived value and moderated by customer expectations. Both influences were positive and statistically significant. Further, service encounter quality had a statistically positive significant impact on customer satisfaction. The joint influence of service encounter quality, customer expectations and perceived value on customer satisfaction was statistically significant. Customers expect that a service is performed right without errors the very first time, therefore, the hotel management must ensure their staff are competent and that other facilities that enhance guests experience like neatness, timely service, modern fixtures meet guest expectations. The study recommends that policy makers and management of hotels in Kenya should improve on service encounter quality and actively pay attention to guests' expectations. The study has made contribution to the theory of consumer behavior by integrating service encounter quality to customer expectations and perceived value. Since consumer behavior is a dynamic area in marketing, continuous research is needed to address pertinent issues. Future research can also be directed at other hotels with lower star ratings as well as the unclassified hotels.

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ABBREVIATIONS AND ACRONYMS

ACSI	American Customer Satisfaction Index
ANOVA	Analysis of Variance
CCB	Customer Complaint Behavior
CE	Customer Expectations
CS	Customer Satisfaction
EDT	Expectancy Disconfirmation Theory
GDP	Gross Domestic Product
HRA	Hotels and Restaurants Authority
IDC	Industrial Development Corporation
KAHC	Kenya Association of Hotel Keepers and Caterers
KMO	Kaiser, Meyer and Ohlin
KNBS	Kenya National Bureau of Statistics
LLCI	Lower level confidence interval
NPS	Net Promoter Score
Perval	Perceived Value
PWC	Price Water House Coopers
SENT	Service Encounter Needs Theory
SE	Service Encounter
SPSS	Statistical Package for Social Sciences
SEQ	Service Encounter Quality
TRA	Tourism Regulatory Authority
UK	United Kingdom
ULCI	Upper Level Confidence Interval

USA	United States of America
VIF	Variance Inflation Factors
WTO	World Tourism Organization
WTTC	World Travel & Tourism Council

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

The quality of service encounter is the basis of a customer's evaluation of the service provider. When a company provides a service encounter that meets consumers' needs, it generates a positive and lasting relationship which leads to customer satisfaction (Wong & Tsai, 2010). At the point of encounter, a customer will judge the quality of service offered based on their expectations, perceptions, needs, emotional state, morals and standards. This means that customer expectations influence the development of strategies that enhance customer satisfaction (Phiri & Mcwabe, 2013). Understanding customer expectations helps detect problems and can increase satisfaction levels, encourage repeat customers, and enhance customer referrals. Customer value delivery is necessary when building an organization's competitive advantage (Kanagal, 2009). The key purpose for delivering value is to develop loyalty whereby consumers will buy frequently, in more quantities and will avoid switching from one product to another. Perceived value is crucial for the success of a business especially when a company's marketing strategies are centered on creating customer value (Bilington & Nie, 2009).

This study is anchored on the theory of consumer behavior and specifically on the expectancy-disconfirmation theory (EDT), value percept theory, the three factor theory of customer satisfaction and the service encounter needs theory (SENT). The expectancy disconfirmation theory emphasizes that expectations and perceived performance give post purchase satisfaction which is influenced by the perceived quality and value of the product or service (Negi, 2009). The value percept theory gives an evaluation of customers' values relative to the services (Isac, 2011) such that when the discrepancy between service value and customers' values decrease then customer satisfaction increases. The theory on service encounter needs aims to reveal the ways by which behavior during the service encounter affects the outcome of customers and employees. SENT adopts an approach that identifies the needs shared by both customers and employees and the responses that would be efficient for these participants (Bradley,

McColl-Kennedy, Sparks, Jimmieson & Zapf, 2010). Finally, the three factor theory identifies three factors; basic factors, excitement factors and performance factors that can be used to distinguish the levels of satisfaction that a customer can hold (Fuller & Matzler,2008). The study is guided by the expectancy disconfirmation theory which implies that customers.

The hotel sub-sector in Kenya contributes to the Gross Domestic Product (GDP) with a net value in excess of 10 billion Kenya shillings as per the Kenya National Bureau of Statistics (KNBS, Statistical Abstract, 2013). According to the World Travel & Tourism Council (WTTC), the industry's hotel establishments are gaining a lot from tourism totaling to an average of 32.8% which translates to Ksh. 97.9 Billion annually (Kenya Market Outlook, 2015). A survey conducted by KNBS, Cytonn Research (2016) classifies hotel guests based on the purpose of the visit as holiday travelers, transit and business travelers. The highest numbers of international visitors are from Europe, mainly on transit and for holiday. Visitors from Africa also record relatively high numbers, with most of them visiting the country for business.

Holiday and vacation travelers are the key drivers of Kenya's hospitality sector accounting for 71.9% (Cytonn Research, 2016). They are mostly attracted by major attractions such as wildlife, coastal beaches and natural sceneries. Business travelers make up 13.1% of international arrivals in Kenya, the number of conferences held in the country has increased mainly due to Nairobi's recognition as a regional hub. The hotel sub-sector is renowned as a fundamentally productive sector in the economy under Kenya Vision 2030 due to its great potential. Further, it is the main source of government income in the form of licenses, entry fees, tax and duty. Due to its linkage with other sectors, the tourism sector has a very high multiplier effect on the economy. This has led to an increased demand for locally manufactured products, has provided a wide market for agricultural products, has promoted regional development, and generated new commercial and industrial enterprises (WTTC, 2012).

According to Jana and Chandra (2016), customer satisfaction is an essential feature in gauging performance in the hotel industry. Compared with other industries, the hotel

industry thrives through customer retention which emanates from customer satisfaction. Customers are satisfied when they get quality services from the hotel services that they encounter with. Additionally, the hotel sub sector has experienced the entry of numerous investors who are capable of meeting and surpassing the expectations of customers. Consequently, if customers are dissatisfied with the services offered in one hotel, they will look for better and improved services elsewhere (Jana & Chandra, 2016). Empirical studies have indicated that customer satisfaction should be given much consideration by the management, because it costs more to attract new customers than to retain the existing ones. Tsiotsou and Goldsmith (2012) state that hotel management must demonstrate their willingness to adapt to the needs of customers by putting in some effort in understanding customers' needs and desires and fulfilling them. According to Wang and Pearson (2002) the increased, intensified rivalry and competition for customers in today's customer-centric era has posited the quality of service, value perceptions and customer satisfaction as key areas of concern for both manufacturing and service firms.

In service marketing customer experience has become a dynamic phenomenon that keeps evolving at different phases of the customer journey. According to Bolton, Gustafsson, McColl-Kennedy, Sirianni, and Tse (2014) a customer is involved in searching, purchasing, consumption and after-sales encounters at various points. Customers make contact with different service providers for varied reasons since they have certain goals to fulfill hence, to gain a comprehensive assessment of a customer's experience, it is important to totally understand interactions with customers whether they are direct or indirect (Bolton et al., 2014). To gain a holistic understanding, service providers must understand that customers' perceptions and evaluations of a service experience keep changing and they therefore need to gather information on customer experiences.

1.1.1 Service Encounter Quality

A service encounter is the customer's actual interaction with the service provider. Victorino, Verma, Bonner, and Wardell (2012) describe a service encounter as that moment of contact when an employee delivers a service to the customer. Service encounter quality is the enhancement of quality encounters which enable an organisation

to track the level of service provided by individual employees of the service providers Jayawardhena, Souchon, Farrell, & Glanville (2007). Service encounters are also referred to as "moments of truth". They are social interactions where customers judge the quality of a service based on their assessment and individual experiences at the point of encounter (Choi & Mattila, 2008).

All service encounters provide an opportunity for a firm to create satisfaction. At this point a firm seeks to emphasize the value of its services and to sell the benefits of a long term relationship. A service encounter will directly affect the levels of customer satisfaction and also outline other factors such as customer loyalty, intent to repurchase and the possibility of talking positively about the service (Amudha & Banu, 2008). Service encounters are role performances that involve customers' interaction with others like employees, machines, automated systems and physical facilities. The quality of the interaction at the service encounter is significant since it is at this point that customers judge the quality of the services provided to them.

The hospitality industry has three kinds of service encounters; first are remote encounters which occur without any direct human interaction, such as: booking a hotel room by use of the Internet. Secondly, there can be phone encounters which occur over the telephone. Here, when booking a room or a table, the tone of voice of the customer care representative, employees' knowledge, and proficiency in handling customer matters becomes a vital measure in judging the quality of service (Zeithaml & Bitner, 2003). Third is the face to face encounter where there is direct interaction between the service provider and a customer. Both verbal and nonverbal cues are visible elements of service quality. Other tangible cues include staff attire, equipment and physical set up.

Customers may participate in service encounters with a firm in a number of ways such as visiting company websites and then navigating through it. The intention could be searching for product information, communicating with customer service staff, and possibly purchasing the product on offer. Service encounter is concerned with service outcome and service delivery whereby the service outcome is what the customer will

receive throughout the encounter while service delivery is the manner in which the outcome is delivered to the customer. These two elements are likely to affect the levels of customer satisfaction (Massad, Heckman & Crowston, 2006). A customer will have encounters with different sections of a service firm such as front office personnel, waiters, room service, the ordering department or the billing department. Their evaluation at each point of contact with these different departments is likely to create a general customer perception of satisfaction with the service firm.

According to Voorhees, Fombelle, Gregoire, Bone, Gustafsson, Sousa and Walkowiak (2017) when a customer encounters a service they go through a journey and an experience. This journey begins when the customer first realizes they have a need and will begin searching for information, they will then get in touch with the service providers who will assist them in making the decision to buy or not. Then the service experience will end once the customer gives post service feedback. The firm's intention at this point is to retain customers and to improve their experiences with the service in the future.

The Figure 1.1 below illustrates the three points of encounter that focus on leading customers to engage with the firm in the core-service encounter. The pre-core service encounter period happens when customers review information about a firm's offering and make initial contact with the firm. The core service encounter period, captures the customer and firm interactions that constitute the provision of the main service offering. While at the post-core service encounter period the consumer assesses and act on their experience in the two previous periods. At this point the company's' aim is to retain customers and to advance future service experiences.

Pre-core service encounter	Core service encounter	Post core service encounter
• Communication • Information Search • Initial contact • Onboarding	• Core-interactions • Environment	• Service recovery efforts • Customer feedback • Reviews

SERVICE EXPERIENCE
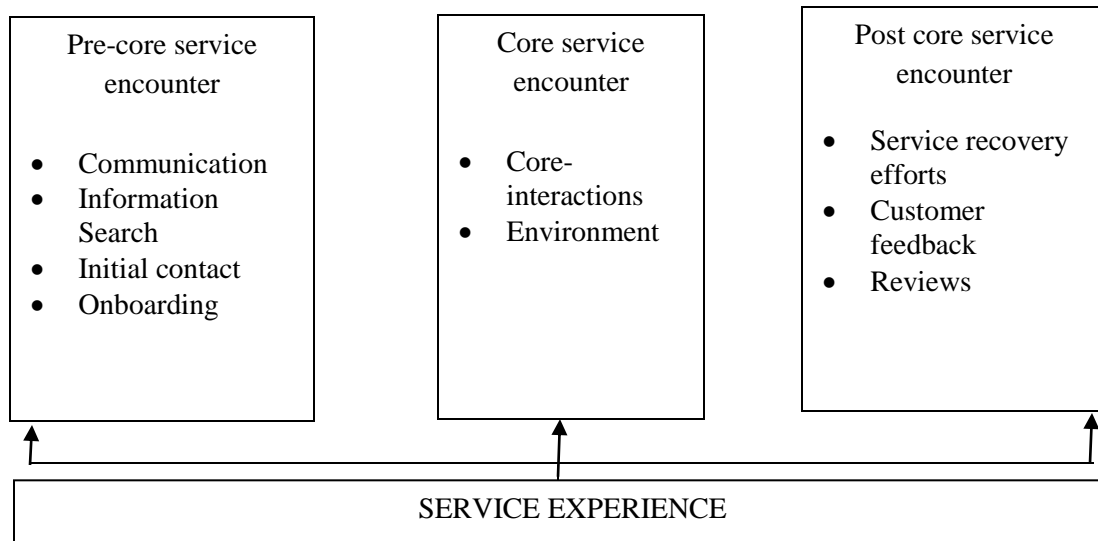
Figure 1.1 Service Encounters and Service Experiences
Source: Voorhees et al., (2017)

The prosperity of a business is achieved by meeting the customers' needs and wants so as to attain satisfaction at the point of encounter (Rust & Huang, 2014). At each stage of encounter, customers begin to appraise their satisfaction level with the service provider. This indicates that the quality of service is strongly affiliated to service encounter and therefore, competitive service organizations will strive to adopt various strategies to enhance their service encounter quality (SEQ). Evaluating the quality of a service encounter is likely to offer objective and meaningful feedback about customer preferences and expectations.

Customers have different perceptions of value and different grounds for evaluating services provided, they may perceive one or the same service differently. This is why measuring the quality of a service output is mostly more challenging than measuring the quality of a good. Services are abstract, temporary and psychological as opposed to being concrete, permanent, and physical (Meredith & Shafer, 2002). Evaluating satisfaction levels at the point of service encounter can be quite beneficial for a firm since it provides a clear understanding of the strengths and weaknesses of a firm and are used as points of reference for service enhancement. Hotel guests typically come into contact

with staff working in different departments at a hotel. When asked about their hotel stay experience, they are more likely to state evaluations from the various points of service encounter than from the overall level (Yung & Chan,2002). Moreover, hotel guests may encounter adequate service in some departments but not in others. Therefore, the service encounter quality measures discussed in this study are based on every point of service encounter at the hotels.

1.1.2 Customer Expectations

Pizam (2010) defines customer expectations as beliefs about service delivery which act as reference points for which actual performance is judged. When assessing service quality, customers will try to match their perceptions of performance with these reference points, therefore understanding customer expectations (CE) is vital to marketers in the service firms. Consumers have expectations of what they will receive from the service delivery system; beliefs about future events which compared with the perceived service delivered, are assumed to influence customer satisfaction and service quality (Lovelock & Wirtz, 2007). An expectation about a service encounter is an individual's opportunity to build a relationship with the object of the belief. Individuals form beliefs through direct observation, interaction with a situation, information provided by others or through inference beliefs (Coye, 2004).

Expectations are not merely needs, but are also an assortment of other devices that consumers use to define the level of expected service. Once an encounter with a service is completed, customers compare their expectations with outcomes and then express their satisfaction levels (Stanton, 2015). Normally, a firm will attempt to meet its customers' expectations consequently ensuring that they are pleased with the encounter hence satisfaction. A firm should aim at setting service delivery above the expectations of the consumer. This will result in positive outcomes for the firm, including profit maximisation, advocacy and positive word of mouth as well as return customers (Standards, 2004). This means that exceeding customer expectations will result to enhanced customer enthusiasm for the firm (Santos & Boote, 2003) and therefore most

organizations have cultivated firm and progressive expectations that attract and retain customers.

Customers have different expectations about services. They are either the desired service, or adequate service. Desired service is the ideal level of service that the customer wants the service provider to perform. If the service provider fails to meet these expectations customers may reduce their purchases (Zeithaml, Bitner & Gremler, 2009). Customers acknowledge that the service given may not always be performed as per their expectations and this is referred to as the adequate service. It is the lowest level of service expectations which the customer will tolerate and accept without being frustrated. Whereas, customers' hopes and desires may be high, they may have a certain level of perseverance in cases where the desired service may not seem possible (Zeithaml et al., 2009). In between the desired service and the adequate service is a tolerance zone which represents the lenience and patience a customer will have when the service is not given as expected. It is a zone that is realized when there is a difference between what the customers hoped to achieve what is believed to be acceptable.

Managing customer expectations is a key issue in enabling customer satisfaction. This is attributed to the fact that expectations serve as a major driver of consumer's service quality evaluations and satisfaction (Hsieh, Yuan & Kuo, 2011). Expectations allow a customer to express their anticipations about the performance of products prompting service providers to define multiple expectations of customers in the purchase process. Customers would normally have an initial expectation based on previous experiences with certain products. Besides this, there are new customers who have no first-hand experience with the performance and quality of products. These ones tend to purchase from a specific business for the first time and their initial expectation will be based on other customers' feedback, advertisements, and mass media. However, Xiang, Lai, Harrill, Kline and Wang (2011) argue that even though the influences of customer expectations are identified and observed through customer satisfaction, the key forces affecting customer expectations remain questionable.

1.1.3 Perceived Value

Perceived value is a consumer's overall assessment of the quality based on perceptions of what is received and what is given (Ishaq, 2012). It is the difference between perceived benefits and costs and is based on money, quality, benefit, and social attitude. Lin, Sher and Shih (2005) described perceived value from three perspectives: as acquisition value, a service value, and value for money. Acquisition value is based on what the customer gets for what he or she gives. Service value is the quality of service the customer gets for the price paid while value for money is low price. However, value is highly personal and could vary from one customer to the other. High levels of customer value are a consequence of a good product and service and they affect customer satisfaction (Lee, Park, Park, Lee & Kwon, 2005).

The concept of perceived value (Perval) is multi-dimensional. Literature has shown three major dimensions of customer perceived value, namely, functional, emotional, and social (Sanchez, Luis, Rosa & Miguel, 2006). The functional value is viewed as tangibles related to price, service quality and contact personnel. Social value is analyzed as personal beliefs, social integration, as well as opinion and references of relatives and friends. Emotional value is suggested as the non-physical features and may include excellent psychological climate; relaxation and certainty for financial operations security; comfort; reliability and satisfaction; positive emotions and experiences. This multi-dimensional method has been chosen as the base for this research since a single item scale would not capture dimensions of this concept sufficiently.

Once customers have received a certain level of value from a service provider they often prefer that company and would advocate for it to others. Previous experiences with a company will determine the kind of perceived value that customers have. This will enhance repeat purchases and the customers will be willing to share positive feelings with others (Bolton, Kannan, & Bramlett, 2000). The value and worth of service is perceived as a requirement for achieving satisfaction and retention which ensures that customers use the same service in the future. Involving customer value in assessing customer satisfaction allows for a more comprehensive understanding of a customer's overall

evaluation of commitment and satisfaction to a firm and its services. When customers perceive high levels of value from a purchase, they most probably will eventually buy and if the levels are low they will look for alternative purchases (Muturi, Wadawi & Owino,2014).

Perceived value, clearly explains the customers' preferences and their purchase behaviors, it is a significant factor which predicts a consumer's purchase behavior (Peng & Liang, 2013). Studies have shown that perceived value is an important antecedent of satisfaction and it leads to higher levels of customer satisfaction, loyalty, trust and repurchase intention (Korda & Snoj, 2010). In this study, perceived value dimensions of functional, social and emotional value are linked to customer satisfaction which allows for identification of a mediating impact on customer satisfaction. Perceived value has broadly been recognized as arising at different points in the purchase procedure, these include the pre-purchase phase, at the time of purchase, during usage and lastly at post purchase (Sanchez et al., 2006). These process points arouse a need to think about these stages and to measure perceived value wholly.

Offering consistent value to customers is a dependable way of guaranteeing and attaining constant satisfaction and customer loyalty. It has also been contended to be one of the most significant predictors of repurchase intentions (Parasuraman & Grewal, 2000; Morar, 2013). Since companies are operating in a complex and competitive environment where there is an increased number of customers, with varied demands there is a growing interest in providing greater value to the customer (Yeh, 2013). Customers may not clearly and perfectly recognize all the attributes and benefits offered by the goods and services they receive so they rely on their own evaluation on the performance of the goods and services they use. Perceived value is therefore viewed as the connecting link between perceived benefits and perceived costs (Johnson & Weinstein, 2004).

Customers buy goods and services for the benefits that they derive from them which essentially lead to satisfaction. Such attributes may include the features or qualities of a product which derives functional value, while emotional value can come from kindness and receptiveness of the staff, to the provision of extra services such as installations.

However, customers also seek satisfaction and comfort while using the service as well as after the purchase. The key benefit sought for value creation is dependent on the type of service and the intention of the customer. Some of the most significant product benefits sought by customers are based on product functions and durability while, in the case of services like those offered in hotels the total value obtained symbolizes a pleasurable feeling of enjoyment and satisfaction that appears once services are consumed (Petrick, 2002).

1.1.4   Customer Satisfaction

The overall evaluation of how pleasurable one's interaction with an organization is including the buying and use experience, relative to what is anticipated is referred to as customer satisfaction (Kotler & Keller, 2006). It is a business concept inclined to the creation of value for customers. This means that a business must anticipate and manage customer expectations and demonstrate an ability and responsibility to satisfy their needs (Valdani, 2009). There is a correlation between customer satisfaction and profitability. Therefore, measurement of customer satisfaction would show the difference between expectations and perceptions of customers. Literature on customer satisfaction (CS) levels has revealed the presence of a link between the quality of service and customer satisfaction (Navarro, Iglesias & Torres, 2005).

Customer satisfaction is understood as a consumer's good judgment about pleasure versus displeasure. According to Moliner, Sanchez, Rodrıguez and Callarisa, (2007) customers judge their level of satisfaction based on two perspectives; the cognitive nature which compares expectations and performance and the affective which is associated with feelings of pleasure. Business success is usually pegged on attaining high levels of customer satisfaction (Chow-Chua & Komaran, 2002). High levels of service quality are likely to increase satisfaction and possibly lead to re-purchase, adoption of similar goods and services, positive word of mouth and profit generation (Suchanek, Richter & Kralova, 2015).

The standards for evaluating customer satisfaction levels are engrained in customers' total experience with the service this includes customer expectations, best brand, value and other individual assessment standards (Stanton, 2015). Further, the satisfaction process will be explained differently and the evaluations will differ among different goods and services. The customer satisfaction concept advocates for value in enlightening customers about variability in the performance of services. This means offering customers a clear understanding and knowledge about how to broaden the zone of tolerance and reduce the impact of disconfirmation satisfaction (Wirtz & Mattila ,2001). Customer satisfaction dictates that customers should receive the level of service that meets their expectations and that which satisfies and fulfills their needs (McColl-Kennedy & Kiel, 2000). Increasing the quality of service delivered can leads to customer satisfaction and can result in loyal customers as well as repeat purchases (Chow-Chua & Komaran, 2002). The hypothetical perception is that satisfaction is a key driver of repeat purchases (Mpinganjira, 2014), and so a customer will continue using services until something alters their hopes and expectations (Brunner, Stocklin, & Opwis, 2008). Therefore, understanding customer needs is a key driver to increasing the levels customer satisfaction.

In their study on customer satisfaction and quality, Wicks and Roethlein (2009) found that a business that constantly satisfies its customers will benefit from high retention rates and higher profits due to increased customer loyalty. For this reason, a company will work to acquire more customers and satisfy their needs with an aim of creating high loyalty levels, brand preference, sales and profits. Organizations today are implementing quality management systems and programs with an intention of improving the quality of the services offered. This has been accelerated by the fact that service quality has a direct effect on product performance, and consequently on customer satisfaction (Kotler & Keller, 2009).

Loyal customers are likely to affect the profit and growth of a firm, therefore, futuristic firms find value in measuring and tracking customer satisfaction measures like loyalty as significant indicators of success. The feedback from customer satisfaction assessment is

used to develop a strong value proposition, one that is persuasive, distinctive, measurable, defendable and sustainable (Krivobokova, 2009). Assessment of customer satisfaction has had considerable progress overtime with the emergence of national index models like the American Customer Satisfaction Index (ACSI) and the Net Promoter Score (NPS).

1.1.5 The Hotel Industry in Kenya

The hotel sub sector is among the fastest growing sectors in the global economy. As Kenya envisions industrialization by 2030, the hotel sub sector is seen as one of those that will significantly contribute to this (Schulz & Omweri, 2012). The sectors' contribution is seen even as more global hotel chains open more branches and outlets to reap the market gains and rewards in this competitive industry (Kangongo, Musiega & Manyasi, 2013). Hotels are part of the hospitality sector and are seen as a commercial establishment providing lodges, meals, and other services. Hotels are regulated under Cap 494 of the Hotels and Restaurants Act (HRA) and Cap 381 of the Tourist Licensing Act (TRA). The hotels are categorized as town hotels, tented camps, lodges and vacation hotels which are further categorized into five classes indicated by stars: 5-star, 4-star, 3-star, 2-star and 1 star. Five star being the highest rated hotel and one star being the lowest. (Tourism Regulatory Authority,2014).

According to Price Waterhouse Coopers (PWC) Outlook, (2018) Kenya has the second highest number of branded hotels in Sub Sahara Africa, ahead of Nigeria, Ethiopia and Tanzania. Several new hotels are coming up in Nairobi and some in upcountry towns indicate that there is a targeted effort to attract increasing numbers of business travelers who may require specific services like conferencing facilities. These developments are an indication of confidence in Kenya's economic growth. The PWC outlook shows that there have been significant differentiation strategies being adopted by the hotel sector especially among four and five star hotels. These strategies relate to guest experience designs, quality monitoring system design and implementation planning and proper implementation of brand standards. Certain hotels have hosted global leaders and international conferences, helping to position them as high-end and world class. Some of

these are offering luxury experiences whereas others have focused on amenities that attract short term business travelers.

1.1.6 Hotel Guests in Kenya

The rate of hotel occupation in Kenya is fairly steady throughout the year with diverse guests that visit the hotels: they largely comprise of tourists who travel for sightseeing, recreation, visiting and non-business activities. They want to learn about the customs, the history and the language of every place they visit and they mostly travel in groups and families. Another category is the business travelers who are an important travel market for most town hotels and this is the reason why the hotels that target this market have designed specific services to cater for their needs such as a quiet working environment. A business traveler is a traveler whose expenses are paid for by the business he works for (Pender, 2005). These guests are a desirable and profitable market and are an important segment because of their steady level of demand even at highly priced room rate. Thirdly we have transit guests who stay at transit hotels for short stay. Transit hotels are located at the airports and ports where passengers are on extended waits between planes can stay (Talabi ,2015).

Kenya's main tourists come from the United Kingdom (UK), United States of America (USA), Germany and Italy (Economic Survey, 2017). Kenya generated KES173.1bn in visitor transfers in the year 2016. In 2017, this was projected to grow by 5.2%, and the country was expected to attract 1,243,000 international tourist signifying 47% of international arrivals in Nairobi. Arrivals from Asia were also becoming increasing important specifically from China and India. Tourists from within the African continent accounted for 61.2% of the total occupancy in hotels, lodges and other rooming houses, during the review period. The bed occupancy of residents from Africa grew by 9.1 per cent to 3,948.5 thousand in 2016 with the highest increase of 10.8 per cent in the number of Kenya residents. The number of hotel bed-nights capacity grew from 20,187 in 2015 to 21,258 in 2016 to 22,351 in 2017 and 23,499 in 2018 mainly due to completion of new hotels in the period under review (KNBS, Cytonn Research, 2018). This indicates positive sentiments from both investors and guests.

1.2   Research Problem

The rapid growth and competition in delivery of service quality in both developed and developing countries has made it necessary for companies to measure and evaluate the quality of service encounters (Brown & Bitner, 2007). Service encounter factors are important antecedents that affect customer evaluation of service performance. They are also the key basis for customer satisfaction (Soderlund & Rosengren, 2010). Singh and Sirdeshmukh (2000) argue that consumers portray behavioral intentions toward services as long as the mutual interactions grant superior value. Similarly, Zeithaml et, al. (2009) contend that customers identify services in terms of the quality rendered and how satisfied they are with the experience from the service. Additionally, Chang, Wang and Yang (2009) assert that there is a positive impact of service quality on customer satisfaction and on perceived value (Cronin, Brady & Hult, 2000). Customer satisfaction should be the ultimate aim of all service firms as it reduces the defection rate and it is positively likened to retention, rebuying intention and loyalty (Cameran, Moizer & Pettinicchio, 2010). Since services are intangible in nature the relationship between customer satisfaction and the features of services has proved difficult to detect.

The hospitality industry in Kenya is an important sector and has a positive correlation to performance of the tourism industry. A country cannot attract tourists unless it has good hotels (Mureithi, Morara & Michael, 2009). The focus on the hotel sector is driven by the fact that the sector steers other sectors like agriculture and has a significant contribution to Kenya's GDP. With the increased bargaining power of customers, hotels are appreciating the fact that the key to their triumph will be to develop relationship building marketing efforts mostly through the use of loyalty measures (Gordon, 2006). Customers are one of the greatest assets that a hotel can have because once they are satisfied, they are more likely to revisit the hotels and recommend others to visit (Jones, 2007). Much focus has been placed on the contribution of hotels to economic growth based on revenue and performance disregarding the perceptions and expectations of hotel guests.

Literature in service marketing has revealed major gaps. First, the bulk of the literature has focused on identifying the determinants of service quality. Second, service encounter quality has not been the focal point in explaining customer satisfaction. A study done by Noone, Kimes, Mattila, and Wirtz (2009) focused on perceived service encounter pace and customer satisfaction and revealed that as perceived pace of the service encounter increases, satisfaction increases. This study was done in the United States of America where respondents were conveniently picked as they were dining. The study explored perceived pace of service encounter but did not address the different value dimensions such as functional, emotional and social value. In a study done by scholars from US, Canada, Sweden and Portugal on service encounters Voorhees et al., (2017) concluded that there was too much emphasis on the core service encounters and a narrow focus on pre-core and post-core encounters. The current study focused on all the three service encounter points of pre core, core and post core service to define the customer experience. Another study by Lee (2006) conducted in South Korea treated customer satisfaction and perceived value as independent variables and the results showed that perceived value described more variance of loyalty than customer satisfaction. The current study uses customer satisfaction as the dependent variable and perceived value as a mediating variable.

Further, a study by Durvasula, Lysonski and Mehta (2011) in Singapore concluded that service satisfaction is jointly affected by service encounter perceptions and service quality perceptions. The study sampled industrial customers who evaluated service dimensions of ocean freight shipping lines. The service encounter perception dimensions used were not exhaustive and did not cover key service marketing elements like price, servicescape and people. Another study Singh (2013) conducted a study to show that positive service encounter is a tool for customer loyalty. Convenience sampling was used by choosing customers who had shopped from the fashion apparel in India. This study concluded that service quality strongly influences customer loyalty through customer satisfaction. The latter was tested as a moderating variable.

A study by Phiri and Mcwabe (2013) sought to measure customer expectation levels of service quality in the food retail sector in South Africa. Respondents were selected through convenience sampling. The study did not test the moderation effect of customer expectations. In 2014, Mayombo carried out a study on the effect of customer complaint behavior (CCB) on customer loyalty in Uganda and found organisations that strive to have and maintain quality service will gain loyal customers. The current study tests customer loyalty as an indicator of customer satisfaction.

In Kenya, studies that have been conducted include Owino (2013) whose research sought to identify the impact of service quality on customer satisfaction among university students. The study concluded that there is a statistically significant relationship between service quality and students' satisfaction. However, the study only tested the service mix elements which excludes other marketing elements such as price, product, promotion and place that have been used in the current study. In his study done in maize flour mills in Kabare (2013) found that quality of service emerged as a key driver of satisfaction among customers in Nairobi and it had positive and significant correlations with customer satisfaction. His study focused on overall satisfaction without exploring key behavioral and attitudinal aspects of customer satisfaction.

Mutisya (2010) in her study of hotels in the Kenyan coast found that guest satisfaction levels averaged between satisfactory to fairly satisfactory. Additionally, her research revealed that there was some level of inconsistency between the kind of hotel services customers expected and what they received. In the current study two levels of expectations are analysed: desired and adequate customer expectations. The study used customer satisfaction as an independent variable while the current study conceptualized the same as a dependent variable.

There have been numerous studies on consumer decision making and customer satisfaction in the past but most of these have been product oriented, the current study is focused service delivery. From the discussion above there is need to conduct a comprehensive study that integrates several variables to address the knowledge gaps.

Though some of the ideas and variables expressed herein may be familiar to many, the value is in integrating these variables to provide a more comprehensive and holistic picture of service encounter in the Hotel Industry. The current study sought to examine the interaction effect of service encounter quality, customer expectations, perceived value and customer satisfaction of hotel guests. The research study question was: what is the relationship between service encounter quality, customer expectations, perceived value and customer satisfaction of hotel guests?

1.3   Research Objectives

The general objective of this study was to determine the relationship among service encounter quality, customer expectations, perceived value and guest satisfaction in the hotel industry in Kenya.

The specific objectives of the study sought to:

i)   Determine the effect of service encounter quality on satisfaction of hotel guests in Kenya

ii)   Assess the moderating effect of customer expectations in the relationship between service encounter quality and customer satisfaction

iii)   Examine the mediating effect of perceived value on the relationship between service encounter quality and customer satisfaction

iv)   Determine the joint influence of service encounter quality, customer expectations and perceived value on customer satisfaction

1.4   Value of the Study

The results of the study are expected to contribute to theory building, policy issues and managerial practice. To the theory of consumer behavior, the study adopted service encounter quality as an independent variable, customer expectations as a moderator variable and perceived value as a mediator variable and they all influence customer satisfaction which is the dependent variable. This study contributes to knowledge on customer behavior by exploring service encounter quality components as perceived by customers and examining their relationship with customer expectations, perceived value and customer satisfaction.

Most existing models of service encounter focus on service quality without incorporating the marketing mix elements like price, people, promotion and the product of core service.

The study added to theoretical knowledge the great role played by service encounter quality in shaping customer satisfaction. The study drew from best practices in customer satisfaction assessment from several studies and focused the field research to hotels in Kenya adding knowledge on the dynamics of service encounter quality practices. In addition, the outcome proved that service encounter quality, customer expectations, perceived value and satisfaction are reasonably linked amongst themselves as predicted in the conceptual framework in the current research.

Policy makers get to understand and gauge how well the industry can be leverage through learning in order to contribute to an increase in economic growth. Policy makers in Kenya recognize the importance of the hospitality industry towards long term economic development and therefore the results of the study will assist them to make informed decisions. The direct beneficiaries of this study are the four star and five star hotels in kenya. Other players in the hotel industry like the Kenya Association of Hotel Keepers and Caterers (KAHC), Hotels Authority of Kenya (HRA) will also benefit from the results of this study. Further, the findings of the study will provide invaluable insights and a more reliable guide to monitoring the impact of the quality service at the point of encounter with customers. It could also serve as a benchmark for measuring and reviewing the Tourism Regulatory Authority's respective policy goals and objectives.

The study contributes to managerial practice as managers and executives are expected to appreciate the role of their strategies, actions, policies and activities play in shaping the area of service encounter, quality and satisfaction. Service providers in Kenya will be equipped with empirical information on what customers expect in terms of service quality as well as their assessment of the quality of service they provide. Marketing practitioners in other related industries may use the findings, and make better meaning of the situation in their industries or firms.

1.5   Organisation of the Thesis

This thesis is organized into five chapters. This first chapter has presented a conceptual background of service encounter quality, customer expectations, perceived value and customer satisfaction. Further, the chapter provides a contextual background of the hotel sub sector and hotel guests. The research problem, the study objectives and significant contribution of the study are all detailed in this chapter.

The second chapter submits a review of literature on the fundamental variables of the study of service encounter quality, customer expectations, perceived value, customer satisfaction and their relationships. It also provides a theoretical review stating the theories that guide the study. Further, the study points out the empirical review of works done previously and their contribution to the current research. Additionally, the study further presents an illustration of the conceptual framework indicated by the three predictor variables (dependent variable, moderating, mediating) and the independent variable. It also contains a summary of the study knowledge gaps and a set of four hypotheses that were framed based on the objectives of the study.

The third chapter explains the research methods adopted for the study. The chapter gives a detailed description of the research philosophy that guided the study, the relevant research design, the selected target population and the sampling technique employed. Additionally, the chapter covers data collection methods which included questionnaire design, validity and the reliability tests done on the instrument, the operationalization of the study variables and finally, data analysis methods and procedures.

Chapter four indicates the results and outcomes of the data that was analyzed. The results were based on internal consistency, descriptive and inferential statistics. Correlations and regression testing was done using regression models to predict the effect of the independent variables on dependent variables. Tables containing statistical outputs were presented and a brief explanation of the same has been given. Results for the mediation and moderation paths have been summarized and presented. Lastly the findings from hypothesis testing have been summarized and tabulated.

Lastly, chapter five presents a summary of the findings for each of the objectives followed by conclusions, recommendations and implications of the study. Discussions on the inferences of the study findings on service encounter quality, customer expectations, perceived value and how they improve customer satisfaction have been presented. Consequently, the limitations of the study and suggestions for further research have been discussed in this chapter.

1.6 Chapter Summary

This chapter has presented an overview of the study area, a conceptual review of the main study variables, an analysis of the hotel industry and the diverse groups of hotel guests in the Kenyan market. Further, this chapter describes the research's statement of the problem, the study objectives, the value and significance of the study and has also outlined how this thesis has been organized. The next chapter indicates a review of literature with a view of the theoretical underpinnings of the study and empirical literature. A conceptual model has been framed and four hypotheses of the study have been reviewed.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter presents discussions on the theoretical foundations that support this study and a comprehensive review of relevant literature. The reviewed literature is based on the relationships between the study variables of service encounter quality, customer expectations, perceived value and customer satisfaction. This chapter concludes by providing a summarized table of the empirical knowledge gaps, the conceptual model and the conceptual hypotheses.

2.2 Theoretical Foundations

This study is guided by the consumer behavior theories. Theories of consumer behavior are a natural extension of human behavior theories. While no single theory is unifying, each one provides a unique piece of the puzzle in understanding the psychological processes of people and their patterns of consumption. These theories assist marketers in identifying and understanding a wide range of variables that could explain consumer behavior. Marketers are also able to predict buyer behavior and formulate better marketing programs and strategies. The current study links the service encounter needs theory, expectancy disconfirmation theory (EDT), value percept theory, and the three factor theory of customer satisfaction perspectives so as to provide explanations on service encounter quality, customers' expectations, perceived value and customer satisfaction.

2.2.1 Service encounter needs theory

The service encounter needs theory (SENT) proposes that the impact of service encounter on an individual is judged based on their psychosocial needs. The proponents of this theory are Bradley, McColl-Kennedy, Sparks, Jimmieson, & Zapf (2010).) They proposed that the factors that are significant to the success of service encounters are a combination of eight psychosocial needs, namely, cognition needs, competency, control needs, need for justice, power, trust, respect, and pleasant relations with others These kinds of needs

are common among customers and employees. Service encounters are social encounters that entail dialogue and mutual influence among interacting parties (Homburg & Stock, 2005). Therefore, customers and employees must understand and know their operating environments and circumstances. This involves having information and knowledge that will enable them to explain previous events, understand ongoing activities, foresee future events, and develop strategies to respond accordingly. The customers and employees in the service encounter must work towards minimizing doubt in service delivery, they should not feel oblivious, or confused about what is happening at the service point (Vugt, 2009). This type of need is referred to as cognition need whereby customers have a desire to receive explanations on any service failures.

A service encounter must allow the customers and employees to realize their need for a sense of their self-competence. These two parties want to feel that they have done what is expected at the point of the encounter and that the desired effect of their actions has been realized (Harris & Ogbonna, 2002). They must feel accomplished and valuable and this need is also presented as one of the component in Maslow's hierarchy of needs. Thirdly, according to Chang (2006) giving choices and options to customers enhances their sense of control and enables affective responses to service. The players in service encounter want a feeling of accomplishment by managing and influencing their environment. This need to control the service space is acknowledged as an essential motive to perform and offer quality service (Fiske, 2004).

The need for power is the fourth psychosocial need which infers on the need to be superior and to dominate. This need is concerned with creating and sustaining an individually advantageous position in the social hierarchy. In service research, (Yagil 2006; Menon & Bansal, 2006) have remarked that it is the customer's, needs that are of key concern in service firms. Fifth, the parties at the service encounter point must feel that fair processes are being followed, and objective outcomes are being attained. The emphasis is on distributive and procedural justice. Justice is perhaps the prevailing factor in service recovery that enhances fairness (Wirtz & Mattila, 2004).

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Additionally, the parties interacting at the service encounter need to feel that that the other party is dependable, can be trusted, is supportive, ethical, reliable, has integrity and is competent. The service offered and the service received should be of higher standards when the two parties trust each other. Sirdeshmukh, Singh, and Sabol (2002) in their study concluded that customer loyalty was dependent on customers' trust of the service firms and service providers, while Bechwati and Morrin (2004) revealed that violation of trust causes customer rage. In addition, Rupp and Spencer (2006) state that people need to feel appreciated and respected. They want to be treated with esteem, courtesy and dignity. Customers want to be appreciated as exceptional and unique individuals and will demand for service that fulfils their social status. The need of feeling respected by the other parties is demonstrated in a study on customers by Liao (2007).

Finally, the eighth need stresses on either party establishing and maintaining relations with each other. The two must experience friendly and pleasing relationships such that by the end of the encounter the two parties are in good terms. Evidence of the importance of this need within service interactions is seen in a study by Gremler and Gwinner, (2008) that links service encounters and customer satisfaction. All service encounter actions, like greetings, demands, clarifications, apologies, and complaints, can affect the fulfillment of these psychosocial needs. The service encounter needs theory deduces that the level of satisfaction or dissatisfaction can result in a range of emotions like infuriation, irritation and anger through to delight, contentment and pleasure (Bradley et.al, 2010). The theory was deemed suitable for this study as it discusses the key study variables tested and their impact on customer satisfaction.

2.2.2 Expectancy disconfirmation theory

This theory was developed by Richard Oliver in 1980 where he argued that when realism fails to match a person's expectations, then they will experience psychological anxiety. This study falls within the framework provided by the EDT which affirms that customer expectations integrated with performance lead to satisfaction. The EDT model is comprised of four components that is expectations, perceived performance, disconfirmation, and satisfaction. Expectations describe a customer's hopes about the

performance of a product. The EDT model has the capability to describe various behaviors of customers in the purchase process. Perceived performance considers the customer's experience once they have used the goods or services, this experience can either fulfil or fail to fulfil customers' expectations. Disconfirmation is the variance between a customer's primary expectations and the actual performance (Bhattacherjee & Premkumar, 2004). If actual performance doesn't meet a customer's expectations, there will be negative disconfirmation while the vice versa leads to customer satisfaction. When there is no disparity between customer's expectation and actual product performance then this would mean that perceived performance is equal to expectation, hence confirmation (Santos et al., 2003).

EDT proposes that when realism fails to match a person's expectations, then they will experience psychological anxiety. In an effort to ease this anxiety, the customer will try to change his opinion in order to align their expectations with reality (Staples & Wong, 2002). Expectations indicate an individual's anticipated behavior, they predict probable product features and quality in the future. Consumers have prior expectations about a service before using it but if they have had prior experience with the service, their expectations are more realistic. However, if they lack previous experience then their expectations may be derived from other sources. The expectations can be based on feedback from prior users, media reports or marketing initiatives. Otherwise, the consumer may use the service for a while and evaluate the extent to which it matches their initial expectation. This match is expressed as disconfirmation. This in addition to perceived performance is proposed to jointly form a consumer's level of satisfaction or dissatisfaction with the product (Brown & Venkatesh, 2008).

Expectancy disconfirmation theory (EDT), maintains that the intent of a customer to repurchase or reuse a service is determined mainly by their level of satisfaction with prior use and experience with the good or service. EDT asserts that satisfaction is jointly determined by disconfirmation and expectations (Spreng & Page Jr, 2003) and it has the most immediate influence on satisfaction. When customers' expectations are negatively disconfirmed this is an indication that product performance is less than expected and

dissatisfaction is implied (Diehl & Poynor, 2010). The EDT describes service satisfaction and dissatisfaction suggesting that when customer experience is worse than expected then the quality of service is perceived to be poor and the customer becomes dissatisfied (Gruber & Voss, 2009) According to Parasuraman, Zeithaml and Malhotra (2005) customer expectations act as core standards against which a customer measures the quality of service that they receive. The EDT theory supports this study through the joint impact of customer expectations and perceptions and customer satisfaction.

2.2.3 Value-percept theory

This theory by Locke (1967) assumes that satisfaction is the fulfillment of consumer desires, values, or wants, as opposed to their expectations. The theory interprets satisfaction as an emotional response triggered by a cognitive evaluative process (Parker & Mathews, 2001). This means that customers compare something to one's values rather than to an expectation. Customers will search for services that meet their values, needs and wants and this will be the object of their evaluations. The theory assumes that satisfaction is the fulfillment of consumer desires, values, or wants, as opposed to their expectations. Value-percept disparity is the extent to which a product offers the features and performance characteristics needed or desired. One advantage of using this theory is that it emphasizes on values based on customer characteristics rather than on service attributes. Value percept indicates an assessment reflecting the value that customers place on the services rendered based on their experiences, perceptions of service and their personal values (Isac, 2011). Customer satisfaction is increased as the discrepancy between customers' perceived service values and the customer's own values decreases.

The value percept theory acknowledges that consumers are guided by their own set of values, but they also perceive the values involved in services provided (Bloemer & Dekker, 2007). Studies have proven the positive impact of the value perception disparity upon satisfaction meaning that organizations should focus on communicating extrinsic values, which have an important role in defining satisfaction. Lages and Fernandes (2005) developed a tool to measure the personal values of the services consumed. The tool is SERVPVAL. It is a scale that provides a common ground to assess personal values

in service firms, companies are able to get a clear understanding of key values involved in choosing and using services. This tool guides management on strategies to improve the value of their services and to develop offers that meet their customers' needs and personal values.

2.2.4 Three factor theory of customer satisfaction

The theory was formulated by Kano in 1984 and it indicates three satisfaction factors that can be used to distinguish the levels of satisfaction that a customer can hold. First are the basic factors which are dissatisfiers and are minimum requirements that can lead to dissatisfaction if not fulfilled; they however do not cause customer satisfaction. The fulfillment of the essential requirements is a necessity, but an insufficient condition for satisfaction. Basic factors are fully expected as the customer regards them as preconditions hence they should not be taken for granted (Berman, 2005). These are basic and obvious expectations that a customer has, when execution is poor, satisfaction is low and when execution is done well, satisfaction is neutral. When these basic requirements are done well, customers are just neutrally satisfied, but when done poorly, customers are very dissatisfied. For instance, the cleanliness of the carpet in a hotel room. Secondly, excitement factors are satisfier factors that increase the levels of customer satisfaction if delivered but do not cause dissatisfaction if they are not delivered. High performance on these factors has a greater impact on overall satisfaction than low performance. Excitement factors are unexpected and are used to surprise the customer as well as generate customer delight. Companies should work towards curving a niche from the rest with regards to these attributes (Fuller & Matzler, 2008).

Lastly are performance factors that lead to satisfaction if performance is high and to dissatisfaction if performance is low. These factors are directly connected to the customers' explicit needs and desires. The impact of a single satisfaction factor on overall customer satisfaction may be limiting. In order to set the right priorities in customer satisfaction management, managers need to know which category the factors fall. This kinds of categories will provide insights in understanding and categorizing the different features that affect satisfaction hence this theory is appropriate for this study. Since

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organisations must remain unique so as to appeal to customers, regular changes to a brand and its value propositions are necessary and expensive. However, firms strive to remain relevant by focusing on benefits, attributes and features that are crucial to service provision, quality enhancement and updating these over time (Nielsen, 2010). The Kano model seen in Figure 2.1 is a tool used to evaluate the product features and attributes. It helps in assessing the functions of new product features and also in predicting the changes that are likely to occur progressively through the life cycle of a product (Lieberman, 2008).
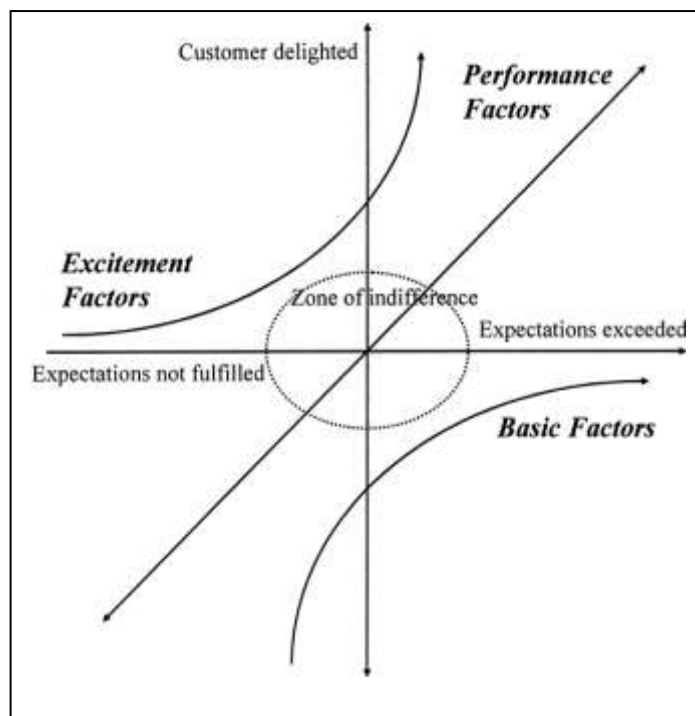
Figure 2.1: The Kano model
Source: Shahin, Masoud, Jiju & Park (2013)

The horizontal axis represents the products performance and functionality while the vertical axis shows the levels of customer responses to the product indicating whether the customer was delighted or disappointed. Customer satisfaction has a positive impact on a firm's profitability and when customers are satisfied they will be the pillars of successful businesses. Customer satisfaction leads to repeat purchases, brand loyalty, and positive

word of mouth (Kotler, 2007). Therefore, companies should routinely and keenly look for features in their companies that give the highest returns, update them over- time and regularly weed out unnecessary attributes.

2.3 Service Encounter Quality and Customer Satisfaction

As the service market place gets to be more competitive, it is has become even more important for primary offerings such as physical goods and also services to be good sufficient so as to offer a competitive advantage. Creating a sustainable competitive advantage entails the development and improvement of all components in customer relationship, especially service encounters (Beatson & Coote, 2007). According to Bateson and Hoffman (2010), when service encounters occur frequently and in close successions a relationship between the service providers and customers may emerge. If the customer continues to experience superior interactions with a given service provider, a long term relationship may develop. Therefore, developing value creating service encounters should be one of the key priorities in service firms during service delivery (Hogg & Winkelman, 2003).

The service encounter concept has gained increasing attention in services literature (Magnus & Rosengren, 2010). Previously, service provision was largely focused on interpersonal based service encounters (IBSE) but due to technology and innovation, the service industry is facing major challenges. Interpersonal based service encounters are the encounters that occur when the service suppliers continually relate with their customers face-to-face (Lovelock, Wirtz, & Chew,2009). Sometimes customers interact with the service providers by use of technology through the Internet or automated machines like vending machines these interactions with technology are referred to as technology-based service encounters (TBSE).

The adoption of technology and an increase in the use of the internet suggests new opportunities to service providers who are now able to advance their service offerings. These services include payment of bills from home, money transfers to cash withdrawals or procuring a travel package via the internet (Bitner Brown, & Meuter, 2000). This usage of technology allows the consumers to effortlessly and quickly complete the

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service course and process hence service encounter quality. Both IBSE and TBSE aim for similar outcomes that is to deliver quality services to customers, build customer loyalty and nurture long term relationships (Lin, 2007).

The quality of the service offered and the levels of customer satisfaction are significant factors for success of a business. Delivering quality service entails ensuring that there is uniformity in the service offered on regular basis (Weitz & Wensley, 2002). According to Kotler (2007) delivery of quality service is very vital in attracting and retaining customers. This is due to the fact that customers form perceptions of service quality based on the level of satisfaction they experience with a particular business. A guest visiting a hotel will be involved in various service encounters particularly when making a room booking, during check in, when being chaperoned to a room by a porter, when having a meal at the hotel restaurant, requesting for a wake-up call, using in-house services, and during check out (Kandampully, 2002). It is during these encounters that guests receive a clear picture of the hotel's service quality goals and each encounter add value to the guest's total satisfaction and willingness to do business with the hotel in the future. The hotel management should consider each encounter as chance to offer quality services to their guests.

The concept of customer satisfaction has been advanced as a construct for checking and controlling relationship marketing actions and activities. Satisfaction is an emotional state which develops from a comparison of a customer's expectations with their assessment of a service encounter. According to Brady and Robertson (2001) customer satisfaction is an individual feeling that brings pleasure or displeasure when comparing a product's observed performance with expectations of the service delivered. Gee, Coates and Nicholson (2008) maintain that service encounters present a chance for a firm to provide superior quality service and to differentiate the firm from its competitors.

According to Lenka, Suar and Mohapatra (2009), customer satisfaction is a combination of two responses termed as cognitive and affective responses to service encounters. Cognitive responses tend to compare the expectations of the customer to performance of

the service while affective response exhumes a feeling of pleasure for the customer. Service encounters must offer value and quality for the assessment of a firm's service delivery process which means that the quality of service is judged at the point of service delivery while satisfaction is a customer's experience with the services. Positive experiences with a service are likely to produce positive responses of pleasure due to satisfaction. Therefore, the effect of service encounter quality on customer satisfaction needed to be assessed.

2.4 Service Encounter Quality, Customer Expectations and Customer Satisfaction

A customer's expectation plays a major role in delivery of satisfaction. Customer expectations are beliefs about the kind of service delivered to customers that serve as standards against which the actual performance is appraised (Zeithaml et al., 2006). A comprehensive understanding of guest expectations, including an understanding of the factors that shape them is critical to hotel marketing because guests compare their perceptions of hospitality when evaluating the overall service quality. Service satisfaction is dependent on the degree to which the services received match the customers' expectations. Understanding consumers' service quality expectations is the key to delivering service quality. Companies that actively and aggressively search and integrate the greatest and finest service approaches to increase the performance and the perceptions of their customers are found to succeed. Customer satisfaction with a service encounter depends on initial expectation for the encounter compared to actual perceptions of the encounter (Rust & Huang, 2014). If the actual perceptions meet or exceed the expectations, the customer will be satisfied and vice versa.

In the service industry, customer expectations are important in the provision of quality service. The two main levels of customer expectations are desired and adequate levels (Hill, 2000). The desired service expectation describes what customers believe they will receive from the service providers, while adequate service is the service quality that customers can accept. The desired service represents a blend of what the customer believes should be offered to them. This kind of expectation reveals the wishes, hopes and desires of consumers that must be fulfilled or else the consumers would perhaps not buy

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the product. Customers have hope that they will achieve their service desires but recognize that this is not always possible (Rust & Oliver, 2000). At this point a customer may have to put up with certain service encounters that are less than their expectations. On the other hand, adequate service indicates the lowest level of performance that a customer can accept. Customers therefore assess service performance based on the two standard boundaries: what they desire and what they deem acceptable.

According to Brink and Berndt (2008) a gap exists between the desired and adequate expectations known as the zone of tolerance. It is a point at which customers do not actually notice service performance. When service performance is higher than the zone of tolerance it means that performance has exceeded the desired service and so customers will be delighted and possibly quite surprised. But when the performance is below adequate service customers will be frustrated and their satisfaction levels will be down. Kumar (2010) clarifies that customers will be satisfied when a firm delivers services above their expectation. Therefore, when customers pay a high price for the service they will expect that this service is worth their payment. Zhang, Pine and Lam (2005) in their study hold that customer expectations will be followed by customer satisfaction. Jones and Lockwood (2004) also confer that customer expectations are linked to value for money and firms will need to respond to customers' requirements.

2.5 Service Encounter Quality, Perceived Value and Customer Satisfaction

The role of value is becoming an increasing concern to customers because it is one of the most powerful forces in today's marketplace. Value is described as a customer's overall appraisal of the service net worth based on benefits sought and costs in acquiring and utilizing the services (Hellier, 2003). The growing realization of the importance of perceived value stems from its dual function. Not only is it influential at the prepurchase phase, but it also affects customer satisfaction, intention to recommend, and return behavior at the post-purchase phase (Parasuraman & Grewal, 2000).

Moreover, perceived value assists in creating competitive advantage, as consumers will only purchase products or services they value (Doyle, 2000). When a hotel guest recognizes that the quality of the service bought exceeds their needs, their wants, and their expectations, then, they will be satisfied. Gummerus (2013) states that value is a

complex construct which still needs the attention of researchers since it is the foundation for most marketing decisions. Perceived value as seen in marketing works and publications is analyzed two-fold: as a ratio of the received customer's value and the cost incurred while purchasing the service (Wang et al.,2004). Customer perceived value is a multifaceted concept integrating several value dimensions (Sweeney & Soutar, 2001).

Researchers have largely studied the social, functional, and emotional dimensions in different contexts. Functional value dimension symbolizes the quality of the service offered. It is concerned with the extent to which the service is suitable owing to its features, purpose, dependability, application, quality and efficiency. Further, the social and emotional dimensions deal with the emotions and feelings towards products and services. Social value involves interpersonal benefits, individual interactions, trust and commitment, responsiveness and self-image. (Sanchez et al., 2006). As for emotional value it is the extent to which a service creates suitable moods and sentiments for the customer based on aesthetics, desires, entertainment, enjoyment and adventure (Sanchez et al., 2006).

The relationship between perceived value and customer satisfaction has shown that satisfaction results from a customer's perception of value. Perceived value is viewed as a variable that identifies any discrepancies between benefits and sacrifices in the same way that disconfirmation deals with variations in expectations and perceived performance (Kassim, Igau, Harun, & Tahajuddin, 2014.). Perceived value significantly relate to satisfaction (Omar Alam, Aziz, & Nazri, 2011). Several studies have established that customer perceived value has a strong and significant effect on satisfaction. The relationship between perceived value and satisfaction is eminent when a customer waits to receive benefits greater than the cost of each purchase made (Omar et al., 2011.).
Satisfaction can therefore be expressed as a function of perceived value. Customer satisfaction post-purchase will be dependent on the level of customer perceived value (Lin, 2003).

2.6 Service Encounter Quality, Customer Expectations, Perceived Value and Customer satisfaction

In service marketing, satisfaction is the state felt once the customer perceives the results from the service offered. Numerous studies conclude that satisfaction is determined by customer value as the result of the exchanges and relationships in marketing. In addition, the level of customer satisfaction is influenced by the quality of service and expectations of the customers. This assessment of a service firm's performance is based on a company's level of perception of the service provided which can fulfill the requirements, desires and goals of the customers (Farn & Huang, 2008). Satisfying customers' needs is generally vital in business operations as it reveals certain customer appraisals of the service attributed to the performance and consumption experience. Zeithaml et al. (2009), indicate that perceived value plays an important role in the consumer decision making process, proposing that behavioral intentions are driven by perceived value. When customers expect high value levels from the service encounter they most likely will express positive behavior that will lead to satisfaction. (Bowen & Ford, 2002). Similarly, when customers perceive their service experiences in terms of value they tend to recommend the same to others.

Service providers will always strive to satisfy customers and make them loyal. Customer satisfaction has become the focus point of service marketers and operations managers since it is an antecedent of retention, repeat purchase and advocacy (Ryu & Han, 2010). Studies have found a positive link between customer's perceptions of service quality and their behavioral intentions (Cronin et al.,2000). The study also indicated a strong relationship between the quality of services offered and customer loyalty indicating that high levels of perceptions about a service will lead to increased willingness to repurchase. This also shows that the quality of services offered is an important indicator of customer retention.

Quality service will always attract customers who are dissatisfied with the services being offered at the particular time. Customers will normally have an unsatisfactory feeling toward these service firms (Venetis & Ghauri, 2000). Aydin and Özer (2005) asserts that the quality of a service is a significant driver of loyalty, while Kuo et al. (2009) also

discovered a robust linear linkage between the quality of service offered and customer loyalty. Customer satisfaction occurs through comparisons between service quality encountered with what was expected. Satisfaction is an attitude that can be assessed as the sum of satisfactions with various attributes of the service being offered. Rust et al. (2014) indicated that satisfaction is positively influenced by the expectations of customers. They also note that the word "expectations" has been used by behavioral researchers to mean something that is "likely to happen" so when a customer claims that a "service exceeded my expectations," they actually infer that the service they received was superior than they had predicted.

The integration of service quality, customer expectations and perceived value in most research studies has been confirmed to influence customer satisfaction. According to Farrell, Souchon, and Durden (2001) quality service signifies a customer's evaluation of the overall level of service offered by an organization, and this assessment is mostly based on perceptions formulated during service encounters. Service encounters play a crucial role of forming stable perceptions of service quality with the customers. When the perceptions formed are positive then the whole service is usually perceived as positive and this forms the basis of evaluating the quality of the service process. Firms seeking to build strong and stable relationships with their customers ought to offer high value goods and services (Fiol, Alcaniz, Tena &Garcia). The value should be offered using a distinctive approach so as to create a competitive advantage and enhance the firms' sustainability. Customers use their perceptions about value to gauge whether what is given in a transaction is worth the sacrifice of money and time.

2.7 Knowledge Gaps

A table indicating a summary of the knowledge gaps which have been reviewed in the extant literature is presented in Table 2.1. This forms the basis of the research problem and conceptual model for the current study.

Table 2.1: Summary of Knowledge Gaps

Study	Focus	Findings	Knowledge Gaps	Focus of current study
Hsu (2018)	Service Encounter, Value, and Satisfaction on Word of Mouth	Value and satisfaction mediates service encounters and word of mouth	The study used satisfaction as a mediating variable	This study focused on satisfaction as a dependent variable with word of mouth as one indicator
Voorhees, Fombelle, Grégoire, Bone, Gustafsson, Sousa, & Walkowiak (2017).	Service encounter experiences and the customer journey	Too much focus on core service period	Emphasis was on the activities at the encounter points but not quality enhancement	Study focused on service encounter quality at all the three encounter points
Mayombo (2014)	Service quality on mobile subscribers in Uganda	The influence of CCB on customer loyalty was directly and partially mediated by service quality	The study used customer loyalty as the mediating variable	The current study tested customer loyalty as an indicator of customer satisfaction
Kabare (2013)	Customer perception and satisfaction in large millers.	Quality of service emerged as a key driver of satisfaction ,it had positive correlations with satisfaction	The study did not explore other attitudinal and behavioral aspects of satisfaction.	This study tested both attitudinal and behavioral indicators of customer satisfaction
Owino (2013)	Customer satisfaction among university students	Students' perception and a proper service delivery creates a positive image	In this study service quality and the 3 service mix elements were used	This study engaged all the 7Ps of marketing
Phiri & Mcwabe (2013)	Customers' expectations and perceptions of service quality	Confirmation that customers have higher expectations for service quality in supermarkets	High expectations is relative and cannot be generalized for the whole population	The study examined customer expectations as moderating variables

Singh (2013)	Positive service encounter: A tool for customer loyalty in retail	This study concluded that service quality strongly influences customer loyalty	Customer satisfaction was tested as a moderating variable	The current study used customer satisfaction as a dependent variable
Durvasula, Lysonski Mehta (2011)	Service Quality Perceptions and Satisfaction	Relationship between service quality and service satisfaction is not direct but a mediated one	The study used service encounters as mediator variables in ocean freight companies	The current study adopted service encounter quality as the independent variable
Noone, Kimes, Mattila, & Wirtz (2009)	Perceived service encounter pace and customer satisfaction	Revealed that as perceived pace increases, satisfaction increases	This study used perceived pace as a dimension of service encounter	The current study measured service pace as variable of service blueprint

Source: Current Researcher

2.8 Conceptual Framework and Hypotheses

This section presents a conceptualization of the study variables from literature review. The conceptual model shows the interaction between service encounter quality, customer expectations, perceived value and customer satisfaction.

2.8.1 Conceptual Framework

The Figure 2.1, shows the relationships among the four variables of the study. Service encounter quality is the independent variable which influences customer satisfaction (dependent) while customer expectations was used as the moderating variable and perceived value as the mediating variable.

Independent Variable   **Moderating Variable**   **Dependent Variable**

H$_1$

H$_2$

Customer Expectations
- Desired expectation
- Adequate expectation

Service Encounter Quality
- Core service
- People
- Servicescape
- Service blueprint
- Price
- Place
- Promotion

Customer Satisfaction
- Repurchase intention
- Brand preference
- Advocacy
- Trust
- Loyalty

H$_4$

Perceived Value
- Functional value
- Emotional value
- Social value

H$_3$

Mediating Variable

Figure 2.2: Conceptual Model
Source: Current Researcher

The independent variable service encounter quality is represented principally by the marketing mix elements of core service, people, servicescape, service blueprint, price, place and promotion. The core service is the actual service, being offered for example in the hotel it can be accommodation. The hotel needs to offer updated services, there must be diversity in the services being offered, innovation and creativity. Whereas, people represents employees in the organization, their skills and expertise, their level of precision, commitment, appearance, honesty and their responsiveness to customer needs.

Servicescape also referred to as servicescape describes the assets of the firm, they are the manmade environments where hospitality activities, such as dining and lodging, occur Kaminakis, Karantinou, Koritos, Gounaris (2019).

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Other aspects to consider under this include modern facilities, the hotel structure, its exterior and interior design, cleanliness, its furniture and upholstery and entertainment facilities. Further, the service blueprint describes the processes that customers go through while receiving the service for example in the hotel a guest needs to check in and check out at the end of the visit. Price is the monetary value of acquiring a certain service. In this case the amount of money a guest will pay at the end of their stay. Place describes the accessibility of the hotel and the number of locations. Lastly, promotion includes advertising, public relations, rewards and gifts given to the hotel guests as well as tactics used in maintaining a constant relationship with the customers.

The moderating variable is customer expectations which are opinions and views that act as reference points for judging the performance of a service. This study model has adopted the desired and adequate expectations where the desired expectation implies what the customer hopes and wishes to receive from the service provider. While the adequate service is the minimum tolerable expectation that a customer is willing to accept. Customer perceived value is demonstrated as the mediating variable and is represented by three kinds of value: functional, emotional and social value. Functional value refers to a firm's capability to fulfill the task that it has been created to offer while emotional value is the feeling stimulated by the benefits obtained like joy. Social value comes from interactions with others who believe in the quality and performance of a product.

Customer satisfaction as the dependent variable is the customer's fulfilment response after using the product. This study adopted five indicators of customer satisfaction these are repurchase intention, brand preference, advocacy, trust and loyalty. The repurchase intention is the willingness of a customer of buy from the same firm again, while brand preference is the behavioural tendency that reflects a consumer's attitude towards a brand. Advocacy is when a customer recommends others to the service due to the high quality and performance that they have received. Trust is an expectation of positive outcomes, that one can receive based on the expected action of another party (Thomas, 2009).

When service providers build trust with their customers, the perceived risk associated with these service providers is reduced and this enables the customer to make confident predictions of future purchases. Loyalty refers to a customer's commitment to rebuy a preferred service consistently in the future. A loyal customer will keep consuming the services and keeps recommending them to other people.

2.8.2 Research Hypotheses

In this study, hypotheses were tested to determine the relationship between service encounter quality and customer satisfaction of hotel guests.

H_1 Service encounter quality has a significant influence on customer satisfaction

H_2 Customer expectations have a significant moderating effect on the relationship between the service encounter quality and customer satisfaction.

H_3 Perceived value has a significant mediating impact on the relationship between the service encounter quality and customer satisfaction.

H_4 Service encounter quality, customer expectations and perceived value jointly have a significant influence customer satisfaction.

2.9 Chapter Summary

This chapter has presented a review of literature starting with theories related to service encounter quality. customer expectations, perceived value and customer satisfaction. Further, the chapter has also presented empirical evidence on the combined relationships among all the study variables. From the theoretical and empirical literature, it is evident that customer satisfaction is influenced by service encounter quality. The current study empirically examined the relationships of the variables as shown in the conceptual framework. The chapter has also presented an overview of the knowledge gaps, the conceptual model and the four hypotheses that guided the study. In the next chapter the research indicates the methodologies adopted to conduct the study.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter is comprised of the research philosophy that guided the study, the research design, the target population and the data collection techniques. It also explains how the key study variables have been operationalized and data analysis procedures used in testing the hypotheses.

3.2 Research Philosophy

A research philosophy is a fundamental assumption in inquiry based field research. This assumption will support the research strategy and the approaches selected as part of the strategy. The philosophy adopted will be influenced by specific views of the relationship between knowledge and the processes adopted (Sobh & Perry, 2006). The dominant philosophical approach in humanities and behavioral sciences is based on phenomenology, realism and positivism. A phenomenological inquiry is focused on the implication of social occurrences as opposed to its measurement and it also aims to comprehend and clarify the study issues within context. Phenomenology is more subjective and it adopts multiple realisms that are studied wholly and are keenly observed by the researcher. As such the researcher uses inductive and qualitative methods to gather information and perceptions. The philosophy clarifies the assumptions made about the nature of reality (Babbie, 2010) and is concerned with theory building. This philosophy explores individual character and events that would be biased.

Realism contends that a certainty exists and it is independent of social beliefs and human opinions (Saunders, Lewis & Thornhill, 2007). Principally, the theory of realism states that there is a reality that is autonomous of the human mind and that what our senses perceive as reality is the truth. Realism assumes and adopts a scientific approach in the advancement of knowledge. This assumption supports the collection of data and the understanding of that data. Realism is two-fold: Direct realism states that whatever we experience through our senses describes the world perfectly and what you see is what you

get. The second is the critical realism which argues that what we experience are impressions, they are images of the things in the real world, not the real things (Gummesson,2002) This points out how often our senses deceive us.

The third paradigm is the positivist approach which assumes a quantitative approach of exploring phenomena (Cooper & Schindler, 2006). It works with observable and evident social realities where only phenomena that are observed will lead to the creation of reliable data. The researcher relied on existing theory to develop hypotheses which was then tested and confirmed. A well-structured methodology was used to enable replication (Gill and Johnson, 2002) and emphasis was on quantifiable observations that can be statistically analyzed. According to this approach the researcher concentrates on facts, checks for causality, formulates hypotheses and tests the hypotheses (Saunders et al., 2007). In applying this approach, the researcher reviewed literature from previous interrelated studies, developed a conceptual model, framed a set of hypotheses and tested them by use of statistical techniques. The current study was directed by the positivist approach because it sought to accurately and objectively establish relationships among variables and it was concerned with theory hypothesis testing. This comprehensively informed the process of formulating and testing of hypotheses and in making generalizations from the research findings.

3.3 Research Design

This study used a descriptive cross-sectional design. This research design is applicable when the overall objective is to establish a significant relationship among variables at some point in time (Mugenda & Mugenda, 2003). The researcher's intention was to get a correct method of capturing the respondents' characteristics at a single point in time. This research design allows for the collection and gathering of sizeable data from large populations. The design also enables the researcher to provide well-structured and consistent summaries of the variables of the study (Sandelowski, 2000). In addition, a descriptive cross sectional approach is considered appropriate since it helps the researcher to obtain data with adequate accuracy to assist in hypotheses testing.

Ramani and Kumar (2008) found that cross-sectional studies have robust effects on relationship studies. Therefore, this design is appropriate in establishing the effect of relationships between the current study's variables. It affords the opportunity to capture a population's characteristics and test hypotheses both quantitatively and qualitatively. Additionally, this design was deemed appropriate for this study since it allowed for data collection and it allows researchers to draw unbiased conclusions (Cooper & Schindler, 2006). The choice of this design was guided by the purpose of the study which was to test the effect of service encounter quality, customer expectations and perceived value on customer satisfaction.

3.4 Target Population

The population of the study comprised guests at star rated hotels in Kenya that are recognized by the Department of Tourism. The analysis unit for the current study was resident guests in all the 4 star and 5 star rated town hotels in Kenya. Kenya currently has 21 four star and five-star town hotels as indicated in appendix III. A resident guest is one who has spent at least one night in a hotel. Hotels are classified based on their size, their location, their function, target markets, amenities, service levels and industry standards. In Kenya, the tourism regulatory authority (TRA) defines town hotels as those hotels that are located in towns.

According to the Economic Survey (2017), the average length of stay in a hotel was 13 days and by the end of this period the customer would have encountered most of the services offered at the hotel. Hotel guests are driven by a range of preferences and tastes like class, elegance, luxury, ambience and quality of service delivered, these are the major distinguishing factors of the hotels. The guests at the four star and five star hotels tend to give more prominence to the symbolic benefits and service advantages like luxury and status of service quality which provide social approval, integration or status. Additionally, the effect of marketing is most noticeable in these hotels when compared to other low rated hotels and non-classified hotels. The guests also tend to be more knowledgeable, informed and multi-cultural in background. The total number of guests in

the four star and five-star town hotels in Kenya was 4,579 at full capacity (TRA, 2016). This formed the total target population for the study.

3.5 Sample Design

Sampling assists researchers in identifying the elements to be observed in the study. It allows the researcher to identify the respondents and where the data will be gathered from. When selecting a sample, it is important to ensure fair representation of the population under observation. The researcher used a formula proposed by Israel (2009) seen below to obtain the sample size of the hotel guests. Using a formula assists in maintaining some optimal level of representation. The formula is stated as follows:

$$n = \frac{N}{1+N (e)^2}$$

Where   e = Margin of error (0.05)

N = is the population size (4579)

$n = 4579/ (1+4579(0.05)^2)$

$=367$

A total of 367 questionnaires were distributed proportionately among the 4579 respondents at the four and five-star town hotels in Kenya. The sampling technique used to select the hotel was stratified simple random sampling. The strata were the five star and four star hotels. Systematic random sampling technique was then used in each stratum to pick subjects giving each an equal opportunity of being selected and a final sample of 367 respondents was adopted. Systematic random sampling was applied such that the guests would be given the questionnaire based on the hotel room they were staying in.

Table 3.1: Population at 5star and 4 star Hotels

Category	Population	Sample	Percentage
5 star guests	2445	196	54
4 star guests	2134	171	46
Total	4579	367	100

Source: Tourism Regulatory Authority, (2016)

3.6 Data collection

Primary data were collected using a structured questionnaire (Appendix I). The questionnaire was made up of five sections: Section A covered general information about the respondents (nationality, reason for the visit as well as the number of visits made to the hotel); Section B focused on service encounter quality in terms of core service, people, service scape, service blueprint, price, place and promotion; Section C gathered data with respect to customer expectations with desired service and adequate service being the main factors. Section D provided data on perceived value indicated by functional, emotional and social value while section E collected data on customer satisfaction with respect to repurchase intention, brand preference, advocacy, trust and loyalty. The instrument was developed using a Likert scale with five items ranging from 1 up to 5 representing the necessary responses for each question. The Likert scale response anchors were 1 for not at all; 2= to a small extent; 3= to a moderate extent; 4= to a large extent; and 5= to a very large extent. The items were based on relevant literature with modifications done to meet specifications of the current study.

The researcher with the assistance of trained research assistants distributed the questionnaires to the hotels. The questionnaires were administered to resident guests at all the sampled hotels in their hotel rooms so that they could fill them in when they were free and relaxing. A total of three hundred and sixty-seven questionnaires were distributed to the respondents. These respondents provided relevant information on the quality of service encounter, customer expectations, perceived value and satisfaction since they had adequate experience with the services being offered at these hotels.

Secondary data and information were obtained from the hotel's reports, KAHC reports, HRA reports, Economic surveys, Tourism Regulatory Authority manuals, vision 2030 and journals from the hospitality industry. Secondary data is important because it makes collection of primary data more specific as researchers are able to make out what the gaps and deficiencies are and what additional information needs to be collected. It also offers a basis for assessment for the data that is collected by the researcher. It helps to improve the understanding of the problem.

3. 7 Reliability and Validity Tests

3.7.1 Reliability Tests

Reliability indicates the lack of variance in the results if the research was to be repeated. (Collis & Hussey, 2009). When a researcher measures a construct that they assume to be consistent over time, then the scores they obtain should also be consistent over time. Reliability of the research tool is the degree to which it produces consistent results when repeated. To check for reliability, Cronbach's Alpha test for internal consistency was used to pre-test the questionnaire, to assess the measurement scales, to verify the reliability of the five-point rating scale and to evaluate the findings from the data that was gathered (Cooper & Schindler, 2006). A pilot test was conducted on 36 guests to pretest the questionnaire, they were conveniently selected and were not included in the final survey. This was conducted to determine the reliability of the instrument using the statistical package for social sciences (SPSS).

Reliability based on Cronbach's alpha dictates that coefficients range between 0 and 1 and the nearer it is to 1, the greater the level of internal consistency of the objects in the scale. A Cronbach alpha value of ≥ 0.7 essentially means that the data collection tool is reliable and when the value is 0.60 this the lower limit (Ndungu, 2013). According to Grayson (2004), a cut off alpha coefficient point of 0.70 is sufficient. While Sultan and Wong (2010) used a tool with an alpha of 0.8462 which they considered reliable. Cronbach's Alpha Coefficient has comprehensively been used locally to measure reliability by Macharia (2017), Mwai (2017) and Owino, (2013), whose Cronbach alpha values were 0.826, 0.862, 0.972 respectively.

Table 3.2: Reliability of the Instrument

Part of Instrument	Study Variable	Number of items	Alpha co-efficient
Entire instrument		119	.965
Section A	Service encounter quality	54	.921
Section B	Customer expectations	26	.891
Section C	Perceived value	20	.882
Section D	Customer satisfaction	19	.910

Source: Primary Data

The Table 3.2 shows that the alpha coefficient of the research instrument was within the limits with an overall measure of .965. The individual variables also had high values: service encounter quality had the highest measure with .921 and with the lowest was perceived value with .882. The Cronbach alpha values for this study surpassed the cutoff point of 0.70 as recommended by Grayson (2004) which meant that the scale was reliable.

3.7.2 Validity Tests

Validity is the degree to which data collection tools perfectly measure what they are intended to measure (Saunders et al., 2007). Validity is important because it facilitates determination of the types of tests to use, and assists in making sure that the researcher is using methods that measure the idea or construct of interest. There are different types of validity such as content validity, face validity, predictive validity, discriminant, convergent and construct validity (Babbie, 2010).

The current study applied face, content and construct validity tests. To check and improve face and content validity of the instrument a researcher needs to pretest the questionnaire to ensure that it meets their expectations in relation to the information that is collected. A pilot run was therefore conducted whereby questionnaires were administered to a few respondents who represent the sample population but were not included in the sample. The respondents were requested to make remarks on the clarity

of the questions and to indicate how much time they took to fill out the questionnaire. The goal was to get their reaction on the precision and suitability of the questions in the tool (Aaker , Kumar & Day 2004).

Content validity was also guided by expert opinion from doctoral supervisors and lecturers at the University of Nairobi to confirm whether the theoretical dimensions are well conceptualized. Face validity was also used to assess whether the measurement procedure used in the study appears to be a valid measure of a given variable or construct. These forms of validity carefully check the measurement method against the conceptual definition of the construct. The study also applied construct validity which concentrates on measuring and evaluating the philosophical and theoretical construct that it is anticipated to measure (Hair, Ringle & Sarstedt, 2011). It also allows the researcher to observe the relationships among study items and to determine any clusters of items which have adequate variations. This was assessed through factor analysis.

The factor analysis was done based on the criteria of the Kaiser, Meyer and Ohlin (KMO) measure of sampling adequacy with a threshold of above 0.6 for factor analysis to proceed. Bartlett's test of sphericity was also done using principal component analysis (PCA) by varimax rotation and Kaiser normalization. The constructs of the variables of service encounter quality, customer expectations, perceived value and customer satisfaction were exposed to KMO and Bartlett's test extraction. In the current study, the KMO scores were 0.7 which exceeded the prescribed measure of 0.6 and were therefore adequate for factor analysis. While the Bartlett's scores for each of the variables were statistically significant at .000 ratifying construct validity.

3.8 Operationalization of Study Variables

Operationalization of the study variables was centered on a comprehensive review of the literature. The independent variable of the study that is service encounter quality is operationalized using the marketing mix elements of core service, people, servicescape, service blueprint, price, place and promotion. Customer expectations as a moderating variable was measured as desired service and adequate service.

Perceived value consists of measures of functional value, emotional and social value. Customer satisfaction is the dependent variable which is indicated by repurchase intention, brand preference, advocacy, trust, and loyalty. The study variables are summarized and operationalized in Table 3.3.

Table 3.3: Operationalization and Measures of the Study Variables

Variable	Nature	Indicators	Rating Measures	Scale	Question
Service encounter Quality	Independent variable	-Core service -People -Service scape -Service blueprint -Price -Place -Promotion	Five-point rating scale 1=Not at all 2=To a small extent 3=To a moderate extent 4= To a large extent 5=To a very large extent	Interval	Section B Question number 1-60
Customer Expectations	Moderating Variable	-Desired service -Adequate service	1=Not at all 2=To a small extent 3=To a moderate extent 4= To a large extent 5=To a very large extent	Interval	Section C Questions 61-83
Perceived value	Mediating variable	-Functional Value -Emotional Value -Social Value	1=Not at all 2=To a small extent 3=To a moderate extent 4= To a large extent 5=To a very large extent	Interval	Section D Questions 84-102
Customer Satisfaction	Dependent variable	-Repurchase intention -Brand preference -Advocacy -Trust -Loyalty	1=Not at all 2=To a small extent 3=To a moderate extent 4= To a large extent 5=To a very large extent	Interval	Section E 103-127

Source: Current Researcher

A five-point rating scale stretching from "not at all" (1) to a "very large extent" (5) was adopted for all the sections in the questionnaire. This type of scale offers the respondents alternatives in making a choice. Other studies that have used this scale include Njeru (2013), Mayombo (2014) and Macharia (2017).

3.9 Data Analysis

Data were tested using both descriptive statistics and inferential statistics. This was preceded by cleaning the data, data editing and data coding, which was then trailed by data analysis and reporting. The Statistical Package for Social Sciences (SPSS) was used to conduct the analysis. Descriptive statistics were used to present the main characteristics of the sample. To test the hypotheses, correlation and regression analyses were computed to determine the relationships between service encounter quality, customer expectations, perceived value and customer satisfaction. Factor analysis was conducted to check for commonalities among the study variables. Commonalities for variables which are less than 50% were excluded from the analysis because the factor solution was less than half of the variance in the original variable (Mooi & Sarsted, 2010)   After the factor analysis was conducted, the extracted factors were used in the tests of correlation, mediation, moderation and regression models.

Parametric tests were done to assess whether the assumptions of the parametric data were acceptable and to determine whether the sample fulfils the assumptions of parametric data. Violation of these assumptions would change the conclusions of the study and also the interpretation of the results. Therefore, the researcher conducted diagnostic tests to ensure attainment of accurate results. The assumptions used in this study are multicollinearity, normality of distribution of data, heteroscedaticity and linearity of data.

The first assumption was multicollinearity. This exists when there is a strong relationship among two or more predictor variables in the regression model. When the relationship between the predictor variables is very high then every individual estimate of variation in the dependent variable is affected. Similarly, when correlation is high, it is difficult to establish the independent variable which has contributed to the variance explained by the dependent variable. Consequently, tests were done to determine multicollinearity since it can affect the level of accuracy of the results. The tests conducted to identify multicollinearity were the variance inflation factor (VIF) and the tolerance reciprocal.

According to Schwartz, Schwartz and Black (2014) when the value of independent variables exceeds 3 then they are considered to be collinear. In the current study the VIF values for all independent variables were found to be less than 3, this is an indication that there was no problem of multicollinearity. Tabachnick and Fidell (2007) tolerance values of < 0.10, show that the correlations with other variables is high, this would suggest likelihood of multicollinearity. For the current study the tolerance values were not <0.10 and therefore, the data did not violate the multicollinearity assumption in relation to tolerance.

The second assumption is normality which assumes that data is symmetric and normally distributed. Normality was tested using Quantile-Quantile(Q-Q) plots to check errors in distribution while Shapiro Wilk tests were done to generate p values that would guide in probability estimation.

Heteroscedasticity is the third assumption which occurs when there is variance in the errors across observations. The Breusch-Pagan and Koenker tests were used to check heteroscedasticity. The Breush-Pagan test of homoscedasticity is a hypothesis test of whether the pattern of the residuals is consistent across the range of predicted values. The test rejects the H_0 when the value is less than 0.05. Failure to reject H_0 satisfies the assumption.

The fourth assumption was on linearity. Linearity tests were done using Analysis of Variance (ANOVA). Where SEQ, customer expectations, perceived value and customer satisfaction were all tested together with their indicators. This test holds that when the significant value for deviation is < 0.05 then the variables are not linear.

3.10 Mathematical models

Data was analyzed through descriptive statistics and inferential statistics. Descriptive analysis (mean and measures of dispersion) was done to present the main characteristics of the guests. While correlations and regression analyses were computed to determine the relationships among the study variables.

Mathematical models were used to provide estimate equations for regression analyses, Simple and multiple linear regressions were used to predict the scope of the dependent variable. The models also provided values for the predictor variables. The correlation coefficient (r) was attained to show the strength of the relationship amongst the study variables while the coefficient of determination (R^2) was used to measure the amount of variation among the study variables as well as the goodness of fit.

The effects of the moderating and mediating variables were tested according to the procedures prescribed by Fairchild and MacKinnon (2009). Testing for moderation entails checking for the interaction term by using multiple regression analyses. This method was preferred since it allows for the assessment of the contribution the predictor variables on the dependent variable. The three independent variables were inputted into the model, then the general model was assessed based on its ability to predict customer satisfaction. The independent variables service encounter quality and customer expectations were keyed into the model as predictors of the outcome variable customer satisfaction. Secondly, the interaction term which is the product of the two independent variables was then entered into the analysis program.

The interaction term represents the combined correlation between service encounter quality and customer expectations which accounts for further variation in the dependent variable beyond that described by either service encounter quality or customer expectations. The moderation effect is present when the interaction term outlines a statistically significant variation in the dependent variable.

The moderation model was stated as follows:

$Y = \alpha + \beta_1 X + \beta_2 Z + \beta_3 XZ + e,$

where α is the intercept and e the error term.
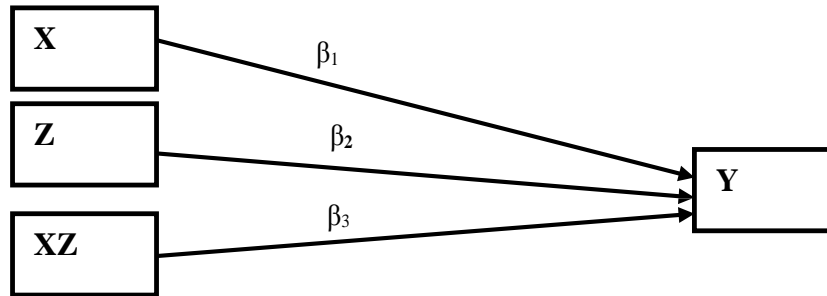
Figure 3.1: Moderation Path Diagram
Source: Adopted from Fairchild and MacKinnon (2009)

X= Service Encounter Quality (Independent Variable), Z= Customer Expectations Moderator), Y= Customer Satisfaction (Dependent Variable), XZ= The product of X (moderator) and Z (Interaction term). β_1= The effect of X on Y, β_2= The effect of Z on Y, β_3= The effect of XZ on Y (Beta Coefficients).

The Figure 3.1 above shows the moderation path diagram. β_1 is the regression coefficient linking the independent variable X, to dependent variable Y, when Z = 0, β_2 is the regression coefficient linking the moderating variable Z to Y, when X = 0. While β_3 is the regression coefficient for the interaction term. If it is statistically dissimilar from 0 then Z moderates the relationship between X and Y.

Testing for mediation involves determining whether the dependent variable (customer satisfaction) is significantly related to the independent variable (service encounter quality); whether service encounter quality is significantly related to perceived value (mediating variable). If the independent variable is correlated to the mediating variable, then the mediator affects the dependent variable.

To test for mediation a three step process was followed. In the first step the independent variable (SEQ) was regressed on the dependent variable (Customer satisfaction) and the standardized regression coefficient (beta for path c) was studied to check for significance and to determine the scope and direction of the relationship. In step two the independent

variable (X) service encounter quality was regressed on the mediator (M) perceived value so as to approximate the standardized beta coefficient for path 'a'. In the third step, perceived value (M) was regressed on customer satisfaction (Y) to determine the beta coefficient for path b, which was significant. In the last step, the independent variable X was regressed on dependent variable(Y) while controlling the influence of M on Y. This was done by carrying out a hierarchical multiple regression analysis that placed M and X in independent variable boxes on the SPSS software.

According to Fairchild and MacKinnon (2009); Shaver (2005) and Bennett (2000) when both coefficients for paths a, and b are significant, then M mediates the relationship between X and Y and path c checks the link strength. If SEQ were no longer significant when perceived value is controlled, the results would support full mediation. Whereas, if SEQ were still significant meaning that both service encounter quality and perceived value significantly predict customer satisfaction, the results would support partial mediation. The mediation paths are presented below:

Step 1: Direct Effect
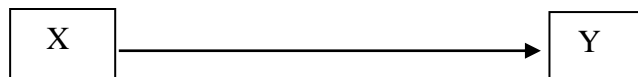
X= Service Encounter Quality (Independent Variable), Y= Customer Satisfaction (Dependent Variable)

Step 2: Path Diagram of mediation effect of Perceived Value
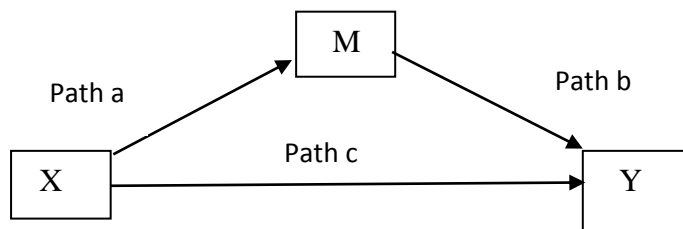
X= Service Encounter Quality; M= Mediator; Y= Customer satisfaction

Figure 3.2 Mediation Path Diagram
Source: Adopted from Fairchild and MacKinnon (2009)

The figure 3.2 illustrates a test for mediation which involves determining path c, service encounter quality (independent variable) is significantly related to the dependent variable (customer satisfaction); path a shows that service encounter quality is significantly related to perceived value (mediating variable), and when perceived value is not associated with service encounter quality and then it does not mediate the relationship between SEQ and customer satisfaction; path b, perceived value is significantly related to customer satisfaction and lastly when controlling for the effects of the perceived value on customer satisfaction, the effect of service encounter quality on customer satisfaction is no longer significant (path c'). Path "a" and path "b" are the most important conditions for determining a mediation effect.

The summary of the analytical models is depicted in Table 3.4

Table 3.4: Summary of Study Objectives, Research Hypotheses, Analysis models and Interpretation of Results

Research Objectives	Research Hypotheses	Analytical model	Interpretation of results
Objective 1: To determine the influence of service encounter quality on customer satisfaction	H_1: Service encounter quality has a significant influence on customer satisfaction	Simple Regression Analysis $CS=\beta_o+\beta_1X_1+\varepsilon$ $Y_1=\beta_{10}+\beta_{11}X_1+\beta_{12}X_2+\beta_{13}X_3+\beta_{14}X_4+\beta_{15}X_5+\beta_{16}X_6+\beta_{17}X_7+\varepsilon_1$ Where: β_1 = regression coefficients X_1 to X_7 = service encounter quality dimensions ε =error term	• F test to measure strength and overall significance of the regression model. • t test to measure individual significance of the relationship. • R^2 to evaluate how much variation in the dependent variable is caused by its relationship with the independent variable
Objective 2: To determine the effect of customer expectations on the relationship between service encounter quality and customer satisfaction	H_2: Customer expectations have a significant moderating effect on the relationship between SEQ and satisfaction	Hierarchical Regression Analysis $M = \beta_0+\beta_1X+\beta_2Z+\beta_3XZ+e$ $= \beta_0+\beta_{11}X_1+\beta_{12}X_2+\beta_{13}X_3+\beta_{14}X_4+\beta_{15}X_5+\beta_{16}X_6+\beta_{17}X_7+\beta_1Z_1+\beta_2Z_2+\beta_3XZ+e,$ Where: β_1 = regression coefficients X_1 to X_7 = service encounter quality dimensions Z_1 and Z_2=Customer expectations ε =error term	•Coefficients of determination (R^2) value to determine the percentage of customer satisfaction explained by customer expectations • F test to assess overall significance of the regression model. •A major change in R^2 when the interaction term (customer expectations) is introduced confirms a moderating effect •Conduct t- statistics to assess significance of individual variables

Objective 3: To determine the mediation effect of perceived value on the relationship between SEQ and customer satisfaction	H₃: Perceived value has a significant mediator impact on the relationship between SEQ and customer satisfaction	Hierarchical Regression Analysis $Y = \beta_o + cX + e$ (to test the direct relationship between X & Y) $M = \beta_1 + aX + e$ (to test if independent variable predicts mediator) $Y = \beta_2 + bM + e$ (to test if mediator variable predicts Y) $Y = \beta_3 + c1X + bM + e$ (multiple regression with X & M predicting Y) Where X= independent, M= mediating variables, a is the effect of X on mediator, c1 the effect of X on Y controlling M, b is the effect of M on Y while ε is the error term.	•R^2 value will determine the percentage of CS determined by mediation of Perval on SEQ and CS • To conduct F test (ANOVA) to gauge the implication of the regression model. • Conduct t- statistics to measure significance of individual variables
Objective 4: To establish the joint effect of service encounter quality, customer expectations and perceived value on customer satisfaction	H₄: customer expectations and perceived value have a jointly have a significant influence on the relationship between SEQ and customer satisfaction	Stepwise Regression Analysis $Y = \beta_0 + \beta_1X + \beta_2Z + bM + \beta_3XZ + e$ Customer satisfaction(Y)= f (SEQ + customer expectations + perceived value). ε = error term.	R^2 value to determine the joint effect of SEQ, customer expectations and perceived value on customer satisfaction T-test. -to compare variables for statistical significance To carry out F test (ANOVA) to assess the importance of the regression model

Source: Current Researcher, (2020)

3.11 Chapter Summary

This chapter has discussed the research methodologies adopted in the current study. The following essential sections of this chapter have been discussed: the research philosophy, the research design, the target population of study, sampling procedure and design, data collection methods and procedures, reliability and validity measures. Further, a table showing the operationalization of the study variables was developed, data testing methods and techniques were described here. A summarized table containing the study objectives, the conceptual hypotheses, data analysis models and interpretations of the research results was developed. The next chapter discusses the results and study findings.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter presents the results and outcomes of the analyzed data as well as the findings of the study. This is done in line with the broad aim of the study which was to ascertain the relationship among the variables of the study which were service encounter quality, customer expectations, perceived value and customer satisfaction. The chapter presents the research response rate, validity and reliability tests, factor analysis for all the study variables, diagnostic tests done on parametric data, the descriptive statistics for the study, correlation analysis among study variables, a new conceptual framework and a summary of the chapter.

Data was gathered through structured questionnaires that provided information on the respondent's demographics and assisted in defining the existing interactions among the study variables. Data was analyzed using the SPSS program to capture both descriptive and inferential statistics. The parametric data assumption tests were conducted and the results were within the range, and therefore additional statistical tests could be conducted. Correlations were conducted between study variables, then the four conceptual hypotheses were tested using linear regression analysis.

4.2 Response rate

A sample of 367 guests was drawn from the population using systematic sampling technique. The research instruments were sent to all the 21 town hotels in Kenya and a total of 350 questionnaires were correctly filled in and returned. This represented a 95% response rate which indicated exactness and accuracy as is required in research. This response rate is higher than that of similar studies on customer satisfaction such as Mayombo (2014), Mwai (2017), and Owino (2013) whose response rates were 88% ,78% and 70 % respectively. Studies conducted in the hotel industry had relatively similar response rate as the current study 95% for Mosavi & Gheadi (2013) while Mutisya (2011) had 96.7%.

4.3 Reliability and Validity of study Measures

4.3.1 Reliability Tests

The tests for reliability of individual items were measured by examining the values of internal consistency of the items corresponding to their constructs. Cronbach's Alpha coefficient was computed to measure internal consistency and to assess the consistency of construct items. Reliability was conducted on each scale of the constructs. The overall Cronbach's alpha statistic attained was 0.965 which was greater than the threshold 0.7. while the second order Cronbach's alpha values ranged from 0.882 to 0.921 as shown in table 4.1. All the retained scale items of the study variables were therefore retained for further analysis as they attained the required thresholds for reliability.

Table 4.1: Reliability of constructs

Variable Cronbach's	Components of Variable	Alpha co-efficient	Number of items	Decision
Service encounter quality	Core service People Servicescape Service blueprint Price Accessibility Promotions	0.921	57	Reliable
Customer expectations	Desired service Adequate service	0.891	26	Reliable
Perceived value	Functional value Emotional value Social value	0.882	20	Reliable
Customer satisfaction	Repurchase intention Brand preference Advocacy Trust Loyalty	0.91	19	Reliable

Source: Primary Data

The Table 4.1 above shows that service encounter quality had the highest Cronbach's Alpha coefficient of .921 and the lowest Cronbach's Alpha which was still satisfactory was for perceived value at .740. Scholars have used different Cronbach's Alpha coefficient cut off points but reliability in this study exceeded 0.70 cut off point proposed

by Gliem and Gliem (2003) and it was therefore considered acceptable for further analysis.

4.3.2 Validity Tests

Validity entails determining whether the research instrument accurately measured what it was anticipated to measure (Patton, 2002). The current study measured content validity, face and construct validity. Accordingly, Face validity is concerned with checking the magnitude by which an inquiry is observed subjectively to evaluate the idea it means to probe and this was done with the assistance of lecturers from the School of Business at the researchers University. Content validity on the other hand measures the extent to which literature on the items under study characterize all relevant items under analysis (Cooper & Schindler, 2006). An extensive review of literature was done to achieve this. Additionally, a pilot test was conducted on selected hotel guests to check the validity of the questionnaire's content. Adjustments were then done on the tool to improve and expand the degree and levels of precision.

Construct validity was assessed to find out whether the measured variables precisely reflect the theoretic constructs (Hair et al., 2011). The data was subjected to factor analysis for evaluation of construct validity. Since all the variables were measured using multiple items a scale unidimensional assessment and identification of the structure of the items of the constructs in the study was done. Exploratory factor analysis (EFA) was conducted with an aim to check validity and to measure purification so as to attain the most effective number of factors.

Principal component analysis (PCA) and Promax rotation method was used to refine each of the constructs. Through PCA algorithm, item of the constructs with factor loadings greater than 0.5 were retained for further analysis (Hair et al., 2011). The study used three factor analysis measurement indicators to assess the factorability of items. These are Kaiser Meyer-Olin (KMO) measure of sampling adequacy, Barlett's test of sphericity and communalities. The study used KMO threshold of above 0.6 (Field,2006), and a significant chi-square p value for Barlett's test of Sphericity. Communalities threshold of

above 0.5 were used to measure the variability of individual items explaining the extracted factor (Pallant, 2010). Kaiser's criterion was used to determine the number of factors extracted on each construct and retaining the factors with eigenvalues >1 or equal to 1. (Hair et al., 2011).

4.4 Assessment of statistical assumptions

Linear regression analysis is a powerful statistical model when estimated correctly. The model predicts the dependent variable by seeking patterns exhibited by the independent variable. Linear regression requires assumptions to be done on the data in order for the model to remain appropriate in prediction of the data (Hayes, 2015). This section provides various diagnostic tests done on the data prior to estimation of the regression model. These tests are done to check whether the assumptions of statistical tests were realized afore the data was taken through further analysis. The assumptions tested were multicollinearity, normality, heteroscedasticity and linearity.

Multicollinearity occurs when the predictor variables in a regression model are extremely correlated which then makes it difficult to establish the individual contribution of predictors to the variance in the dependent variable. In this study multicollinearity was tested by computing the VIF and the tolerance reciprocal. Multicollinearity prescribes a VIF threshold value of 10 (Robinson and Schumacker, 2009), values lower than 10 suggest that multicollinearity may not be a problem (Hair et al., 2011) while independent variables are considered collinear if the value of VIF exceeds 3 (Schwarz, Schwarz and black, 2014). In the current study tolerance ranged from 1.66 to 1.98 which is below the permitted threshold this is an indication that there was no multicollinearity in the data sets. The results agree with those (Pacheco, 2017) whose study on Customer satisfaction in Portuguese hotels found non-existence of multicollinearity. Further, the tolerance reciprocal of the VIF should be > 0.2, in case the tolerance is equal to or < 0.2 in one of the study variables then there is collinearity (Clark, 2013).

The test statistic of the regression model needs to follow a manageable probability distribution typically known as normal distribution. Normality is assessed by examining whether the residuals follow a normal distribution (Isaac, Herremans & Kline, 2010). In the current study normal Q-Q plots were plotted to identify the distribution of the error terms of the model. The graphical plots showed the actual data following a diagonal line in the normal Q-Q plot (Appendix 3) which suggests normally distributed data sets (Hair, Tatham, Anderson & Black, 2006). The results are in line with those of a study done on satisfaction levels of hotel services in Romania by Busu and Busu (2016) who tested normality on the basis of a normal Q-Q plot.

Normality test were conducted using the Shaphiro Wilk test that generates p values that indicate whether the probability estimation follows normal distribution. Shaphiro Wilk test is performed on all the all predictors and the dependent constructs. The test concludes that data is normal if the p-value are not less than .05 (Razali and Wah, 2011). Table 4.3 indicates that the significance levels of all the variables were more than .05, which is a clear indication that all the variables were normally distributed and therefore other statistical analysis could be carried out on the data.

Heteroscedasticity arises when there is variance in the errors that differs across all the observations resulting in unbiased Ordinary Least Square estimator and therefore becomes inefficient (long & Ervin, 2000). The current study used the Breusch-Pagan and Koenker test to evaluate heteroscedasticity by checking the null hypothesis to ensure that the variance of the error term is constant. This test rejects the null hypothesis when the significant value is less than 5% (Daryanto, 2013). For the current study the significant values were more than 5% indicating that heteroscedasticity was not a problem.

Linearity of the regression model tests the consistency of the gradient that represents the relationship between the response and predictor variables. If the slope of change in the relationship between the variables is fickle then it is difficult to carry out regression analysis on the study data. (Tabachnick & Fidell,2013). Testing for linearity can be done in a number of methods, yet the easiest is the deviation from linearity test performed by

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ANOVA. The test indicates that the variables are not linear when the F value for the non-linear component is less than 0.05 (Meyers, Gamst, &Guarino, 2013). All the computed analyses in this study scored above 0.05 ratifying linear interactions between the three predictor variables (SEQ, customer expectations and perceived value) and the dependent variable (customer satisfaction).

The four parametric assumptions that were tested and their outcomes are outlined in Table 4.2. The cut-off points for each test are indicated below the respective assumption. For multicollinearity, the variance inflation factors and the reciprocal values are recorded. The values for reliability have also been included in the Table below.

Table 4.2: Statistical Assumptions Tests

Variable	Measure	Sample size	Reliability (Cronbach's α test)	Collinearity VIF (Tolerance test)	Normality (Shapiro-Wilk test	Heteroscedasticity (Breusch-Pagan and Koenker	Linearity (ANOVA test
	Assumption is met when:		0.7	VIF 10 max	p>0.05	>5%	p>0.05
Service encounter quality	Core service, people, servicescape, service blueprint, price place& promotions	350	0.921	1.668 (0.600)	0.994	0.425	0.111
Customer Expectations	Desired & adequate service	350	0.891	1.983 (0.504)	0.998	0.061	0.881
Perceived value	Functional, emotional & social value	350	0.882	1.860 (0.538)	0.997	0.240	0.151
Customer Satisfaction	Customers repurchase intention, brand preference, advocacy, trust & loyalty	350	0.91	-	0.992		

Source: Primary Data

The outcomes presented in Table 4.2 divulge that the data was considered for advanced statistical inquiry and analysis since the parametric assumptions for regression were attained.

4.5 General Information on Hotel Guests

The characteristics of the hotel guests in Kenya who participated in this study were gathered and analyzed. The results were based on the information received from the questionnaire responses. The study captured various features of the hotel visited by the guests. These included: the purpose of the visit, star rating of the hotel, the number of visits to the hotel and the average night stay at the hotel. The demographics did not affect the high level analysis but provided general information about the study population. The traits are discussed in the section below.

4.5.1 Purpose of visit

Hotel guests expect to be regarded as a priority and they believe they must get the most value out of their hotel stay. Hotels must anticipate the needs of all their guests and take care of the essential preparations; this will minimize the number of complaints. It is imperative to understand the kind of guests a firm is dealing with so as to ensure quality service and right service based on their individual demands. Information on the purpose of visit is summarized on Table 4.3.

Table 4.3: Purpose of respondent's visit

Purpose	Frequency	Percent
Vacation	166	47.4
Business/ meeting	142	40.6
Conference	42	12.0
Total	350	100.0

Source: Primary Data

The analysis established that the main purpose of the visit is for business and conferences, this represented 53% while 47.4 % of the respondents had travelled for vacation. This implied that the respondents in the sampled town hotels visited mostly for business meetings and conferences.

4.5.2 Hotel star rating

Star rating of the hotel was assessed to determine the rating categories of the hotel visited. Five star and four star hotels have unique features that give them that position and rating. They offer luxurious accommodation, they match global standards, their interior designs are impressive, their services are formal and they pay attention to guests' requests, without being invasive. The clientele that visits these hotels are affluent in society and are not price sensitive. Hotel staff must therefore be knowledgeable, helpful, have good customer care, be efficient and courteous.

Table 4.4: Hotel star rating

Category	Frequency	Percent
5 star	179	51.1
4 star	164	46.9
Other	7	2.0
Total	350	100.0

Source: Primary Data

The distribution of the ratings of the hotel is presented on table 4.4. More than half (51%) of the guest stayed at 5 star hotels, 46.9% of the guests at 4 star hotels while 2% of the guests were not aware of the star rating of the hotel they visited. This is a clear indication that the most preferred hotels in Kenya are the 5 star rated hotels and the customers know the level and class of the hotel.

4.5.3 Number of hotel visits

When guests make repeat visits it could mean that they treasure the hotel. The services offered could be superior and this enhances loyalty. This study sought to identify how many times a guest has frequented the hotel as this is likely to affect their levels of satisfaction.

Table 4.5: Number of times the respondents had visited the Hotel

Frequency of visits	Frequency	Percent
Once	101	28.9
Twice	216	61.7
Three times	22	6.3
Four times	6	1.7
more than five times	5	1.4
Total	350	100.0

Source: Primary Data

Table 4.5 shows that among the respondents in the entire sample, 61.7 % of the respondents had visited the hotel twice, followed by 28.9% who visited the hotel once. The study established that only 9.4% had visited the hotel more than two times. This means that the overwhelming majority of guests are willing to explore and try out new experiences. The recent mushrooming of town hotels and international brands in Kenya could be the reason why most guests have been to those hotels just once or twice.

4.5.4 Average night stay

The respondents were asked to indicate the average night stay at the hotel they visited. This would show the period of exposure to the hotel services. The longer the stay the greater the encounter with varied services. Results of the current study indicate that the minimum night stay recorded was two nights while the maximum night stay was 30 nights.

Table 4.6: Average night stay at the hotel

	N	Minimum	Maximum	Mean	Std. Deviation
Average night stay for each trip	350	2	30	6.43	3.733

Source: Primary Data

According to the table 4.6 majority of the hotel guests stayed for shorter periods of time. The average night stay at the hotel was 6 nights with a standard deviation of 3.733 which

represented a fairly low clustering around the mean. Thus, respondents generally differed in the number of nights stay at the hotel they visited. This could be due to the fact that they were staying in the hotel for business meetings or conferences which mostly last one week.

4.6 Descriptive Statistics for the study variables

Descriptive statistics were done to determine whether the mean scores satisfied the goodness of fit criteria (Saunders et al., 2007). The current study computed mean scores and standard deviation to analyze and interpret the data. According to Field (2006) mean scores indicate a summary of the data while standard error is an estimation of the standard deviation in the sampling distribution. The following sections discuss the descriptive statistics for service encounter quality, customer expectations, perceived value and customer satisfaction.

4.6.1 Assessment of Service Encounter Quality

The service encounter quality construct was measured using seven subscales namely core service, people, service scape, service blueprint, price, place and promotion. The subscales were tested for reliability and validity. Collectively service encounter quality was measured by 54 statements which were evaluated on a Likert scale stretching from 5 representing "to a very large extent" to 1 designating "not at all". The responses are summarized in Tables 4.6 to 4.13.

The study determined the effect of core service on satisfaction of hotel guest in Kenya. The statements measuring core service of the hotel were evaluated using nine items and they indicated the item mean scores for the subscale items ranges from 3.82 to 4.60. This implied that the respondents believed that the hotel they visited exhibited moderate to high levels of core service. The standard deviations of the core service items ranged from 0.523 to 0.996. The low standard deviations inferred that the core service item responses were dispersed narrowly around the average score, indicating low variations in the responses given by the respondents.

Table 4.7 Core service of the hotel

Core service of the hotel	N	Mean Score	Std. Deviation	CV (%)
The hotel provides services as promised	350	4.04	.684	16.94
The hotel is dependable in handling my service issues	350	4.00	.772	19.30
The hotel service is free from errors	350	3.86	.996	25.80
The hotel has visually appealing physical facilities	350	4.07	.782	19.20
The hotel offers a friendly welcome on arrival	350	4.60	.610	13.25
The hotel has modern looking facilities	350	3.89	.523	13.46
The hotel shows genuine interest in solving customer issues	350	4.19	.762	18.17
The hotel's restaurant offers a variety of meals	350	3.82	.720	18.84
The hotel provides services at promised time	350	4.34	.784	18.07
Overall scores	350	3.98	.456	11.47

Source: Primary Data

The coefficient of variation (CV) statistic was calculated to compare the degree of variations of the item responses measuring core service of the hotel. The CV ranged from 13.25 % to 25.80 %. The low values of CV indicated agreement among the respondents rating on core service of the hotel.

The statement with the lowest rating was "The hotel's restaurant offers variety of meals" with a mean score $=3.82$, CV$=18.84\%$. The highest rating score was for the core service item statement "The hotel offers a friendly welcome on arrival" with an average score$=4.60$, CV$=18.84\%$. The total mean score for the core service subscale was mean score$=3.98$, CV$=11.47\%$ which denoted a moderate to high level of core service of the hotel visited by the study respondents.

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4.6.2 People/Human Element

The "people" dimension of service encounter quality was measured on the likert scale with eleven items being measured. Table 4.7 indicates the descriptive results, expressed as mean score, standard deviation (SD) and CV. The item mean score for people subscale items ranged between 3.14 and 4.42. This implied that the respondents believed that the hotel personnel demonstrated moderate to high levels in offering quality service encounters.

The standard deviations of the hotel staff items ranged from 0.569 to 0.861. These low standard deviations imply that the hotel staff item responses were dispersed narrowly about the mean. A CV statistic was calculated to compare the degree of variations of the item responses measuring service offered by the staff. The CV ranged from 13.71% to 27.40 %. The low values of CV indicated that there were similarities among the respondents rating on service offered by the staff.

Table 4.8 People / Human Element

People	N	Mean score	Std. Deviation	CV (%)
Hotel staff are able to tell customers the exact time when services will be offered	350	4.07	.696	17.10
Hotel staff are prompt in service delivery	350	4.42	.696	15.76
Willingness to assist customer	350	4.38	.601	13.74
Courtesy of hotel staff	350	4.07	.772	18.95
Knowledge staff	350	4.29	.591	13.78
Staff offer customers individualized attention	350	3.39	.662	19.55
The hotel staff are concerned with customers	350	4.03	.773	19.18
Trustworthy staff	350	3.81	.746	19.58
The staff provide service in a timely manner	350	4.15	.569	13.71
The staff understand my individual needs	350	3.14	.861	27.40
Staff respond promptly to customers' requests	350	4.07	.684	16.83
Overall scores	350	3.99	.366	9.17

Source: Primary Data

The statement with the lowest rating was "The staff understand my individual needs" with a mean score=3.14, CV=27.40%. The highest rating score was for the people item statement "Staff at the hotel give prompt service to the customer" had a mean score=4.42, CV=15.76%. The overall mean score for the people subscale was mean score=3.99, CV=9.17%, which signified a moderate to high level of service offered by staff of the hotel visited by the study respondents.

4.6.3 Servicescape

The current study sought to establish the effect of servicescape on the quality of service encounters at the hotel visited. The respondents had been asked to rate the statements measuring servicescape of the hotel they visited. The seven items evaluating servicescape of the hotel were rated on a likert type. Table 4.9 indicates that the item mean score for servicescape subscale items ranged from 3.43 to 4.79. This implied that the respondents believed that the servicescape at the hotel they visited exhibited moderate to high levels of service encounter.

The CV statistic was calculated to compare the degree of variations of the item responses measuring servicescape of the hotel. The CV ranged from 10.74 % to 31.31 %. The low values of CV indicated that there was a close agreement among the respondents rating on servicescape of the hotel.

The statement with the lowest rating was "I feel that the material accessories in the hotel reflect a social nature" with a mean score=3.43, CV=31.31%. The highest rating score was for the servicescape item statement "The establishment is clean" which had an average score=4.79, CV=10.74%. The total mean score for the servicescape subscale was mean score=3.67 and CV=11.75% which showed a moderate to high level of appreciation of servicescape by the study respondents.

Table 4.9 Servicescape

Servicescape	N	Mean score	Std. Deviation	CV (%)
The hotel is equipped with modern furniture	350	3.80	.656	17.25
The physical facilities (eg: buildings, signs, etc), are visually appealing	350	3.93	.671	17.08
The material accessories in the hotel reflect a social nature	350	3.43	1.073	31.31
The hotel is keen on security and safety	350	4.31	.631	14.64
The rooms, lounges and furniture create a relaxed atmosphere	350	3.92	.619	15.79
The layout in the hotel makes it easy to move around	350	3.84	.729	19.01
The establishment is clean	350	4.79	.514	10.74
Overall scores	350	3.67	.431	11.75

Source: Primary data

4.6.4 Process Management

The respondents were asked to rate the statements measuring the process variable of the hotel they visited. The seven items evaluating process of service of the hotel were assessed on a scale ranging from 5 representing "to a very large extent" to 1 designating "not at all". Table 4.10 indicates that the items average scores for process stretched from 3.67 to 4.50. This implied that the respondents held that the hotel they visited exhibited moderate to high levels of quality service process.

The statistic for coefficient of variation was calculated to compare the degree of variations of the item responses measuring process of service of the hotel. The CV ranged from 13.12 % to 25.93%. The low values of CV revealed a close relationship among the respondents rating on the processes during the service encounter.

Table 4.10: Process Management

Process	N	Mean score	Std. Deviation	CV (%)
Few service failures at this hotel	350	3.67	.598	16.28
There is reduced service delivery time	350	4.17	.695	16.67
Hotel operations often involves standardized service	350	3.82	.911	23.85
Hotel provides needed information and instructions	350	4.50	.590	13.12
Check in process into the hotel is clear	350	4.05	.734	18.10
Convenience when making payments	350	4.28	.696	16.25
The hotel has a quick check- in/ out procedure	350	3.82	.991	25.93
Overall scores	350	4.30	.847	19.70

Source: Primary Data

The statement with the lowest rating was "Hotel operations often involves standardized service" with a mean score=3.82; CV=23.85%. The highest rating score was for the hotel service process item statement "Hotel provides needed information and instructions" had a mean score=4.50, and CV=13.12%. The overall mean score for the hotel service process subscale was mean score=4.30; CV=19.70%, which denoted a moderate to high level of service process of the hotel visited by the study respondents.

4.6.5 Price of the service

This study sought to establish the influence of prices and charges on service encounter quality offered at the hotel. The respondents had been asked to rate the statements measuring price of service of the hotel they visited. The eight items evaluating price of service of the hotel were ranked on a Likert scale ranging from 5 representing "to a very large extent" to 1 designating "not at all". Table 4.11 indicates that the item mean score for price of service ranging from 3.73 to 4.19. This implied that the respondents believed that the prices of services offered at the hotel they visited ranged from moderate to high levels.

Table 4.11: Price of the service

Price	N	Mean score	Std. Deviation	CV (%)
Likelihood to pay to more for the services	350	3.73	.839	22.52
If this hotel was to raise the price by 10%, I am likely to remain/return	350	3.83	.973	25.43
The quality received is worth the price of services offered	350	4.09	.771	18.87
The extra benefits are worth the price charged	350	4.14	.782	18.90
Hotel services prices are reasonable	350	4.19	.708	16.91
The hotel offers excellent prices	350	4.13	.836	20.24
The hotel offers seasonal and flexible prices	350	4.05	.891	22.03
The hotel offers competitive prices in compared to others	350	4.01	.843	21.04
Overall scores	350	4.02	.333	8.28

Source: Primary data

The statement with the lowest rating was "I am likely to pay a little bit more for the services at this hotel" with a mean score=3.73, CV=22.52%. The highest rating score was "Hotel services prices are reasonable" with a mean score=4.19, CV=16.19%. The overall mean score for price was mean score=4.02, CV=8.28%.

The CV statistic was calculated to compare the degree of variations of the item responses measuring price of service of the hotel. The CV ranged from 16.91 % to 25.43 %. The low values of CV indicated that there was a close relationship amongst the respondents rating on price of service of the hotel.

4.6.6 Place / Service Accessibility

The respondents had been asked to rate the statements measuring service accessibility of the hotel they visited. The five items evaluating service accessibility to the hotel were rated on a scale ranging from 5 representing "to a very large extent" to 1 designating "not at all". Table 4.12 indicates that the item mean score for service accessibility stretched

from 3.21 to 4.26. This implied that the respondents believed that the hotel they visited exhibited moderate to high levels service accessibility.

To compare the degree of variations of the item responses measuring accessibility of service of the hotel a coefficient of variation (CV) statistic was calculated. The CV ranged from 19.41 % to 26.55 %. The low values of CV indicated that there was close agreement among the respondents rating on service accessibility of the hotel.

Table 4.12 Place / Service accessibility

Accessibility	N	Mean score	Std. Deviation	CV (%)
Hotel uses modern technology	350	4.26	.935	21.96
Hotel has good relations with travel	350	3.68	.976	26.55
The hotel is linked with the global reservation system	350	3.21	1.071	33.35
The hotel is conveniently located	350	4.11	.797	19.41
The hotel has a running up to date website that is interactive	350	4.22	.978	23.18
Overall scores	350	4.04	.623	15.41

Source: Primary Data

The statement with the lowest rating was "The hotel is linked to a global reservation system with chain hotels." and had a mean score=3.21, CV=33.35%. The highest rating score was for service accessibility item statement "Hotel uses modern technology in the booking, payment and delivery of information easily" had a mean score=4.26, CV=21.96%. The overall mean score for place and accessibility of service of the hotel subscale was mean score=4.04, CV=15.41% which denoted a moderate to high level of service accessibility of the hotel visited by the study respondents.

4.6.7 Promotion / Marketing communications

The respondents had been asked to rate the statements measuring promotion strategies used at the hotel they visited. The seven items evaluating marketing communication of the hotel were evaluated on a Likert scale ranging from 5 representing "to a very large extent" to 1 designating "not at all". Table 4.13 indicates that the item mean score for

promotion subscale items stretched from 3.11 to 4.22. This implied that the respondents believed that the hotel they visited exhibited moderate to high levels of marketing communication.

The CV statistic was calculated to compare the degree of variations of the item responses measuring promotion strategies at the hotel. The CV ranged from 17.70 % to 37.56 %. The low values of CV showed a close relationship among the respondents rating on promotions at the hotel.

Table 4.13: Promotion

Promotion	N	Mean score	Std. Deviation	CV (%)
I receive marketing communications from this hotel	350	3.91	.941	24.08
I like the public image of this hotel	350	4.16	.839	20.16
The promotions and advertising used are effective	350	4.01	.710	17.70
The hotel focuses on personal selling	350	3.11	1.170	37.56
The hotel's brand is distinct compared to others	350	4.22	.821	19.48
There is credible information about this hotel on the internet	350	3.98	.868	21.81
I get promotional prices from this hotel	350	3.63	1.083	29.86
Overall scores	350	4.02	.635	15.80

Source: Primary Data

The statement with the lowest rating was "The hotel focuses on personal selling as an effective means of promotion" with a mean score=3.11, CV=37.56%. The highest rating score was for the statement "The hotel has a distinctive brand compared to competitors" with an average score=4.22, CV=19.48%. The total mean score for promotion of the hotel subscale was a mean score=4.02, CV=15.80%, which denoted a moderate to high level of promotion of the hotel visited by the study respondents.

4.6.8 Assessment of Customer Expectations

Customers judge the performance of a service based on their beliefs about that service, these are the customers' expectations. In this study the customer expectations construct was measured using two subscales namely desired service, and adequate service. Prior to purchasing a product customers have expectations of the kind of value service they will receive from the provider. An expectation about a service encounter gives an individual the opportunity to build a relationship with the customer. Beliefs are formed when an individual directly observes and interacts with a situation or when they gather information from others.

Seven items were used to evaluate desired value as shown in Table 4.14 the item mean score for desired service subscale items ranged from 3.81 to 4.26. This implied that the respondents believed that the hotel they visited exhibited in them moderate to high levels of desired service.

Table 4.14: Desired Service

Desired service	N	Mean score	Std. Deviation	CV (%)
The Hotel staff are courteous	350	4.24	.686	16.17
The Hotel staff are trustworthy	350	3.97	.793	20.00
Staff clearly give me information	350	4.26	1.284	30.15
The staff provide service in a timely manner	350	4.00	.766	19.17
The appearance is visually appealing	350	4.04	.690	17.08
The facilities in the hotel are modern	350	3.81	.878	23.01
Service delivery is right the first time	350	3.92	.763	19.44
Hotel has modern equipment & fixtures	350	3.87	.700	18.09
Materials visually appealing at the hotel	350	4.02	.664	16.50
The hotel has visually appealing physical facilities	350	3.92	.730	18.61
Overall scores	350	4.01	.573	14.27

Source: Primary Data

A coefficient of variation (CV) statistic was calculated to compare the degree of variations of the item responses measuring desired service of the hotel. The CV ranged from 16.17 % to 30.15 %. The low values of CV showed a small difference among the respondents rating on desired service of the hotel.

The statement that had the lowest rating was "The facilities in the hotel are modern" which had a mean score=3.81, SCV=23.01%, The highest rating score was for the desired service item statement "If I need information, the staff can explain clearly" and had a mean score=4.26, CV=30.15%. The overall mean score for desired expectation of the hotel subscale was mean score=4.01, V=14.27% which signified a moderate to high level of desired service of the hotel visited by the study respondents.

Further on, under the adequate service element the respondents were asked to appraise the statements measuring adequacy of service of the hotel they visited. The sixteen items evaluating adequacy of service of the hotel were assessed on a Likert rating scale. Table 4.15 shows that the item mean score for adequacy of service stretched from 3.58 to 4.41. This inferred that the respondents thought that the hotel they visited exhibited moderate to high levels of adequate service.

Table 4.15: Adequacy of service

Adequate service	N	Mean score	Std. Deviation	CV (%)
Hotel provides you with the service as promised	350	4.09	.817	19.97
The hotel offers the right service the first time	350	3.76	.932	24.78
Hotel services are error free	350	3.22	.859	26.70
Hotel's operating hours convenient	350	3.63	.771	21.26
Hotel staff give personal attention to the customers	350	3.62	.877	24.26
Hotel staff understand the customers' needs	350	4.02	.737	18.33
Hotel staff instill confidence in customers	350	3.93	.836	21.30
Hotel staff are courteous	350	4.23	.626	14.79
Employees are qualified and perform the jobs accurately	350	4.20	.674	16.04
Employees of hotel are trustworthy	350	4.05	.778	19.20
Staff promptly respond to customers' requests	350	4.09	.802	19.61
This hotel provides superior service	350	4.18	.756	18.09
The atmosphere in my room is perfect	350	4.14	.614	14.83
This hotel offers excellent service	350	4.41	.751	17.02
This is among the best hotels I ever stayed in	350	3.58	.744	20.76
This hotel is worth staying in	350	4.37	.705	16.14
Overall scores	350	3.97	.475	11.97

Source: Primary Data

The coefficient of variation (CV) statistic was calculated to compare the degree of variations of the item responses measuring adequate service of the hotel. The CV ranged from 14.83 % to 26.70 %. The low values of CV indicated that there was a small difference among the respondents rating on adequate service of the hotel.

The statement with the lowest rating was "This is the best hotel I ever stayed in." and had a mean score=3.58, CV=20.76%, The highest rating score was for the adequate service item statement "The atmosphere in my room is perfect" which had a mean score=4.41, CV=17.02%. The overall mean score for the adequate service of the hotel subscale was

mean score=3.97, CV=11.97%, which showed a moderate to high level of adequate service of the hotel visited by the study respondents.

4.6.9 Assessment of Perceived Value

The perceived value dimension was operationalized using three constructs namely the functional, emotional and social value. The respondents were tasked at rating the statements measuring functional value about the hotel they visited. Table 4.16 indicates that the mean score for functional value stretched from 4.00 to 4.29. This implied that the respondents believed that the hotel they visited exhibited moderate to high levels of functional value about the hotel.

Table 4.16: Functional value

Functional Value	N	Mean score	Std. Deviation	CV (%)
I use this hotel because of the quality service offered	350	4.10	.693	16.90
The hotel meets my specific needs at a reasonable price	350	4.00	.704	17.61
My hotel experience is worth the money and time I spent	350	4.29	.827	19.26
The hotel experience offers value for money	350	4.17	.646	15.49
The price, time and effort spent was worth it	350	4.15	.749	18.02
Overall scores	350	4.14	.618	14.93

Source: Primary Data

The CV statistic was calculated to compare the degree of variations of the item responses measuring functional value about the hotel. The CV ranged from 15.49 % to 19.26%. The low values of CV indicated that there was close gap between the respondents rating on functional value about the hotel.

The statement with the lowest rating was "This hotel met my specific needs like comfortable accommodation, convenient location at a reasonable price" with a mean score=4.00. The highest rating score for the functional value about the hotel was item statement "My hotel experience is worth the money and time I spent" with a mean score=4.29, CV=19.26%. The overall mean score for the functional value about the hotel subscale was mean score=4.14, CV=14.93% which denoted a moderate to high level of functional value about the hotel visited by the study respondents.

The other dimension is emotional value which was measured by evaluating nine items about the hotel and was rated on a Likert scale. The Table 4.17 indicates that the item mean score for emotional value about the hotel subscale items ranging from 2.93 to 4.15. This implied that the respondents believed that the hotel they visited exhibited moderate to high levels of emotional value about the hotel.

Table 4.17: Emotional value

Emotional Value	N	Mean score	Std. Deviation	CV (%)
Likelihood to switch to other brands	350	2.93	1.122	38.24
Pleasurable hotel-stay experience	350	3.93	.658	16.76
My current hotel-stay experience is relaxing	350	3.93	.637	16.18
I am emotionally attached to this hotel	350	2.92	1.022	35.04
Current hotel-stay experience gives me enjoyment	350	4.11	.854	20.78
I feel a sense of belonging in this hotel.	350	3.14	.865	27.59
My current hotel-stay experience arouses positive feelings	350	3.88	.812	20.92
The hotel offers a satisfying and fulfilling experience	350	4.08	.757	18.54
The hotel experience makes me feel comfortable	350	4.15	.758	18.26
Overall scores	350	3.68	.784	21.31

Source: Primary Data

The CV statistic was calculated to compare the degree of variations of the item responses measuring emotional value about the hotel. The CV ranged from 16.18 % to 38.24%. The low values of CV indicated a close difference among the respondents rating on emotional value about the hotel.

The statement with the lowest rating was "I am emotionally attached to this hotel." With a mean score=2.92. The highest rating score for the emotional value about the hotel was item statement "My current hotel-stay experience makes me feel comfortable" and had an average score=4.15, CV=18.26%. The total mean score for the emotional value about the hotel subscale was mean score=3.68, CV=21.31% which denoted a moderate to high level of emotional value about the hotel visited by the study respondents.

The third construct of perceived value is social value and respondents had been asked to rate the statements measuring the level of social value of the hotel they visited. The six items evaluating social value about the hotel were rated on the Likert scale ranging from 5 representing "to a very large extent" to 1 designating "not at all". Table 4.15 indicates that the item mean score for social value about the hotel subscale items from 3.69 to 4.07. This implied that the respondents thought that the hotel they visited exhibited moderate to high levels of social value about the hotel.

Table 4.18 Social value

Social Value	N	Mean score	Std. Deviation	CV (%)
My hotel stay shows my social status	350	3.69	.906	24.55
The hotel I stay in makes people admire me	350	3.78	.880	23.27
I will take many photos to show my friends and colleagues and share with them	350	4.07	1.048	25.74
The hotel stay allows me to fully interact with my family and friends, improving our relationships	350	4.00	.868	21.69
My hotel stay brings me like-minded friends	350	4.00	.845	21.10
My hotel stay offers me the chance to meet loads of different interesting people	350	3.94	.931	23.65
Overall scores	350	3.91	.528	13.50

Source: Primary Data

The CV statistic was calculated to compare the degree of variations of the item responses measuring social value about the hotel. The CV ranged from 21.10 % to 25.74%. The low values of CV indicated a close difference among the respondents rating on social value about the hotel.

The statement with the lowest rating was "My hotel stay shows my social status." With a mean score=3.69, CV=24.55%. The highest rating score for the social value about the hotel was item statement "I will take many photos to show my friends and colleagues and share with them" with an average score=4.07, CV=25.74%. The total average score for the social value about the hotel subscale was mean score=3.91, CV=13.50% which denoted a moderate to high level of social value about the hotel visited by the study respondents.

4.6.10 Assessment for Customer Satisfaction

Customer satisfaction construct was measured using five subscales namely repurchase intention, brand preference, advocacy, trust and loyalty. The subscales were tested for reliability and validity and were measured using 19 statements on a five point Likert type scale ranging from 5 representing "to a very large extent" to 1 designating "not at all". As shown in Table 4.16 the four items evaluating repurchase intention were rated on a five point Likert scale. The item mean score for repurchase intention of the hotel subscale items ranged from 4.09 to 4.41. This implied that the respondents exhibited moderate to high levels of repurchase intention.

Table 4.19: Repurchase intention

Repurchase intention	N	Mean score	Std. Deviation	CV (%)
I have had a positive relationship with the hotel	350	4.09	.769	18.80
This hotel suits my needs	350	4.33	.803	18.56
I would stay at this hotel again	350	4.21	.810	19.27
This hotel is unique	350	4.41	.841	19.06
Overall scores	350	4.26	.482	11.33

Source: Primary Data

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The CV statistic was calculated to compare the degree of variations of the item responses measuring repurchase intention of the hotel. The CV ranged from 18.80 % to 19.27%. The low values of CV indicated that there were low variations among the respondents rating concerning repurchase intention of the hotel.

The statement with the lowest rating was "I have experienced positive relations with the hotel" and had an average score=4.09, CV=18.80%. The highest ratingfor the repurchase intention of the hotel was item statement "Compared to other hotels, this is a unique hotel" with an average score=4.41, CV=19.06%. The total average score for the repurchase intention of the hotel subscale was mean score=4.26, CV=11.33%, which denoted a moderate to high level of repurchase intention the hotel visited by the study respondents.

The respondents were asked to rate the statements concerning brand preference of the hotel they visited. Table 4.17 indicates that the item mean score for brand preference of the hotel subscale items ranged from 3.60 to 4.15. This implied that the respondents believed that the hotel they visited exhibited in them moderate to high levels of brand preference.

Table 4.20: Brand preference

Brand Preference	N	Mean score	Std. Deviation	CV (%)
This hotel is my first choice	350	3.65	.805	22.08
I am satisfied with the hotel visit	350	4.07	.783	19.22
I will recommend this hotel to others	350	3.98	.787	19.75
I would not shift to another hotel	350	3.47	.926	26.65
Online reviews influenced my choice of this hotel	350	3.60	.905	25.15
I would still stay at this hotel even if the price was higher	350	4.15	.720	17.35
Overall scores	350	3.82	.619	16.23

Source: Primary Data

The standard deviations of the brand preference items ranged from 0.720 to 0.926. The lower deviations indicated that brand preference was dispersed narrowly around the mean. The coefficient of variation statistic was calculated to compare the degree of variations of the item responses measuring brand preference of the hotel. The CV ranged from 17.35 % to 26.65%. The low values of CV indicated low variation among the respondents rating concerning brand preference of the hotel.

The statement with the lowest rating was "I usually use this hotel as my first choice compared to other hotel brands" with a mean score=3.65, CV=22.08%. The highest rating score for the brand preference of the hotel was item statement "I would continue to stay at this hotel if the price was higher" with a mean score=4.15, CV=17.35%. The overall mean score for the brand preference of the hotel subscale was mean score=3.82, CV=16.23% which denoted a moderate to high level of brand preference the hotel visited by the study respondents.

The respondent's feedback on advocacy are summarized in Table 4.16. The Table shows that the item mean score for advocacy of the hotel subscale items ranged from 3.65 to 3.95. This implied that the respondents believed that the hotel they visited exhibited in them moderate to high levels of advocacy.

Table 4.21: Advocacy

Advocacy	N	Mean score	Std. Deviation	CV (%)
I highly recommend this hotel to all	350	3.65	.856	23.46
This hotel brand is the same as others	350	3.59	.982	27.37
My friends suggested I try this hotel	350	3.95	.848	21.48
Overall Scores	350	3.73	.428	11.49

Source: Primary Data

The CV ranged from 21.48 % to 27.37%. The low values of CV indicated that there was close agreement among the respondents rating concerning advocacy of the hotel.

The statement with the lowest rating was "I would highly recommend this hotel to my friends and family" mean score=3.65, CV=23.48%. The highest rating score for the advocacy of the hotel was item statement "My friends provided some different ideas about the hotel" mean score=3.95, CV=21.48%. The overall mean score for the brand preference of the hotel subscale was mean score=3.73, CV=11.49% which denoted a moderate to high level of advocacy the hotel visited by the study respondents.

The respondents had been asked to rate four items concerning their level of trust for the hotel they visited. Table 4.17 indicates that the item average score for trust in the hotel subscale items ranged between 3.71 and 4.08. This implied that the respondents believed that the hotel they visited exhibited moderate to high levels of trust.

Table 4.22: Trust

Trust	N	Mean score	Std. Deviation	CV (%)
I have trust in the management of this hotel.	350	4.08	.766	18.79
Level of certainty of consistent service	350	3.71	.980	26.39
Prompt response to requests and queries	350	3.72	.744	20.01
Although there are other hotel alternatives, I prefer this hotel.	350	4.05	.886	21.85
Overall scores	350	3.89	.445	11.43

Source: Primary Data

The CV ranged from 18.79 % to 26.39%. The low values of CV indicated that there was a small variation among the respondents rating concerning trust of the hotel.

The statement with the lowest rating was "I am certain the service I receive from this hotel will be consistent from visit to visit" with a mean score=3.71, CV=26.39.48%. The highest rating score for trust of the hotel was item statement "I trust the management of this hotel" with an average score=4.08, CV=18.79%. The total average score for trust of the hotel subscale was mean score=3.89, CV=11.43% which denoted a moderate to high level of trust of the hotel visited by the study respondents.

Customer loyalty is a behavior that can be assessed in form of repurchase intention and word of mouth which are likely to increase the scope of a relationship. The respondents were asked to rate two measures concerning loyalty of the hotel they visited.

Table 4.23: Loyalty

Loyalty	N	Mean score	Std. Deviation	CV (%)
I will still choose this hotel even if another one offered better features	350	3.82	1.037	27.12
I would not think of staying in any other hotel but this one	350	3.03	1.076	35.51
Overall score	350	3.43	.429	12.51

Source: Primary Data

Table 4.18 indicates that the statement "I would not think of staying in any other hotel but this one" had the lowest rating with a mean score=3.03, CV=35.51%. The highest rating score for loyalty of the hotel was item statement "I will choose this hotel even if another hotel offered better features" with an average score=3.82, CV=27.12%. The total average score for loyalty of the hotel subscale was mean score=3.43, CV=12.51% which denoted a moderate to high level of loyalty of the hotel visited by the study respondents.

4.6.11 Summary of Descriptive statistics

The statistics for the overall scores for study variables are displayed on table 4.19. Service encounter quality generated the highest mean score value of 4.0992, CV=13.79%, This indicates that the respondents rated highly in service encounter quality

among hotel guests in Kenya. The coefficient of variation was 13.7923% which indicates that majority of the respondents are in agreement regarding quality of service encounter at the hotels.

Table 4.24: Overall scores of the descriptive statistics

Variables	N	Mean score	Std. Deviation	CV (%)
Service encounter quality	350	4.0992	.56538	13.7923
Customer satisfaction	350	3.8783	.41526	10.7071
Customer expectations	350	3.9862	.43278	10.8569
Perceived value	350	4.0196	.35936	8.94

Source: Primary Data

Customer satisfaction and customer expectations recorded lower mean scores of 3.8783 and 3.9862 respectively yet these are key success factors in any business. This suggests that hotel managers have not given customer satisfaction and customer expectations the weight and importance they deserve. Managing customer expectations is an important factor that enables customer satisfaction (Hsieh et al., 2011) while customer expectations are a major element of a customer's service quality evaluation and satisfaction (Pham & Simpson, 2006).

4.7 Factor analysis

Factor Analysis was used to reduce the many individual items into a fewer number of dimensions and to simplify data to be used for the regression model. Sampling adequacy was tested using KMO and Bartlett's sphericity test and then principal component analysis (PCA) and varimax rotation methods were used to excerpt the factors to measure the study variables. Eigen values greater than or equal to one (≥ 1) were considered significant and therefore for the current study PCA and varimax rotation were done and factors whose eigen values were less than one (<1) were extracted while those items with factor loadings with ≥ 1 were retained.

4.7.1 Factor analysis for Service Encounter Quality (SEQ)

Exploratory factor analysis was employed on service encounter quality construct that was measured using seven subscales namely core service, people, servicescape, service blueprint, price, place and promotion. These indicators of SEQ were subjected to and exposed to factor analysis and the results are presented in Table 4.20

Table 4.25: KMO and Bartlett's Test on SEQ

Test		Value
KMO for sampling adequacy.		.700
	Approx. Chi-Square	5930.604
Bartlett's Test of Sphericity	Df	276
	Sig.	.000

Source: Primary Data

As shown in Table 4.20 the KMO measure of sampling adequacy was 0.700 which was above 0.6. This meant that the sample was adequate for factor analysis. The Chi-Square value for Bartlett's Test of Sphericity was 5930.604 with degrees of freedom at 276 and p-value was 0.000 which less than 0.05 indicating significance of test and signifying that factor analysis is appropriate.

Small values for communalities suggest that the items of the construct did not fit properly with the extracted factors, and were therefore removed from further analysis. The extracted communalities for the retained items measuring the SEQ construct as shown in Appendix 4 were all greater than 0.5 indicating that the retained items fitted well with other items in the SEQ variable (Pallant, 2010).

Based on Kaiser Criterion, seven factors were imputed out of a total 24 factors. The seven factors explained 76.414% of the overall variance of the study data as indicated in Appendix 5. The seven factors imputed attained eigen values in the initial solution greater or equal to 1.0. The collective variability explained by the imputed seven factors was

76.414%, showing that no explained variation by the initial eigen values is lost during the promax rotation for the SEQ factor (Hair et al., 2010).

Principal component analysis with promax rotation revealed that factor loadings of the retained items for SEQ second order construct were above the 0.5 (Hair et al., 2010). In this study, the pattern matrix coefficients were between 0.558 and 0.941 this shows that the variables were nearly perfectly related to a factor pattern as seen in Appendix 6. All the scale items that were retained for SEQ were therefore taken for further analysis as they met the criteria and the required threshold for validity.

4.7.2 Factor Analysis for Customer Expectations

This study revealed as shown in table 4.21 that the Kaiser-Meyer-Olkin measure of sampling adequacy was 0.799 which was above 0.6. This meant that the sample was adequate for factor analysis. The Chi-Square value for Bartlett's Test of Sphericity was 1316.645 with degrees of freedom equal to 23 and p-value less than 0.05 indicating suitability of data for analysis.

Table 4.26: KMO and Bartlett's Test on Customer Expectations

Test		Value
KMO for sampling adequacy		.799
	Approx. Chi-Square	1316.645
Bartlett's Test of Sphericity	Df	28
	Sig.	.000

Source: Primary Data

Based on Kaiser Criterion, two factors were imputed out of a total 8 factors. The two factors explained 68.570% of the total variance in the study data as indicated in Appendix 7. The two factors imputed attained eigenvalues in the initial solution greater or equal to 1.0. Cumulatively, the extracted solution of the seven factors was 68.570%, showing no

explained variation by the initial eigen values is lost during the promax rotation of the customer expectation solution. The PCA with promax rotation revealed that factor loadings of the retained items of customer expectation second order construct were above the 0.5 (Hair et al., 2010). In this study, the pattern matrix ranges were between 0.636 and 0.952 as seen in Appendix 8 indicating that variables were almost related to a factor pattern.   All the retained scale items for customer expectation were kept for further analysis as they achieved the required thresholds.

4.7.3 Factor Analysis for Perceived Value

Perceived value was measured using three subscales namely functional, emotional and social value. From the Table 4.22 below the KMO measure of sampling adequacy was 0.703 which was above 0.6. This meant that the sample was adequate for factor analysis. The Chi-Square value for Bartlett's Test of Sphericity was 1828.378 with degrees of freedom amount to 45 and p-value less than 0.05 indicating suitability and significance for factor analysis.

Table 4.27: KMO and Bartlett's Test on Perceived Value

Test		Value
KMO for sampling adequacy		.703
	Approx. Chi-Square	1828.378
Bartlett's Test of Sphericity	df	45
	Sig.	.000

Source: Primary data

The extracted communalities for the retained items measuring perceived value construct as show Appendix 9 were all greater than 0.5 signifying that the retained items fitted well with other items under this factor. Three factors were imputed out of a total 10 factors which explained 71.960% of the total variance in the study data as indicated in Appendix 10. The three factors imputed attained eigen values in the initial solution greater or equal

to 1.0 while cumulatively the variability was 71.960%, showing that no explained variation by the initial eigen values was lost during the promax rotation. All the retained scale items for perceived value were reserved for further analysis as they attained the required thresholds. The pattern coefficients ranged between 0.642 and 0.981 (Appendix 12) indicating that the variables were almost perfectly related to the factor pattern.

4.7.4 Factor Analysis for Customer Satisfaction

Exploratory factor analysis was employed on customer satisfaction construct that was measured using five subscales namely repurchase intention, brand preference, advocacy, trust and loyalty. The study revealed as shown in table 4.22 that the Kaiser-Meyer-Olkin Measure of Sampling Adequacy was 0.831 which was above 0.6. This meant that the sample was adequate for factor analysis. The Chi-Square value for Bartlett's Test of Sphericity was 2588.483with degrees of freedom amount to 78 and p-value less than 0.05 indicating appropriateness of data for structure detection.

Table 4.28: KMO and Bartlett's Test on Customer Satisfaction

Test		Value
KMO for sampling adequacy		.831
	Approx. Chi-Square	2588.483
Bartlett's Test of Sphericity	Df	78
	Sig.	.000

Source: Primary data

Small values for communalities signify that the items of the construct are incompatible with the extracted factor solutions, and therefore should certainly be released from further examination and analysis. The extracted communalities for the retained items measuring customer satisfaction construct as shown in Appendix 13 were all greater than 0.5 indicating that the retained items fitted with the other items in the customer satisfaction factor solution (Pallant, 2010).

According to Kaiser's criterion, four factors were imputed out of the 13 factors. The four factors explained 73.466% of the total variance as seen in Appendix 14. The four factors attained eigen values in the initial solution greater or equal to 1.0 and the aggregate variability described by the four factors in the mined solution was 73.466%, showing no change even after the promax rotation. The coefficients of the matrix ranged from 0.572 to 0.871 (Appendix 14) showing that variables are closely related to the factor pattern. All the retained scale items for customer satisfaction were therefore taken for further analysis as they met the essential thresholds for validity.

4.8 Correlation Analysis

Correlation was used to ascertain the relationships amongst the independent variables and consequently assist in tests for multicollinearity. When correlations are greater 0.90 it is a signal that the variables could be evaluating similar things (Tabachnick & Fidell, 2013). Table 4.23 presents the correlation coefficients between study variables. The highest correlation coefficient in the study was that of perceived value and customer satisfaction with r=0.741, p<0.05. The correlation between service encounter quality and customer satisfaction was affirmative and significant (r=0.634, p<0.05). Customer expectations was positively and significantly related to customer satisfaction with r=0.692, p<0.05.

The study found that correlations among all the study variables were < 0.90 implying that the variables had different measures of distinct variables hence they were all utilized in the study.

Table 4.29: Correlations of study variables

Variables	Statistic	Customer satisfaction	Quality of service	Customer expectations	Perceived value
Customer satisfaction	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	350			
Service encounter quality	Pearson Correlation	.634**	1		
	Sig. (2-tailed)	.000			
	N	350	350		
Customer expectations	Pearson Correlation	.692**	.591**	1	
	Sig. (2-tailed)	.000	.000		
	N	350	350	350	
Perceived value	Pearson Correlation	.741**	.554**	.646**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	350	350	350	350
**. Correlation is significant at the 0.01 level (2-tailed).					

4.9 Test of hypotheses

The hypotheses of the study were tested using simple and multiple regression analyses. This enabled the researcher to identify and determine the contribution of each of the predictor variables at different stages in the regression model (Hair et al., 2006). Further, the cumulative mean scores for the independent, mediator, moderator and dependent variables were computed and used in regression runs and in the tests for moderation and mediation. The outcomes of the regression analyses were then used to test the hypotheses. The statistical objective of regression is to display a high R^2 and significant t-values which will lead to the rejection of the null hypothesis.

Standardized beta coefficients were used to discuss the results and to estimate the model as they allow for comparisons among the variables of the model in regressions and they are autonomous of the elements of measurement (Mayombo,2014). To establish statistical significance of the hypotheses, simple and multiple regression analyses were

conducted at 95% confidence interval ($\alpha = 0.05$). The subsequent sections present the outcomes of the hypotheses tests.

4.9.1 Relationship between Service Encounter Quality and Customer Satisfaction

The first study objective sought to establish the relationships between service encounter quality and satisfaction of hotel guests in Kenya. A number of factors namely core service, people, servicescape, service blueprint, price, place and promotion were identified from literature to measure second order service encounter quality construct. The respondents were asked to rate the extent to which items measuring service encounter quality affect their level of satisfaction. The factors were refined through exploratory factor analysis (EFA). The retained items under service encounter were assessed for reliability and validity. SEQ was computed using the principal component analysis algorithm while normality for service encounter quality construct was confirmed through the Shapiro-Wilk test that compared the scores of the study population to a set of scores that were normally distributed. Since the results were not significant at p<.05, the data was assumed to be normally distributed. To determine the SEQ and customer satisfaction relationship, the following hypothesis was tested.

H₁: There is a statistically significant relationship between service encounter quality and customer satisfaction.

To test the above hypothesis, linear regression analysis was used to examine the relationship between service encounter quality and satisfaction of hotel guests in Kenya. Regression was ideal since it allowed for the evaluation of an independent variable on the dependent variable. Subsequently after entering the independent variable (SEQ) into the model, the overall model was assessed based on its ability to predict the dependent variable (customer satisfaction).

Table 4.30: Regression results of SEQ and Customer Satisfaction

4.30a. Model Summary

Model	R	R^2	Adjusted R^2	SE of the Estimate
1	.634[a]	0.402	0.4	0.32164

a. Predictors: (Constant), Service Encounter Quality(SEQ)
b. Dependent variable: Customer Satisfaction
c. SE: Standard Error

Source: Primary Data

The R^2 for the regression model between service encounter quality and satisfaction of hotel guests in Kenya was 0.402 meaning that service encounter quality of explains 40.2 % variation in the satisfaction of hotel guests. The remaining variation is explained by the error term.

4.30b Analysis of Variance

Model 1		Sum of squares	df	Mean Square	F	Sig.
	Regression	24.18	1	24.18	233.73	.000[b]
	Residual	36.001	348	0.103		
	Total	60.181	349			

a. Predictors: (constant), Service encounter quality
b. Dependent variable: Customer satisfaction
Source: Primary Data

The regression model was a good fit as indicated by a significant F statistic (F=233.73, p=0.00) as shown in Table 4.30b. This means that the model was statistically significant at $\alpha = 0.05$ and this explained the linear relationship between service encounter quality and customer satisfaction.

4.30c. Regression Coefficients

Model 1		Unstandardized Coefficients		Standardized Coefficients		t	Sig
		B	Std. Error	Beta			
	(Constant)	1.639	0.093			17.677	.000
	Service encounter quality	0.466	0.03	0.634		15.288	.000

a. Dependent Variable: Customer satisfaction; Level of significance, α = 0.05

Source: Primary Data

The resultant simple linear regression model that can predict the level of satisfaction for an improvement in the quality of service encounter can be expressed as:

CS=1.639 +0.466 SEQ

Where:

CS=Customer Satisfaction

SEQ=Service Encounter Quality

The standardized coefficient for service encounter quality was 0.634 meaning that a unit increase in the quality of service encounter leads to a 63.4% increase in the satisfaction of hotel guests in Kenya. The t-statistic for service encounter quality coefficient was significant at 5% level of significance (t=15.288, p<0.05). On the basis of these statistics , the study concludes that there is significant positive relationship between service encounter quality and satisfaction of hotel guests in Kenya. Hence the results of the support the hypothesis one.

4.9.2 Moderating effect of Customer Expectations on the relationship between SEQ and Customer Satisfaction

The second objective was to assess the moderating effect of customer expectations on the relationship between service encounter quality and satisfaction of hotel guests in Kenya. Customer expectations was measured using two first order constructs namely desired service and adequate service. These factors were refined through exploratory factor analysis (EFA) then assessed for reliability and validity. The moderating effect entailed analyzing the major influence of the independent variable (SEQ) and the moderating variable (customer expectations) on the dependent variable with the interaction term. To assess the moderation effect of customer expectations, the following hypothesis was tested:

H$_2$:Customer expectations have a statistically significant moderating effect on the relationship between service encounter quality and satisfaction

Moderation tests are conducted to check whether there are variations in the dependent variable after a third variable which affects the strength of the relationship is introduced. The steps for examining the moderation effect were followed for the current study. The predictor variables (SEQ and customer expectations) and their interaction term are set and placed in a single regression equation to ensure that the coefficient of the interaction term is statistically significant. The predictor variable which is customer expectations was adjusted by deducting the mean scores and standardized coefficients. Then the interaction term is considered as a product of the independent (SEQ) and moderator variables (CE).

The changes in the significance level and in the coefficient of determinant (R^2) owing to the interaction term were used to test for the moderating effect. Moderation is understood to take place if the interaction between the service encounter quality and customer expectations is significant. To create an interaction term, the service encounter quality measures and those of customer expectations were initially aligned and a single item indicator signifying the product of the two measures was calculated. However, the introduction of the new variable by multiplying the scores of service encounter quality

and customer expectations creates a multicollinearity issue which may affect the valuation of the regression coefficients. To solve this, the two factors were changed and redefined to standardized (Z) scores with a mean=0 and SD=1. The two standardized variables (SEQ and customer expectations) were then multiplied to generate the interaction construct. This is consistent with preceding research studies like Macharia (2015) and Kabare (2013) that have applied Z scores to examine moderation effects. The results are presented in Table 4.31.

Table 4.31: Moderating effect of Customer Expectations

4.31a. Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate	Change Statistics				
					R^2 Change	F Change	df1	df2	Sig. F Change
1	.746 a	0.556	0.553	0.27749	0.556	217.275	2	347	.000
2	.763 b	0.582	0.579	0.26958	0.026	21.668	1	346	.000

a. Predictors: (Constant), Service Encounter Quality (SEQ)
b. Predictors: (Constant), Customer Expectations
Source: Primary Data

The results show that when the interaction term was included there was an R^2 change of .0260, $p < 0.05$, showing presence of significant moderating effect. This implies that the moderating effect of customer expectation gained 2.60% variance in the satisfaction of hotel guest in Kenya, above and beyond the variance by service encounter quality.

4.31b. Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.462	2	16.731	217.275	.000[b]
	Residual	26.72	347	0.077		
	Total	60.181	349			
2	Regression	35.036	3	11.679	160.7	.000[c]
	Residual	25.145	346	0.073		
	Total	60.181	349			

a. Predictors: (Constant), SEQ
b. Predictors: (Constant), Customer Expectations
Source: Primary Data

The R^2 for model one was 0.556 implying that service encounter quality and customer expectations jointly explain 55.6% variation in satisfaction of hotel guests in Kenya. This regression model one is a good fit as indicated by the significant F-statistic (Fvalue =217.275, p<0.05). Upon introduction of the interaction construct presented as model 2, the model remains significant (Fvalue=160.7, p<0.05) inferring that customer expectations are significant moderating factors of service encounter quality and satisfaction of hotel guests in Kenya.

4.31c Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.877	0.106		8.275	.000
	SEQ	0.254	0.033	0.346	7.798	.000
	Customer expectations	0.467	0.043	0.487	10.979	.000
2	(Constant)	-0.923	0.400		-2.307	.022
	SEQ	0.9	0.142	1.225	6.324	.000
	Customer expectations	1.062	0.134	1.106	7.91	.000
	SEQ*Customer Expectations	-0.21	0.045	-1.351	-4.655	.000

Model 1. Predictors: (Constant), Customer Expectations, SEQ
Model 2. Predictors: (Constant), Customer Expectations* SEQ
Dependent Variable: Customer Satisfaction
Source: Primary Data

Model 2 indicates the outcome after the inclusion of the interactive term in the model. Service encounter quality was found to be significant (p< 0.05, regression coefficient=-0.9). Customer expectation was found to be significant (p=0.05, regression coefficient=1.062) and service encounter quality* customer expectations was also found to be significant (p<0.05, regression coefficient =-0.21). However, there was a negative statistically significant relationship of customer satisfaction on the product term of service encounter quality and customer expectations (β=-1.351, p-value=.000) as shown in Table 4.29c. This implies that changes in customer expectations could negatively affect the service encounter quality and customer satisfaction relationship since the direction of the relationship is on the negative.

The effect of service encounter quality on customer satisfaction of hotel guests in Kenya was statistically significant (p< 0.05) meaning that with an improvement in understanding customer expectations (adequate and desired expectation), customer satisfaction is enhanced. Therefore, the study supported the hypothesis H_2 that customer expectations have a statistically significant moderating influence on the relationship between service encounter quality and customer satisfaction. The resultant multiple regression equation is:

CS=-0.923 +0.9 SEQ+1.062 CE -0.21SEQ*CE

Where:
CS=Customer Satisfaction
SEQ=Service Encounter Quality
CE=Customer Expectations

4.31d. Moderation Path
The Figure 4.1 illustrates the outcomes for the moderation tests. It displays the regression coefficients alongside the confirmed variable interactions and the changes in R^2 owing to the interaction term. It also specifies the measures of significance that were attained.

Figure 4.1: Moderation Test Results
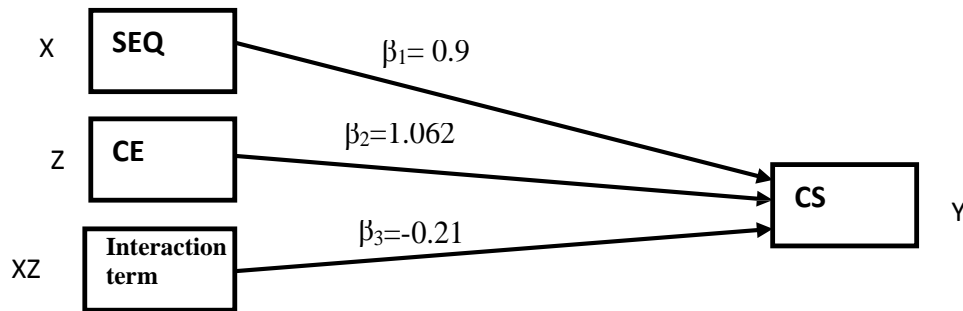
X   SEQ

$\beta_1 = 0.9$

Z   CE

$\beta_2 = 1.062$

CS   Y

XZ   Interaction term

$\beta_3 = -0.21$

CS=Customer Satisfaction, SEQ=Service Encounter Quality, CE=Customer Expectations
Source: Primary Data

The hypothesis that customer expectations moderate service encounter quality and customer satisfaction relationship is supported.

4.9.3 The Mediating effect of Perceived Value on the relationship between Service Encounter Quality and Customer Satisfaction

The third objective sought to evaluate the mediating effect of perceived value on service encounter quality and customer satisfaction relationship among hotel guests in Kenya. The hypothesis formulated from the research objective was:

H₃:Perceived value has a statistically significant mediating effect on the relationship between service encounter quality and customer satisfaction

To assess the mediating effect perceived value (Perval) was regressed on service encounter quality and customer satisfaction while controlling the effect of Perval to determine the value of R^2 and the coefficients for service encounter quality. According to Shaver (2005), when R^2 is statistically insignificant, it implies full mediation otherwise it would mean partial mediation. The procedure followed in testing the mediation effect was as presented in Table 4.27. Regression was used to examine the above hypothesis that perceived value mediates the effect of service encounter quality and customer satisfaction. Results indicated that service encounter quality was a significant predictor of customer satisfaction and that perceived value was a significant predictor of customer satisfaction. These results support the mediation hypothesis.

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Step One

Table 4.32 Regression of Service Encounter Quality on Customer Satisfaction

4.32a. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.634[a]	.402	.400	.32164
a. Predictors: (Constant), SEQ				

Source: Primary Data

4.32b. Analysis of Variance

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.180	1	24.180	233.730	.000[b]
	Residual	36.001	348	.103		
	Total	60.181	349			
a. Dependent Variable: Customer Satisfaction						
b. Predictors: (Constant), SEQ						

Source: Primary Data

4.32c. Regression Coefficients

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.639	.093		17.677	.000
	SEQ	.466	.030	.634	15.288	.000
a. Dependent Variable: Customer Satisfaction						

Source: Primary Data

The results in Table 4.27a show that SEQ explains 40 % of the variation in customer satisfaction (R^2 =.402). The Table 4.27b infers that the relationship between SEQ and customer satisfaction is positive and statistically significant at P-value=.000; F=233.73. Regression analysis of perceived value and service encounter quality (SEQ) was conducted, here, SEQ was considered as the independent variable and perceived value as the dependent variable. The summary of the results is presented in Table 4.28.

Step Two

Table 4.33 Regression of Perceived Value on Service Encounter Quality

4.33a. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.554[a]	.307	.305	.47145
a. Predictors: (Constant), Perval				

Source: Primary Data

4.33b. Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.209	1	34.209	153.910	.000[b]
	Residual	77.350	348	.222		
	Total	111.559	349			
a. Dependent Variable: SEQ						
b. Predictors: (Constant), Perval						

Source: Primary Data

4.33c. Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.410	.210		1.954	.052
	Perval	.871	.070	.554	12.406	.000
a. Dependent Variable: SEQ						

Source: Primary Data

The results in Table 4.28 indicate that SEQ explains 30% of the variation in customer satisfaction ($R^2 = .307$). These outcomes reveal that the relationship between SEQ and perceived value is positive and statistically significant at $\alpha=.05$ (F=153.91, p-value=.000). This shows that SEQ could predict the perceived value dimension that affects satisfaction of the hotel guests. The beta coefficient also indicates that there was a statistically significant linear association between perceived value and service encounter quality that was identified at ($\beta=.554$, p=.000). In the final mediation step the dependent variable (customer satisfaction) was regressed on perceived value to identify the beta coefficient for path (b) and to determine the level of significance. The results are presented in Table 4.29.

Step Three

Table 4.34 Regressing customer satisfaction on perceived value

4.34a. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.741[a]	.549	.548	.27915
a. Predictors: (Constant), Perval				

Source: Primary Data

4.34b Analysis of Variance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	33.064	1	33.064	424.323	.000[b]
	Residual	27.117	348	.078		
	Total	60.181	349			
a. Dependent Variable: Customer Satisfaction						
b. Predictors: (Constant), Perval						

Source: Primary Data

4.34c. Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.493	.124		3.973	.000
	Perval	.857	.042	.741	20.599	.000
a. Dependent Variable: Customer Satisfaction						

Source: Primary Data

The results in Table 4.29 show that SEQ explains 54.9% of the variation in customer loyalty (R^2 =.549). The overall model results indicate that the linkage between perceived value and customer satisfaction is affirmative and is statistically significant at α=.05 (F= 424.32, p-value=.000). This means that perceived value outcome can be predicted by SEQ constructs. Additionally, the regression coefficient also indicates that there was a statistically significant linear association between perceived value and SEQ measured at (β=.741, p- value=.000). Further, customer satisfaction was regressed on service encounter quality and perceived value to assess if there was a substantial change in the relationship between these variables. These effects are shown in Table 4.30.

Table 4.35: Regression of Customer Satisfaction on SEQ and Perceived Value

4.35a. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.634[a]	.402	.400	.32164	.402	233.730	1	348	.000
2	.788[b]	.621	.619	.25625	.220	201.279	1	347	.000
a. Predictors: (Constant), SEQ									
b. Predictors: (Constant), SEQ, Perval									

Source: Primary Data

4.35b. Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
			ANOVA[a]			
1	Regression	24.180	1	24.180	233.730	.000[b]
	Residual	36.001	348	.103		
	Total	60.181	349			
2	Regression	37.397	2	18.698	284.762	.000[c]
	Residual	22.785	347	.066		
	Total	60.181	349			
a. Dependent Variable: Customer satisfaction						
b. Predictors: (Constant),SEQ						
c. Predictors: (Constant), SEQ, Perval						

Source: Primary Data

4.35c. Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.639	.093		17.677	.000
	Qserv	.466	.030	.634	15.288	.000
2	(Constant)	.396	.115		3.458	.001
	SEQ	.237	.029	.322	8.123	.000
	Perval	.650	.046	.563	14.187	.000
a. Dependent Variable: Customer Satisfaction						

Source: Primary Data

The Table 4.35, indicates that service encounter quality significantly contributes to customer satisfaction at 62%, R square change .621; p-value = .000. The results show that the change explained by perceived value is significant (F=233.73, p-value=.000). Further, results indicate that the regression coefficients for SEQ, increased from .322 to .563 (F=284.76, P-value= .000) when perceived value was included in the regression model. This suggests a partial mediating effect of perceived value on satisfaction.

4.36a. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.741[a]	.549	.548	.27915	.549	424.323	1	348	.000
2	.788[b]	.621	.619	.25625	.072	65.976	1	347	.000
a. Predictors: (Constant), Perval									
b. Predictors: (Constant), Perval, SEQ									

Source: Primary Data

The model summary in Table 4.31a on perceived value and customer satisfaction shows that the coefficient of determination R^2 in the first model one was .548 which means that the dimensions of perceived value; functional, emotional and social value explained 54.8% of the variations in customer satisfaction, with 45.2% of the variation being unexplained. Successively, when SEQ dimensions of core service, people, servicescape, service blueprint, price, place and promotion are included into in model two, results show an increase in R^2 to .621. This is a good fit indicating that the model would explain 62% of the variation in customer satisfaction, leaving 38% of the variation unexplained.

4.36b. ANOVA for Perceived Value and Customer Satisfaction

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.064	1	33.064	424.323	.000[b]
	Residual	27.117	348	.078		
	Total	60.181	349			
2	Regression	37.397	2	18.698	284.762	.000[c]
	Residual	22.785	347	.066		
	Total	60.181	349			
a. Dependent Variable: Customer satisfaction						
b. Predictors: (Constant), Perval						
c. Predictors: (Constant), Perval, SEQ						

Source: Primary Data

The analysis of variance (ANOVA) was used to assess the overall significance of the regression model. The F-value was 424.323 and the P-value was .000. While in model 2, F-value was 284.762, and the P-value was .000. This is an indication that the two models one and two were significant with p-values =.000 at α =.05 levels of significance.

Table 4.36c: Regression Coefficients for SEQ, Perval and Customer Satisfaction

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.493	.124		3.973	.000
	Perval	.857	.042	.741	20.599	.000
2	(Constant)	.396	.115		3.458	.001
	Perval	.650	.046	.563	14.187	.000
	SEQ	.237	.029	.322	8.123	.000
a. Dependent Variable: Customer Satisfaction						

Source: Primary Data

The Beta coefficients of the mediation model show a significant connection between SEQ, perval and customer satisfaction where Beta=.563, p value=.000 at α =.05 levels of significance. This shows that perceived value (mediator) had a statistically significant influence on customer satisfaction (dependent variable) with R^2 =54.9% and P-value=.000. Afterwards with mediation, the results improved to 62% of its variation (R^2 =.621). The standardized regression coefficient value of the computed scores of service quality was Beta=.322, F=424.323; and significance level of p-value=.000. The Beta coefficient was statistically significant with p-value=.000, meaning that perceived value had a significant mediating effect.

Therefore, the study supported the hypothesis H_3 that perceived value has a statistically significant mediating effect service encounter quality and customer satisfaction. The resulting multiple regression equation is:

CS= .396+ .563PV+.322SEQ

Where:
CS=Customer Satisfaction
SEQ=Service Encounter Quality
PV=Perceived Value

Table 4.36d: Mediating Effect of Perceived value on the relationship between Service encounter quality and customer satisfaction

Analysis	R	R^2	R2 Change	B	Significance (P value)
Analysis one: Service encounter quality and customer satisfaction	.634	.402	.400	.634	.000
Analysis two: Service encounter quality and Perceived value	.554	.307	.305	.554	.052
Analysis Three: Step 1: Customer satisfaction and perceived value	.741	.549	.548	.741	0.000
value Step 2: Customer satisfaction and SEQ	.788	.621	.619	.563	.000

Source: Primary Data

The results in Table 4.36d reveal that the correlation between service encounter quality and satisfaction was high and statistically significant at α=.05 (r=.634.p-value=. 000) while that of perceived value on service encounter quality was moderate and not statistically significant (r=.554, p-value=.052).

The test for the mediation effect has shown that customer perception partially mediates the relationship between service encounter quality and customer satisfaction of hotel guests in Kenya. The beta coefficient relating to perceived value (β= 0.741) compared to that of service encounter quality (β= 0.563) implies that, other factors constant, both variables are important in purchasing decisions of the hotel guests. The guests perceived value however seems to be a major contributor to the satisfaction of the hotel guests.

The modified mediation effect diagram below illustrates the mediation relationships and the results even after controlling perceived value.

Perceived Value

$R^2=0.621$
$\beta=0.554$

$R^2=0.549$
$\beta=0.741$

Service Encounter Quality

$R^2=0.402$
$\beta=0.634$

Customer Satisfaction
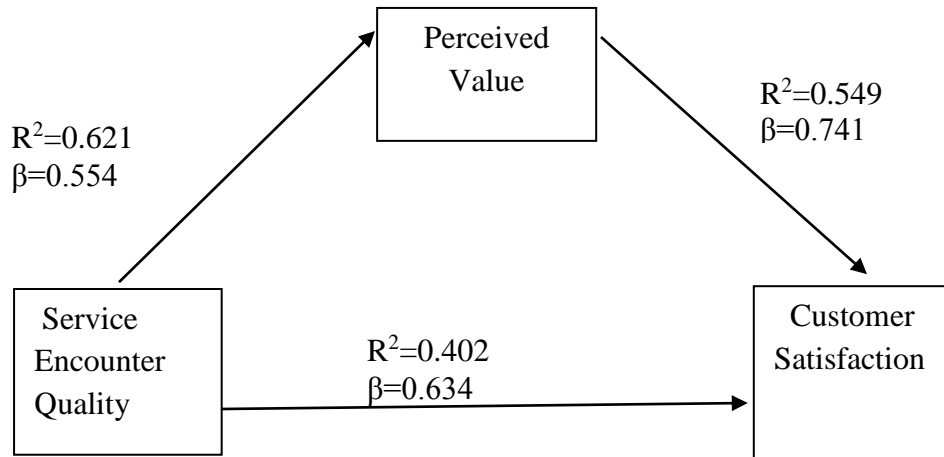
Figure 4.2: MedGraph for SEQ, Perceived Value and Customer Satisfaction
Source: Author, (2018)

The Figure 4.2 represents a Mediation Graph of perceived value indicating the results generated. These support the hypothesis that perceived value influences the relationship between service encounter quality and customer satisfaction. The results indicated that R2 moved from 0.402 to 0.621 when perceived value was added. This implied that perceived value explained the additional 21% of the difference in customer satisfaction.

The mediating effect of perceived value on the relationship between service encounter quality and customer satisfaction was further confirmed using the sobel test. The mediation effect was found to be partial in nature ($z = 9.339$, $p < .05$). These results supported the study hypothesis and concluded that perceived value partially mediated the relationship between service encounter quality and customer satisfaction. The results also indicate that the Sobel z value is large and significant. Perceived value is therefore a significant mediator in the relationship between service encounter quality and customer satisfaction.

4.9.4 The Joint effect of Service Encounter Quality, Customer Expectations, Perceived Value and SEQ on Customer Satisfaction

The fourth objective aimed to evaluate the joint effect of service encounter quality, customer expectations and perceived value on satisfaction of hotel guests in Kenya. The research hypothesis formulated was:

H4: Service encounter quality, customer expectations and perceived value jointly affect customer satisfaction

The regression analysis was to establish the joint effect of the study variables (Service encounter quality, customer expectations and perceived value) and customer satisfaction and if it was statistically significant.

Table 4.37: Regression of the joint effect of service encounter quality, customer expectations and perceived value on customer satisfaction

4.37a. Model summary

Model 1			dependent perceived value			
R	**R-sq**	**MSE**	**F**	**df1**	**df2**	**p**
0.5538	0.3066	0.0898	153.91	1	348	0.000
	coeff	**se**	**t**	**p**	**LLCI**	**ULCI**
Constant	1.9111	0.0864	22.121	0.000	1.7411	2.081
SEQ	0.352	0.0284	12.406	0.000	0.2962	0.4078

Source: Primary Data

4.37b. Analysis of Variance

Model 2			dependent Customer Satisfaction			
R	**R-sq**	**MSE**	**F**	**df1**	**df2**	**p**
0.7883	0.6214	0.0657	284.762	2	347	0.000
	coeff	**se**	**t**	**p**	**LLCI**	**ULCI**
Constant	-1.0715	0.3545	-3.0225	0.0027	-1.7688	-0.3742
SEQ	0.6572	0.1283	5.1207	0.000	0.4048	0.9096
Perceived value	0.4802	0.0489	9.8168	0.000	0.384	0.5765
Customer expectation	0.7177	0.1239	5.7932	0.000	0.474	0.9614
Interaction (cexpXseq	-0.1574	0.0403	-3.9057	0.000	-0.2367	-0.0781

Source: Primary Data

Step wise regression analysis was used to investigate the joint relationship of all the three predictor variables on customer satisfaction. Results indicated that service encounter quality was a significant predictor of customer satisfaction, B = .6572, SE = .1283, t (345) = 5.1207, p < .05, and that perceived value (mediator) was a significant predictor of customer satisfaction, R^2 = .4802, SE = .0489, t (345) = 9.8168, p < .05.

Customer expectations (moderator) was a significant predictor of customer satisfaction, B = .7177, SE = .1239, t(345) = 5.7932,p < .05. The interaction term (service encounter quality and customer expectation) was also significant predictor of customer satisfaction, B = -.1574, SE = .0403, t(345) = -3.9057,p < .05. The joint effect of service encounter quality, customer expectations and perceived value on customer satisfaction was statistically significant (p< 0.05).

The resultant regression equation is:

CS= -1.0715+0.6572SEQ+0.4802PV+0.7177CE

Where:
> CS=Customer Satisfaction
> SEQ=Service Encounter Quality
> PV=Perceived Value
> CE=Customer Expectations

The hypothesis four (H4) is supported with service encounter quality, customer expectations and perceived value all predicting customer satisfaction. The effects of all predictors were positive and statistically significant ($p < 0.05$).

Table 4.38: Summary of Results for Hypotheses Testing

Hypothesis	Test criteria	R	Level of significance	Conclusion
H_1:There is a statistically significant relationship between service encounter quality and customer satisfaction	$p \leq 0.05$ Reject H_0 if $p \leq 0.05$	.634	$p = 0.000$	H_1 Supported
H_2:Customer expectations have a statistically significant moderating effect on the relationship between service encounter quality and customer satisfaction	$p \leq 0.05$ Reject H_0 if $p \leq 0.05$	.746	$p = 0.000$	H_2 Supported
H_3:Perceived value has a statistically significant mediating effect on the relationship between service encounter quality and customer satisfaction	$p \leq 0.05$ Reject H_0 if $p \leq 0.05$	.633	$p = 0.000$	H_3 Supported
H_4: Service encounter quality,customer expectations and perceived value jointly affect customer satisfaction	$p \leq 0.05$ Reject H_0 if $p \leq 0.05$	.788	$p = 0.000$	H_4 Supported

Source: Primary Data

The results in Table 4.38 present a summary of the hypotheses, findings and conclusions. The findings all supported the study hypotheses. Perceived value mediates the relationship between service encounter quality and customer satisfaction. The effect of customer expectations (moderating effect) through an interaction on SEQ was statistically

significant. They support the study proposition that customer expectations statistically and significantly moderate service encounter quality and customer satisfaction.

4.10 Discussions of Results

In this section the researcher discusses the results of data as analyzed. This is guided by the study objectives and the conceptual hypotheses of the study.

4.10.1 Service Encounter Quality and Customer Satisfaction

The first study objective was to determine the relationship between service encounter quality and customer satisfaction of hotel guests in Kenya. Table 4.30a illustrates the model summary of service encounter quality and customer satisfaction where the coefficient of determination (R^2) was .634 which meant that the independent variable (SEQ) explained 63.4% of the variations in customer satisfaction. There was a statistically significant linear relationship between SEQ and customer satisfaction (β= .402; p< 0.05) and hence the study failed to reject hypothesis one (H_1). The influence of service encounter quality on customer satisfaction was high as the model accounted for 63.4% variability, having significant impact on the dependent variable.

The current study recognized that there were seven dimensions of service encounter quality, these are the core service, people (human elements), servicescape (physical evidence), process (service blueprint), price, place (accessibility) and promotion (marketing communication). On the other hand, the findings of the study agree with (Wong & Sohal, 2003) who's study concluded that the interaction between frontline personnel and customers is one of the factors that influence service encounters and customer experiences during service delivery. Kim, Ng, & Kim (2009) conducted a study in restaurants and concluded that food quality, atmosphere, convenience, price and value affect service quality.

Consumer satisfaction depicts a customer's perception of the value they have placed on the services they have received. Customers have different kinds of needs which can be linked with perceptions about the value of services that customers are seeking. Literature

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has shown that when developing service offering marketers need to consider the needs of the customers so that they can offer value hence satisfaction. Therefore, information on consumer satisfaction levels is a key indicator of how customers perceive the quality of services offered in hotels (Singh & Dewan, 2009).

Previously, hotels were seen as places to get a meal and accommodation when one was away from home. Güngör (2007) states that hotel managers did not have to worry about customer satisfaction as compared to the profitability of the hotel in the past. But today people are travelling for business, meetings, conferences and for leisure which means creating relationships, trust, brand preference and loyalty is pertinent. Offering superior services will improve customer satisfaction and could boost the hotels performance. In the hospitality industry, the firms that offer quality services and those that enhance customer satisfaction levels are likely to realize increased business continuity and maximize profits (Peters & Pikkemaat, 2005).

4.10.2 Moderating effect of Customer Expectations

The second objective was to determine the moderating influence of customer expectations on the relationship between service encounter quality and customer satisfaction. The moderating effect entails testing the effect of the independent variable (SEQ) and the moderator variable (customer expectations) on the dependent variable (customer satisfaction). Hayes (2009) states that moderation is presumed to occur when the interaction term between independent and the moderating variables is significant. The relationship between SEQ and customer satisfaction was statistically significant with R^2 =55%, however this improved after moderation by customer expectations in Table 4.31 $R^2 = 58\%$, P-value=.000. This means that the relationship between SEQ and customer satisfaction improved with the introduction of the interaction term.

Additionally, the relationship between the variables was positive and statistically significant with P value= .000. Therefore, service providers need to identify customer needs in order to fulfill their expectations and to achieve superior customer satisfaction during the service experience. Managing customer expectations is a key aspect in

enabling customer satisfaction (Hsieh et al., 2011) since expectations serve as a key element for a consumer's service quality evaluation and satisfaction.

4.10.3 Mediating effect of Perceived Value

This third objective of the study sought to assess the mediating effect of perceived value on the relationship between service encounter quality and customer satisfaction. After mediation, the result in Table 4.32 shows that perceived value had a statistically significant influence on customer satisfaction as a mediating variable where the significance level was p value=.000, β= .563, with the coefficient of determination (R^2 =.402), meaning that the mediating variable made a contribution of 40%. The main conclusion to be drawn from the relationship was that perceived value partially mediates the relationship between SEQ and satisfaction of hotel guests. The study recognized the mediation of perceived value on SEQ and customer satisfaction, revealing that the mediating effect of perceived value was positive and statistically significant and therefore the fourth hypothesis was supported. The results suggest that perceived value could play a significant role in influencing the relationship between service encounter quality and customer satisfaction.

4.10.4 The joint effect of Service Encounter Quality, Customer Expectations, Perceived Value and Satisfaction

The joint effect of service encounter quality, customer expectations, perceived value on customer satisfaction was assessed using simple regression analysis and step wise regression analysis. The results indicated that the goodness of fit of the model improves as coefficient of determination R^2 changes. The p-value for the regression model F- test was revealed to be statistically significant at F= .000. This implies that the model is statistically significant, and concludes that the three variables explain different levels of customer satisfaction. The results show that Beta coefficients (Beta= 0.634, 0.487 and 0.60 for SEQ, customer expectations and perceived value respectively had smaller values when tested individually. When the three constructs were combined the beta changed to 0.657, 0.4802 and 0.717. This is a clear indication that the three variables combined contribute more to the customer satisfaction than individually. Consequently, these three

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variables should be applied jointly in organizations, so that concerted effort can be used in enhancing customer satisfaction.

Based on the results of the study, the outcomes are presented in the modified conceptual framework in figure 4.3.

H1   Y=1.639 +0.466 SEQ

H2

Y= -0.923 +0.9 SEQ+1.062 CE -0.21SEQ*CE

Customer Expectations
- Desired expectation
- Adequate expectation

Service Encounter Quality
- Core service
- People
- Servicescape
- Service blueprint
- Price
- Place
- Promotion

H4

Y=1.0715+0.6572SEQ+0.4802PV+0.7177CE

Customer Satisfaction
- Repurchase intention
- Brand preference
- Advocacy
- Trust
- Loyalty

Perceived Value
- Functional value
- Emotional value
- Social value

H3

Y= .396+ .563PV+.322SEQ

Figure 4.3: Empirical Model
Source: Current Researcher

Figure 4.3 illustrates the results of the four hypotheses of this study based on the evidence that a relationship exists between service encounter quality and customer satisfaction. The relationship is moderated by customer expectations and mediated by perceived value in the hotel industry. The results also show that the joint effect of the study variables is statistically significant at 0.05 significant level.

4.11 Chapter Summary

This chapter has presented the results and findings of the key study variables. The regression analyses concluded that service encounter quality significantly influences customer satisfaction and this relationship is moderated by customer expectations and mediated by perceived value. The results further showed that the combined influence of service encounter quality, customer expectations, perceived value on customer satisfaction was positive and statistically significant. The hypotheses tests were computed as per the study objectives and the results revealed statistically significant results at P value= .05. A modified conceptual model has also been developed based on the results of the study.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes of the main study findings, conclusions and the commendations in line with study objectives. This study was pegged on four objectives that were to assess how customer satisfaction relates to service encounter quality among hotel guests in Kenya. Secondly, to examine the extent to which customer expectations affect the relationship between service encounter quality and customer satisfaction. The third objective was to determine the effect of perceived value on service encounter quality and customer satisfaction and finally a joint effect of service encounter quality, customer expectations and perceived value on consumer satisfaction The chapter further discusses the theoretical, practical and managerial methods on how observed results can be applied in organizations. Additionally, the chapter also highlights the study limitations and the proposed areas for future research undertakings.

5.2 Summary

The overall aim of the study was to evaluate the influence of service encounter quality, customer expectations and perceived value on customer satisfaction among hotel guests in Kenya. The four study objectives were formulated and their respective hypotheses tested and examined. The study population comprised of hotel guests in five star and four-star town hotels in Kenya. The raw data obtained from primary sources was processed through descriptive statistics, factor analysis and regression analysis. The study postulated the presence of a significant association among SEQ and customer satisfaction variables and the four hypotheses concerning these relationships were tested. This section contains a summary of the key findings.

The results of this study show that the influence of SEQ on customer satisfaction of hotel guests was positive and statistically significant (β=.634, p< 0.05) moderated by customer expectations and mediated by perceived value. The seven dimensions of SEQ core service, people, price, process, servicescape, accessibility and marketing communication

were identified as reliable dimensions in managing and measuring the quality of service encounters. The variable with the highest ratings was process with a mean of 4.30 and coefficient of variation (CV) of 19.70% indicating that the process is a key factor that affects guests' satisfaction. Further, the process of making payments conveniently at the hotels can lead to greater levels of satisfaction. On the other hand, servicescape scored a mean score of 3.67 and CV of 11.75% indicating that this is a factor that does not largely affect the levels of satisfaction of the hotel guests.

The second research objective was to ascertain whether customer expectations (moderator) affect the relationship between service encounter quality and customer satisfaction. The study observed that the guests' expectations significantly vary and they affect satisfaction. The moderating effect (service encounter quality*customer expectations) and customer satisfaction was statistically significant where $\beta =.746$, p< 0.05. The hotel management needs to pay more attention at the facilities in the hotel like equipment and fixtures which seem to affect the levels of satisfaction. Modernizing artifacts and other physical facilities at the hotels will also meet the desires of the customers and hence customer satisfaction. Understanding a guest's expectation will lead to proper delivery of service at the point of encounter.

The study revealed partial mediation of perceived value on service encounter quality and customer satisfaction where z = 9.339, p < .05. SEQ was a significant predictor of customer satisfaction after controlling the mediator, perceived value. Perceived value had a statistically significant influence on customer satisfaction as a mediating variable where the significance level was p value=.000, $\beta=$ .465 and $\beta=$ .236 after control. The coefficient of determination ($R^2 =.6214$), meaning that the mediating variable made a contribution of 62%. The results suggest that perceived value may play an important role in influencing the relationship between service encounter quality and customer satisfaction.

The study noted that service encounter quality, customer expectations and perceived value altogether, had greater influence on customer satisfaction. The research findings indicate that SEQ, perceived value and customer expectations were all significant predictors of customer satisfaction with β= .657(SEQ), β= .480 (Perval) and β= .717(CE). These provide a basis for linking and integrating the variables of service encounter quality, customer expectations and perceived value and presents a relationship between the study variables.

5.3 Conclusion

The study results established that service encounter quality has a direct and statistically significant influence on customer satisfaction of hotel guests in Kenya. An increase in the quality of service encounters results in an increase in the levels of customer satisfaction. The moderation effect of customer expectations on the relationship between SEQ and customer satisfaction was statistically significant. Additionally, perceived value had a significant partial mediating influence on the relationship between SEQ and customer satisfaction.. The four research hypotheses were all supported, indicating that service encounter quality, customer expectations and perceived value have a significant influence on customer satisfaction as per the linear relationships.

The results obtained from the tests of the study hypotheses concluded that the impact of SEQ on customer satisfaction was direct, moderated by customer expectations and partially mediated by perceived value. The three influences are positive and statistically significant (p< 0.05). The moderation influence of customer expectations on the relationship between SEQ and customer satisfaction was statistically significant. This implies that hotels in Kenya need to actively pay attention to guests' expectations in terms of their desires at the point of encounter. These can be through ensuring staff are courteous, trustworthy and are equipped with information to assist the guests. Customers expect that a service is performed right without errors the very first time, therefore, the hotel management must ensure their staff are competent and that other facilities that enhance guests experience like neatness, timely service, modern fixtures meet guest expectations.

The factors of perceived value that were important to the study were offering exceptional hotel experiences worth the money that the guests had invested, providing activities that make guest stay enjoyable and comfortable. In addition, customer satisfaction measures were brand preference, repurchase intention, advocacy, trust and loyalty. Further, SEQ had a positive, statistically significant and direct impact on customer satisfaction ($p<$ 0.05). This indicates that any improvements on the SEQ construct on the basis of core service, price, people, process, servicescape, promotions and place have direct but varying impacts on customer satisfaction.

5.4 Implications of the study

This study examined the relationship between service encounter quality, customer expectations and perceived value on customer satisfaction of hotel guests in Kenya. The moderating effect of customer expectations and mediating effect of perceived value were all examined. The research outcomes make key contributions to marketing theory, business policy and management practice.

The research assessed the relationship among the study variables that is service encounter quality, customer expectations, perceived value and satisfaction. The conclusions arising from this study advance a number of concerns that have inferences to the theory of marketing, managerial practices and policy issues. On theory the study has contributed to the adoption of the seven marketing mix elements as indicators of service encounter quality. Most existing studies have focused on human elements(people) as key indicators of service encounter and ignored the other elements. The study has also incorporated customer expectations as a moderating variable and perceived value as a mediator. Customer expectations had a positive and significant mediating effect on customer satisfaction while perceived value partially mediated the relationship of service encounter quality and customer satisfaction.

On managerial implications, when customer expectations moderated SEQ and customer satisfaction, results showed that the hotel management need to improve their service encounters especially by ensuring that the expectations of the customers are met. SEQ

and customer satisfaction was partially mediated by perceived value. This implies that the hotel operators were considered to have high levels of service encounter and if they provided services as promised by meeting customer expectations and identifying what is of value to them then the guests would be satisfied. Expectations play a key role when customers are evaluating the performance of services, therefore, marketers need to understand the factors that shape them. The study outcomes have indicated that customers have high levels of desired service expectations meaning that managers must be keen on these so as to keep their customers satisfied.

This study contributes to better management of hotels, identifying which evaluation criteria used by guests is more strongly correlated with overall satisfaction. These findings provide hotel managers with an understanding of guest's expectations and perceptions of hotel performance. Since the key factor in enhancing service encounter quality was process, hotels should make all attempts to use modern facilities and technologies to design ideal processes that can enhance customer experiences. The hotels can also select, educate, train and motivate the right and qualified employees in order to give the best services to customers. Establishing a marketing mix management system and monitoring it with the intention of satisfying the customers could also create value for the business.

The outcomes of this study also have key policy implications on the government. One of the government's economic pillars is on developing standards for eco-tourism establishments and since this study has shown the importance of enhancing service encounter quality, a guideline on offering quality service encounter in hotels should be developed. This will ensure guests get value for their money which could lead to satisfaction, loyalty and building of trust. The effect will be increased performance at the hotels through an increase in bookings hence economic growth.

5.5 Limitations of the study

Despite the significant relationship between SEQ, customer expectations, perceived value and customer satisfaction, the research had several deficiencies. In terms of

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methodology issues that need to be considered when interpreting results. The study attempted to address methodological challenges including reliability of instruments. Reliability was addressed by adopting established measurement scales that are already documented in literature and testing their reliability as well as validity. The cross-sectional research design whereby the research participants were questioned just once to assess their perspectives of the issues under study was used due to the advantages it offers in terms of time, control and cost. There is a likelihood that different results would have been obtained if longitudinal research design was adopted in measuring the relationship between the study variables. Finally, the fact that the study focused on a single industry also confines the probability of generalizing the research results.

Data were collected from hotel guests to get their views, perceptions, observations and experiences on the study constructs only once, hence, the use of a cross-sectional research design. However, perceptions change over time and throughout the market place subject to variations in consumer likes, dislikes, tastes and economic changes which affect consumption and purchase patterns of consumers (Dekhili & Achabou 2013). Possibly a longitudinal approach in the same area would give different results.

5.6 Suggestions for future research

This study makes an important contribution in the understanding of the effect of service encounter quality on customer satisfaction. It further brings out mediating and moderating effects of perceived value and customer expectation respectively. Future studies may be done with a different methodology using longitudinal study design. More research is needed to compare the levels of guest satisfaction with other regions. The question would be; are guest's expectations in Kenya similar to those in other countries?

Further research can also be conducted on the other lower star rated hotels which are not featured in this study. The current study focus was on the top tier hotels which are considered expensive and luxurious hence attracting certain clientele. The customers' expectations and perceptions of value may be different in the three star, two star and one star hotels.

In addition, since the study only examined one service context the results may not be generalizable to other services like education, banking or even transportation. There is a need to conduct the study in another context.

Consumer behaviour is influenced by many more factors other than those discussed in this study. Inclusion of the others in one integrated study may offer additional enlightenment and explanations in regards to the quality of service encounters, customer expectations, perceptions and satisfaction in the hotel subsector.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE

This questionnaire is meant to collect data on the quality of service encounter, customer expectations, perceived value and customer satisfaction of hotel guests in Kenya. Kindly respond to each item in the questionnaire. The information provided will be used for academic purpose only and will be treated with utmost confidentiality.

SECTION A: GENERAL INFORMATION

a) Name of the Hotel you are visiting _____

b) Nationality _____

c) Purpose of the visit

   i) Vacation (   )

   ii) Business (   )

   iii) Conference (   )

d) Number of times you have visited the Hotel

   i)   Once   (   )
   ii) Two times   (   )
   iii) Three times   (   )
   iv) Four times   (   )
   v) More than five times   (   )

e) How many nights do you stay at this hotel _____

SECTION B: QUALITY OF SERVICE ENCOUNTER

Please indicate by a tick (√) the extent to which you agree with the following statements concerning the service encounter dimensions of the Hotel. Use the following scale.

1= Not at all   2= To a small extent   3=To a moderate extent   4=To a Large extent
5= To a very large extent

	Core Service of the hotel	1	2	3	4	5
1	The hotel provides services as promised					
2	The hotel is dependable in handling my service problems					
3	The hotel insists on error free service					

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4	The physical facilities at the hotel are visually appealing					
5	The hotel offers a friendly welcome on arrival					
6	Staff at the hotel appears neat					
7	The hotel has modern looking facilities					
8	When the hotel promises to do something by a certain time, it does it					
9	When a customer has a problem, the hotel shows a genuine interest in solving them					
10	The hotel's restaurant offers variety of meals					
11	The hotel performs the service right the first time					
12	The hotel provides its services at the time it promises					
	People					
13	Staff at the hotel are able to tell customers exactly when services would be performed					
14	Staff at the hotel give prompt service to the customer					
15	Staff at the hotel are always willing to help customers					
16	Staff at the hotel are never too busy to respond to customer					
17	Staff of the hotel is consistently courteous with customer					
18	Staff in the hotel has the knowledge to answer customer queries					
19	The hotel gives customer individualized attention					
20	The Hotel staff are courteous and trustworthy					
21	Employees of hotel give personal attention to customers					
22	Employees of the hotel are never too busy to respond to customers' requests					
	Servicescape					
23	The lighting in the hotel creates a comfortable atmosphere					
24	The hotel is equipped with modern furniture					
25	The physical facilities (eg: buildings, signs, etc), are visually appealing					
26	I feel that the material accessories in the hotel reflect a social nature					
27	The rooms, lounges and furniture of the hotel give me comfort					
28	The establishment is clean					
	Service blueprint					
29	There are reduced number of service failures					
30	Hotel operations often involves standardized service					
31	The process followed to get checked into the hotel is clear					
32	The process of making payment to the hotel is convenient					
33	The hotel has a quick check- in/ out procedure					
	Price					
34	Price does not matter in my decision to remain with this hotel					

35	I am likely to pay a little bit more for the services at this hotel					
36	The price equals the quality of hotel services that I receive during my stay in the hotel					
37	Hotel services prices are reasonable					
38	The hotel offers excellent prices for the services of food, beverage , entertainment, recreation					
39	The hotel offers seasonal and flexible prices strategy					
40	The hotel offers competitive prices in comparison with other competitor hotels					
	Accessibility					
41	Hotel seeks to apply modern technology in the booking, payment and delivery of information easily.					
42	Hotel has good relations with travel agencies to facilitate the booking.					
43	The hotel is linked to a global reservation system with chain hotels					
44	The hotel has an effective system of electronic booking					
45	The hotel is conveniently located					
	Marketing communications					
46	The communication I receive from this hotel (letters, promotional material, and advertising) is credible					
47	I like the public image that this hotel has					
48	The hotel uses effective means of promotion and advertising					
49	The hotel focuses on personal selling as an effective means of promotion.					
50	The hotel has a distinctive brand compared to competitors					
51	I can get rich information and data about the hotel from the Internet.					
52	I get promotional prices from the hotel in comparison with competitors hotels					

SECTION C: CUSTOMER EXPECTATIONS

Please indicate by a tick (√) the extent to which you agree with the following statements concerning customer expectations of the Hotel. Use the following scale.

1= Not at all   2= To a small extent   3=To a moderate extent   4=To a Large extent

5= To a very large extent

	Desired service	1	2	3	4	5
1	The Hotel staff are courteous and trustworthy					
2	If I need information, the staff can explain clearly					

3	The staff provide service in a timely manner					
4	The appearance of the hotel is visually appealing					
5	The facilities in the Hotel are modern					
6	The staff understand my individual needs					
7	Materials associated with the service (forms, bills, seating arrangement) are visually appealing at hotels					
8	The physical facilities at the hotel are visually appealing					
9	Hotel is neat & clean					
	Adequate service					
10	Hotel provide you with the service as promised					
11	Hotel services are error free					
12	Hotel has operating hours convenient to all their customers.					
13	Employees of Hotel give personal attention to customers					
14	The behavior of employees in Hotel instill confidence in customers					

SECTION D: PERCEIVED VALUE

Please indicate by a tick (√) the extent to which you agree with the following statements concerning the perceived value of the Hotel guests. Use the following scale.

1= Not at all   2= To a small extent   3=To a moderate extent   4=To a Large extent

5= To a very large extent

	Functional Value	1	2	3	4	5
1	I use this hotel because of the quality service offered					
2	This hotel met my specific needs (e.g. comfortable accommodation, convenient location) at a reasonable price					
3	My hotel experience is worth the money and time I spent					
4	Given all the hotel service features, my hotel experience was good value for the money					
5	Compared to the price I paid and the time and effort I spent, I received good value					
	Emotional value					
6	I am likely to switching to other brands I am offered better features, lower price and better quality					
7	My current hotel-stay experience is pleasurable					
8	My current hotel-stay experience makes me feel relaxed					
9	I am emotionally attached to this hotel					
10	My current hotel-stay experience gives me enjoyment					
11	I have a sense of belonging to this hotel.					
12	My current hotel-stay experience arouses positive feelings					
13	My current hotel-stay experience makes me feel satisfied					

		1	2	3	4	5
14	My current hotel-stay experience makes me feel comfortable					
	Social value					
14	My hotel stay shows my social status					
15	The hotel I stay in makes people admire me					
16	I will take many photos to show my friends and colleagues and share with them					
17	The hotel stay allows me to fully interact with my family and friends, improving our relationships					
18	My hotel stay brings me like-minded friends					
19	My hotel stay offers me the chance to meet loads of different interesting people					

SECTION E: CUSTOMER SATISFACTION

Please indicate by a tick (√) the extent to which you agree with the following statements concerning customer satisfaction in the Hotel. Use the following scale.

1= Not at all   2= To a small extent   3=To a moderate extent   4=To a Large extent
5= To a very large extent

	Repurchase intention	1	2	3	4	5
1	I have experienced a positive relation with the hotel					
2	I feel the hotel suits my needs					
3	The hotel is luxurious for its category					
4	Compared to other hotels, this is a unique hotel					
	Brand preference					
5	I usually use this hotel as my first choice compared to other hotel brands					
6	I would not switch to another hotel any time					
7	I would continue to stay at this hotel if the price was higher					
	Advocacy					
8	I would highly recommend this hotel to my friends and family					
9	To me, this brand is the same as other hotel brands					
10	My friends provided some different ideas about the hotel					
	Trust					
17	I trust the management of this hotel.					
18	I am certain the service I receive from this hotel will be consistent from visit to visit					
	Loyalty					
21	I will choose this hotel even if another hotel offered better features					
23	I usually use this hotel as my first choice compared to other hotel brand.					

Thank you very much for taking your time to complete this questionnaire

APPENDIX 2

LIST OF 4 AND 5 STAR TOWN HOTELS IN KENYA

	Establishment	County	Capacity		Star Rating
			Rooms	Beds	
1.	Villa Rosa Kempinski	Nairobi	200	216	*****
2.	Intercontinental Hotel	Nairobi	371	742	
3.	Hemingway'sNairobi	Nairobi	45	50	*****
4.	Sankara Nairobi	Nairobi	156	167	*****
5.	Fairmont The Norfolk	Nairobi	170	200	*****
6.	The Sarova Stanley	Nairobi	217	440	*****
7.	Radisson Blu Hotel Nairobi	Nairobi	271	354	*****
8.	Dusit D2	Nairobi	101	122	*****
9.	Tribe Hotel	Nairobi	137	154	*****
10.	Crowne Plaza	Nairobi	206	254	****
11.	Ole Sereni Hotel	Nairobi	134	206	****
12.	House of Waine	Nairobi	11	20	****
13.	Weston Hotel	Nairobi	120	154	****
14.	Southern Sun Mayfair Nairobi	Nairobi	171	212	****
15.	The Boma Nairobi	Nairobi	148	178	****
16.	Fairview Hotel	Nairobi	127	133	****
17.	Sarova Panafric Hotel	Nairobi	162	324	****
18.	Windsor Golf Hotel and Country Club	Nairobi	130	205	****
19.	Fairmont Mt. Kenya Safari Club	Nyeri	120	240	****
20.	White Rhino Hotel	Nyeri	102	128	****
21.	Boma Inn, Eldoret	Uasin Gishu	68	80	****

Source: Tourism Regulatory Authority (2016)

APPENDIX 3

NORMALITY TEST USING Q-Q PLOTS

Normal Q-Q Plot of Customer_satisfaction

Normal Q-Q Plot of Customer_expectations

Normal Q-Q Plot of Perceived_value

Normal Q-Q Plot of Quality of service
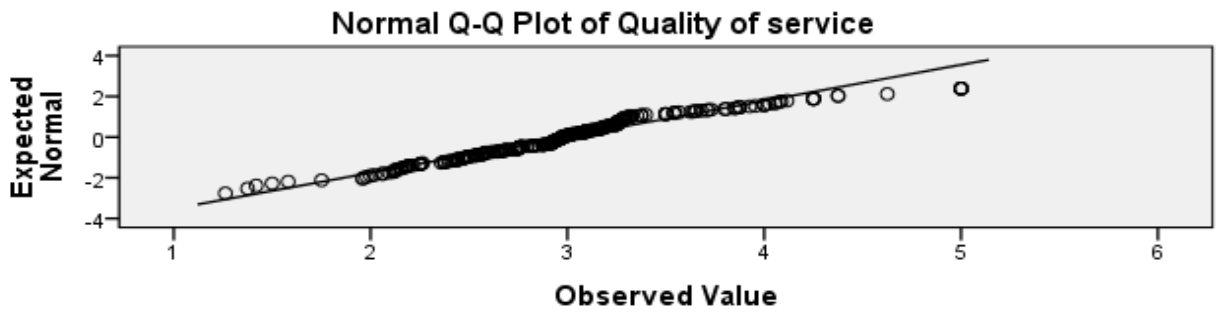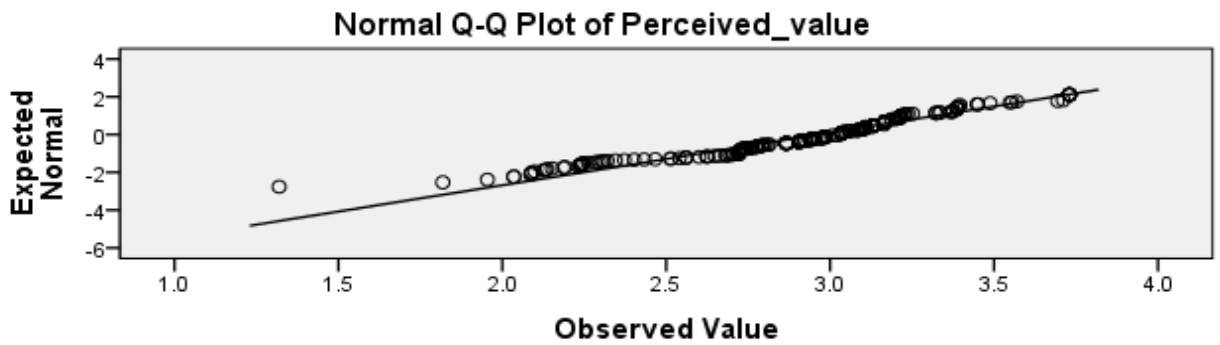
Soure: Primary Data

APPENDIX 4

COMMUNALITIES FOR SEQ

Items	Initial	Extraction
Core Service(CS)1	1.000	.670
CS2	1.000	.869
CS3	1.000	.808
CS4	1.000	.760
CS5	1.000	.786
People10	1.000	.616
P13	1.000	.893
P15	1.000	.680
P16	1.000	.881
P17	1.000	.863
ServicescapeE21	1.000	.867
PE24	1.000	.843
Process29	1.000	.675
Pr30	1.000	.823
Pr33	1.000	.576
Pr34	1.000	.738
Price37	1.000	.773
P38	1.000	.816
Accessibility/place44	1.000	.698
A45	1.000	.810
A46	1.000	.717
MarketingComm49	1.000	.770
MC50	1.000	.707
MC52	1.000	.701
Extraction Method: Principal Component Analysis.		

APPENDIX 5

TOTAL VARIANCE FOR SEQ

Total Variance for SEQ

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	5.382	22.424	22.424	5.382	22.424	22.424	4.164
2	4.317	17.989	40.414	4.317	17.989	40.414	4.019
3	2.298	9.577	49.991	2.298	9.577	49.991	3.090
4	2.131	8.881	58.871	2.131	8.881	58.871	2.407
5	1.804	7.516	66.387	1.804	7.516	66.387	2.555
6	1.316	5.481	71.868	1.316	5.481	71.868	2.369
7	1.091	4.545	76.414	1.091	4.545	76.414	3.040
8	.830	3.459	79.873				
9	.714	2.973	82.846				
10	.599	2.496	85.343				
11	.513	2.137	87.479				
12	.468	1.948	89.428				
13	.410	1.706	91.134				
14	.374	1.558	92.692				
15	.343	1.430	94.122				
16	.273	1.136	95.258				
17	.251	1.046	96.304				
18	.224	.933	97.237				
19	.169	.704	97.941				
20	.143	.596	98.536				
21	.113	.470	99.006				
22	.092	.384	99.390				
23	.081	.339	99.729				
24	.065	.271	100.000				

Extraction Method: Principal Component Analysis.

APPENDIX 6

PATTERN MATRIX FOR SEQ

Pattern Matrix for SEQ

	People	Core service	Servicescape	Process	Price	Accessibility	Marketing communication
CS1		.778					
CS2		.941					
CS3		.835					
CS4		.603					
CS5		.733					
P10	.724						
P13	.713						
P15	.768						
P16	.691						
P17	.892						
PE21				.844			
PE24				.874			
Pr29			.765				
Pr30			.718				
Pr33			.558				
Pr34			.715				
P37					.846		
P38					.824		
A44						.619	
A45						.810	
A46						.683	
MC49							.693
MC50							.689
MC52							.806

Extraction Method: Principal Component Analysis.
Rotation Method: Promax with Kaiser Normalization.

APPENDIX 7

TOTAL VARIANCE FOR CUSTOMER EXPECTATIONS

Total Variance Explained for customer expectation

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	3.828	47.849	47.849	3.828	47.849	47.849	3.224
2	1.658	20.721	68.570	1.658	20.721	68.570	3.123
3	.720	8.997	77.568				
4	.487	6.084	83.651				
5	.458	5.730	89.381				
6	.342	4.273	93.654				
7	.284	3.548	97.202				
8	.224	2.798	100.000				

Extraction Method: Principal Component Analysis.

APPENDIX 8
PATTERN MATRIX FOR CUSTOMER EXPECTATIONS

Pattern Matrix for customer expectation

	Component	
	Desired service	Adequate service
DS64	.746	
DS62	.952	
DS63	.795	
DS59	.776	
AS70		.855
AS74		.636
AS75		.887
AS80		.841

Extraction Method: Principal Component Analysis.
Rotation Method: Promax with Kaiser Normalization.

APPENDIX 9

COMMUNALITIES FOR PERCEIVED VALUE

Communalities for perceived value

Items	Initial	Extraction
FV81	1.000	.514
FV83	1.000	.835
FV84	1.000	.714
FV85	1.000	.734
EV89	1.000	.910
EV91	1.000	.863
SV95	1.000	.693
SV96	1.000	.784
SV97	1.000	.761
SV99	1.000	.589

Extraction Method: Principal Component Analysis.

APPENDIX 10

TOTAL VARIANCE EXPLAINED FOR PERCEIVED VALUE

Total Variance Explained for perceived value

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	3.863	38.631	38.631	3.863	38.631	38.631	3.254
2	1.916	19.156	57.786	1.916	19.156	57.786	2.989
3	1.417	14.173	71.960	1.417	14.173	71.960	1.982
4	.808	8.084	80.044				
5	.766	7.661	87.705				
6	.353	3.533	91.238				
7	.252	2.518	93.756				
8	.239	2.393	96.149				
9	.225	2.251	98.400				
10	.160	1.600	100.000				

Extraction Method: Principal Component Analysis.

APPENDIX 11

PATTERN MATRIX FOR PERCEIVED VALUE

Pattern Matrix for perceived value

Items	Component		
	Social value	Functional Value	Emotional value
SV97	.900		
SV96	.847		
SV95	.840		
SV99	.671		
FV83		.919	
FV85		.826	
FV84		.797	
FV81		.642	
EV89			.981
EV91			.837

Extraction Method: Principal Component Analysis.
 Rotation Method: Promax with Kaiser Normalization.

COMMUNALITIES FOR CUSTOMER SATISFACTION

Communalities for customer satisfaction

Items	Initial	Extraction
RI101	1.000	.727
RI102	1.000	.791
RI104	1.000	.867
T114	1.000	.691
T115	1.000	.679
T116	1.000	.574
L118	1.000	.802
BP105	1.000	.782
BP106	1.000	.844
BP108	1.000	.812
A111	1.000	.659
A112	1.000	.696
A113	1.000	.626

Extraction Method: Principal Component Analysis.

TOTAL VARIANCE EXPLAINED FOR CUSTOMER SATISFACTION

Total Variance Explained for customer satisfaction

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	5.957	45.824	45.824	5.957	45.824	45.824	4.126
2	1.370	10.538	56.362	1.370	10.538	56.362	4.067
3	1.189	9.146	65.508	1.189	9.146	65.508	4.020
4	1.034	7.958	73.466	1.034	7.958	73.466	2.929
5	.661	5.084	78.550				
6	.605	4.652	83.201				
7	.508	3.904	87.106				
8	.493	3.792	90.898				
9	.380	2.922	93.820				
10	.266	2.045	95.865				
11	.241	1.850	97.716				
12	.150	1.157	98.872				
13	.147	1.128	100.000				

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

PATTERN MATRIX FOR CUSTOMER SATISFACTION

Pattern Matrix for customer satisfaction

Items	Component			
	Repurchase Intention	Trust loyalty	Brand preference	Advocacy
RI101	.863			
RI102	.819			
RI104	.785			
T114		.871		
T115		.591		
T116		.673		
L118		.762		
BP105			.809	
BP106			.720	
BP108			.807	
A111				.782
A112				.607
A113				.572

Extraction Method: Principal Component Analysis.
Rotation Method: Promax with Kaiser Normalization.