

**SERVICE QUALITY, CUSTOMER SATISFACTION AND CUSTOMER LOYALTY
IN THREE TO FIVE STAR HOTELS IN NAIROBI**

BY

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DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any university for academic credit

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This project has been presented for examination with my approval as the appointed supervisors.

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DEDICATION

I dedicate this project to my family and my supervisors. I have acquired a wealth of knowledge during my time at the university.

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I thank The Almighty God for giving me the gift of life. I'm grateful for the financial favor and the strength to complete the project.

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ABSTRACT

Businesses world over, whether manufacturing or services aim at delivering core performance objectives namely; quality, time, cost and flexibility. Harrington (2000) defines quality as Meeting or exceeding customer's expectation at a price that represents value to them. Quality in products and services has increasingly become a pivotal concern nowadays. While quality in tangible goods can be measured by marketers, quality in services is complex due to the intangibility of the output.

The objectives of the study were to determine the relationship between service quality, customer satisfaction and customer loyalty in the service sector with a focus on the hospitality industry in Nairobi, Kenya. The study involved 330 three to five star hotels in Kenya. The study thus reached a total of 292 respondents, sampled on a stratified random sampling method, from the customers. Respondents were presented with descriptive statements in a 5-point and 4-point Likert scale on which they were required to rate by scoring the extent to which they perceived a particular statement as descriptive of the force in the corporations. The questionnaires were administered through drop and pick method to the respondents targeted. The questionnaires were coded and edited for completeness and consistency and entered into Statistical Package for Social Sciences (SPSS version 20). Analysis involved descriptive statistics and inferential analysis. Descriptive analysis technique gave simple summaries about the sample data in quantitative descriptions and included, mean, standard deviation, frequencies and percentages. The response rate was 292 respondents which is 87.95% of the respondents Majority of whom were male which represented 53.77% while 46.23% were female. The findings indicated that majority (37.3%) of the respondents was between 41 and 50 years implying that the respondents were old enough to provide valuable responses. The study concluded that the Hotels have good looking facilities, physical facilities are visually appealing, the findings also concluded that the hotels perform their services right the first time.

the study recommended that the Hotels should have good looking facilities and visually appealing to the customers, also that employees should be neat appearing, that the materials associated with the services (such as pamphlets) should be visually appealing, that the hotels should always keep their promises. Time was also a major constraint considering that most respondents were either busy or out of office and repeated reminders had to be made to them. Most of the respondent could not spare time for face to face interviews due to their nature of work and their busy schedules it therefore required pick and drop later method and emailing of questionnaires this explaining the difference in number of respondents. The future research may extend this study of relationship between service quality and customers satisfaction to a bigger number of hostels and develop a comparative analysis between them and also include others factors beside the service quality, including price, brand image, as a determinant of customer satisfaction.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Many organizations today work very hard to make sure that they meet their obligations. They put a lot of focus on service quality, time, cost and flexibility. Harrington (2000) defines quality as meeting or surpassing client's desire. Quality of goods and services has continued to be of high significance and it's extremely important in business today. Goods have an advantage over services as quality can be measured. Services in their intangible nature are complex.

A standout amongst the best apparatuses in administration industry achievement is administration quality. Juran (1988) characterizes quality as "fitness for use" while in Crosby (1979) quality is characterized as "conformance to necessities.

When organizations succeed in getting the service levels to a point that they are higher than the client desires or expectations, clients are astonished and excited. This success increases the probability of them buying from the organization again in the future increases. They are also more likely to recommend the organization to others as they are happy with their service experience. Consumer loyalty does not ensure client dedication, but rather it assumes a basic part in the process. It's a prerequisite for customer loyalty.

1.1.1 Service Quality

Service quality is characterized as client's view of how well a service quality meets or surpasses their desires (Parasuraman, Berry and Zeithmal 1985). Martin (1999) suggested that a service is characterized by certain attributes that make evaluation of the performance even harder. Services are intangible in nature, this means it's

extremely hard to quantify that an organization is offering to a customer. Some time especially for a first time client they may not see the value of the service. Service delivery is also complicated in nature as each employee delivers service in a unique way. Even for the same employee, the service experience may vary during different times of the day depending on other external factors.

Genuine understanding of customers' perceptions based on the four dimensions is extremely important as it helps the manager understand the customers' thoughts and consequently, how to satisfy their needs. When clients' prerequisites are unmistakably distinguished and comprehended, managers are in a superior position to satisfy their clients' needs and wants (Juwaheer & Ross, 2003).

1.1.2 Customer Satisfaction

Customer satisfaction in any institution no matter the nature of the business is very important. This is because it helps the organization retain more customers and improve on the service processes over time. It is a judgment that an item or service feature, or the item or service itself, meet the clients' desires. According to Williams et al., (2003), customers are content and happy when they get that which is promised. That is when the offer is equal to the expectations, they are satisfied and, if they get more than promised they are delighted (Kotler et al., 1996). If the performance is lower than the client expected, the customer is disappointed. When customers are disappointed, it means that they are not satisfied; this also means that they are likely to tell other customers of their dissatisfaction.

Understanding the factors that influence customer satisfaction will assist the decision maker in designing the right products for the customers (Gibson, 2005). Markets pay a lot of attention to customer preference, liking feedback and criticism and this guides them in development and improvement of products and services.

Customer satisfaction is a gateway to earning brand loyalty. Therefore organizations focus on ensuring that they meet and exceed the customers' expectation. Although this does not necessarily results in loyalty, it increases the chance on getting loyal customers. Satisfied customer may not necessarily shop for an alternative and this keeps the organization ahead of the competition.

1.1.3 Customer Loyalty

Customer loyalty is achieved when a customer continues to believe that your product or service is the best. That is meets their needs or wants. It can be characterized in two particular ways. To start with, it is an attitude. A combination of feelings creates the overall commitment to this product or brand. When these feelings are measured, an individuals' loyalty is determined. Loyalty can also be defined in a behavioral way. Examples include continuous purchase from one or few suppliers. Another example is increasing the amount of purchases or frequency of these purchases. It may also mean an improved relationship with the service provider (Yi, 1990).

Customer loyalty is acquired overtime, when the service provider goes out of the way to understand and address the customers need. (Teich, 1997). For this reason, its better and cheaper to keep the existing guests happy so that they do not leave for

competitors' products. Customer will keep buying from a service provider when they are content with the service level.

Service quality generally influences customer satisfaction. At the point when a customer is fulfilled, he or she will probably prescribe the brand to others. They are likewise more averse to change to other brands. This makes understanding of service quality, customer satisfaction and their influence on customer satisfaction extremely important.

1.1.4 Hospitality Industry in Kenya

Hospitality industry in Kenya is extremely dynamic and involving. The Hospitality business in Kenya has experienced a huge growth in the recent years. This has been as a result of increasing request for accommodation in the city and for safari from every part of the world. The increasing number of international visitors has been noted and this has increased the need for more restaurants, hotels and catering services in Kenya. (Kenya Economic Survey, 2012). This development of the travel and tourism industry can be credited to various variables, including, progressions in data and interchanges innovation that have reformed operations in the hotel business.

Kenya is home to many hotels and lodgings the majority most of them international brands and local Hotel brands, for example, Sarova Hotels, Serena hotels and the Fairmont. There is variety of standalone hotels & camps whose service offering supplements those of world class hotels as well as serve the domestic and business

visitors. Service quality is unique and most imperative components in a service delivery to a wide range of service businesses.

Customer service delivered by hotel employees' plays a key role in customer satisfaction and the customers repeat visits. Word of mouth communication is also highly dependent upon the customer experience created through interactions with employees at different stages in service consumption. Hotel services ranging from inquiry, reception, accommodation, dining, business centre, entertainment, excursions, transport to billing and payments are highly dependent on employees' competencies, and emotional and behavioral skills. All types of customers come to the hotel expecting a pleasant experience with a human touch. Today, retaining customers has become very challenging in a highly competitive market. Customers display switching behavior, they are generally curious to experience new products and they are demanding in relation to their needs. They are also well informed and the internet has become a good and convenient source of information. The present study is aimed at identifying service quality and customer satisfaction affects customer loyalty.

1.2 Statement of the Problem

Organizations endeavor to exceed expectations in business, by giving the customer more benefit. Quality service delivery is in this way a critical segment for companies in the hospitality business. Service quality significantly affects business execution, cost decrease, income execution, consumer loyalty and client loyalty. Clients are always shopping and they are besieged with boundless data particularly with the accessibility of data on the web. Guaranteeing that visitors are content is vital as it

increases the possibility of getting repeat clients in the hotel. Dick and Basu (1994) recommended that a client's belief on the level of service quality should influence the repeat business from this client. For the hotel business to accomplish its target of delivering quality service for its clients, they must focus on how to not only meet but exceed this client's needs and wants (Doyle, 2000).

Parasuraman et al. (1988) highlighted the determinants of service quality after undertaking a research on a focus group. The determinants included; Reliability, responsiveness, assurance, empathy and tangibles. Customers will consider an organization to have service quality when they are reliable, that is deliver service on time. They also expect empathy when they have a complicated situation even if it's not the hotel employer's fault. In a study to evaluate service quality dimensions that impact customer satisfaction, Harr (2008) concluded that assurance, empathy and tangibles were taken into serious consideration by the customer while evaluating service quality. Krishna et al., (2010) in a similar study, in retailing in India concluded that customers considered security, promptness of service and accuracy to be very important.

Kenya is a unique destination, offering a combination of city, bush and beach experience. The terrain, nature of wildlife in the game reserves and national parks make Kenya unique. The client visits a hotel for two main reasons, either leisure or business. Recent trends have shown that customers, who are satisfied in a hotel, will visit other hotels. The assumption has been that they are looking for variety, a desire for change or they may also be curious. The occurrence is mainly when there is a

new hotel, and a lot of marketing effort from the new hotel. The customers have a desire to know how the other hotels operate and the best way of finding out is experiencing their service.

Manyi (2011) found out that all the five dimensions of service quality were affected customer satisfaction. The outcome of his research suggested that in order to satisfy customers, organizations need to improve dimensions of service quality. These results were consistent with the findings by Akoko (2012). The researcher, however, pointed out that his research work targeted only a few service sectors due to time and money constraint and therefore the study results could not be generalized to other sectors such as the hotel industry.

Akoko (2012) seeking to understand the relationship between service quality dimensions and customer satisfaction in Kenyan telecommunications industry, established that all five service quality dimensions had positive impact on customer satisfaction. However, reliability dimension was considered to be having the highest impact while tangibility was considered to have the least impact. Similarly, the research work was limited to the telecommunication industry and therefore the results could not be generalized to the hotel industry

Musyoka (2013) in his work, trying to establish existence of a relationship between service quality and library-user satisfaction among universities in Kenya, found out that service quality accounted for 73.9% of user satisfaction and their loyalty. He noted further that reliability dimension contributes most towards user satisfaction,

while empathy dimension contributes the least. The research was limited to libraries and therefore not all inclusive and the results could not be generalized to cover the hotel industry.

1.3 Objectives of the Study

This section will have two objectives; a general objective and a specific objective.

The objectives are highlighted below.

1.3.1 General Objective

This was to determine the relationship amongst service quality, customer satisfaction and customer loyalty in the hospitality industry in Nairobi, Kenya. To achieve this, the specific objectives are outlines in section 1.3.2

1.3.2 Specific Objectives

1. To determine the relationship between service quality and customer satisfaction in hotels in Nairobi.
2. To determine the relationship between customer satisfaction and customer loyalty in hotels in Nairobi.
3. To determine the relationship between service quality and customer loyalty hotels in Nairobi.

1.4 Importance of the Study

The exploration will try to build up the part that service quality plays in guaranteeing enhanced customer loyalty and customer fulfillment. The study will benefit the

academic fraternity, the operations managers and entrepreneurs in the hospitality sector.

The information from the study will enable the understanding of customer perception of service quality. The study forms a basis for research on other sub-sectors of the services sector in Kenya which can be replicated in other geographical regions. The study also contributes refreshing insights useful for relationship marketing.

This study provides valuable insight to managers regarding the customer service skills to equip their employees within their ongoing effort to improve customer communication, satisfaction and customer loyalty. Hence, the result of this research can be utilized as a foundation to build service strategy.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This is a review of studies researched or written by others. It first covered employee related factors in service quality, and then reviewed the effect of service quality on customer loyalty and Loyalty on satisfaction. It then gave a review summary and conceptual framework for the study.

2.2 Service Quality and Customer Satisfaction

Researchers proposed diverse perspectives on the meanings of service quality. It is characterized as near capacity between shopper desires and genuine service execution (Parasuraman et al., 1985). This implies customer will judge quality in view of the relationship of the real service and their desires. Then again, Parasuraman et al., (1988) considered service quality as the capacity of an organization to meet or surpass customers' desires. A company that meets and surpasses the customers' desires is seen to offer quality service. As indicated by Cronin and Taylor (1994), service quality is a mentality that deals with the long run evaluation of service in an overall basis.

Year on year, the hotel industry has faced an increase in demand for service, with many customers in need of the services offered. Consequently, this has contributed to rivalry among industry players. Level of service delivery has improved, as the hotels try to make their hotels the most appealing to the customers. (Dominici and Guzzo, 2010). In this highly competitive industry, companies especially hotels have been force to take a loser interest in understanding customer needs. This has been done

through the understanding of the relationship between service quality and customer satisfaction (Reichhel & Sasser, 1990). Provision of high service standards and the significant improvement of customer satisfaction, are the two factors that have been considered responsible for the improvement of the key players in the industry. They have also been assumed to be capable of improving profitability (Oh and Parks, 1997; Oppermann, 1998; Dominici and Guzzo, 2010).

Service quality and customer satisfaction are two very important concepts. They have been studied by many scholars with a desire to understand them. According to (Bitner, 1994; Spreng et al., 1996), they share a very close relationship, mainly cause and effect. (Cronin and Taylor, 1992), highlighted the need for a study to understand the contrasts between them.

They have received significant attention from the Marketing fraternity (Brady and Cronin, 2001; 2002; Cronin & Taylor, 1992; Meuter, et al., 2000; Oliva, et al., 1992; the two, service quality and customer satisfaction appears in literature as separate concepts. (Bitner, 1994; Spreng et al., 1996), confirmed the strong relationship between them. (Cronin and Taylor, 1992), recommend that a study of their contract as important. Service quality and customer satisfaction have exhibited relationship in numerous studies and their developments fairly associated, as far as circumstances and end results (Iacobucci and Ostrom, 1995).

2.3 Customer Satisfaction and Customer Loyalty

Customers are satisfied when the needs are met. This way they develop positive emotions, and these emotions are influenced by the buying experience (Armstrong, et

al 1996; Wiele et al, 2002); Akbar and Parvez, 2009). Wong (2005) demonstrated that customer satisfaction, which has turned out to be simply qualification, is subsequently the starting point to build customer loyalty. Be that as it may, customer satisfaction in itself does not ensure loyalty in light of the fact that now and again 65% to 85% percent of customers will switch to competitors“ yet say they are either satisfied or exceptionally happy with the item or service” Storbacka et al, 2001. Therefore, in order to retain customers in the long-run, Bowen and Brown, (2001) were right to say that the customers must be extremely satisfied. Nevertheless, customers may change suppliers in light of cost, sampling a new product or seeking an alternative in the case of unavailability of their preferred brand. All said, satisfaction is of no consequence if it does not result in loyalty. Companies must endeavor to build customer loyalty in order to have a competitive advantage (Bansal and Gupta, 2001). Yet not all loyal customers are necessarily satisfied customers, the level of service quality plays a role (Akbar and Parvez, 2009).

Customer loyalty can be accomplished at times by offering a quality item with a firm certification or using alternative incentive for the customer. The long term goal is to get loyal customers. Geronikolas (2012) reports some considerations in the hotel business that are destined to push customers away include incompetent, rude or unfriendly staff, dirty premises, moderateness, and esteem for cash. Overall, hotel food and beverage standards are the most important in hotel tangibles. They seem to be increasingly significant in creating both a loyal base of satisfied customers and driving dissatisfied customers away.

Dube'- Rioux (1990) found that how the customers expressed themselves, illustrated their satisfaction levels. Liljander and Strandvik (1997) inferred that customer satisfaction joined both passionate part and a scholarly portion; as a result, these scientists battled that satisfaction can't be totally appreciated without perceiving the "full of feeling enthusiastic" measurement. Soöderlund and Rosengren (2004) found that customer dependability is vehemently associated with customer satisfaction.

As far as hotel service experience, Mattila and Enz (2002) reported that emotional factors (that is, hotel guests' self-declared mood state measured immediately after the service encounter and their displayed emotions during the interaction) were huge indicators of their appraisal of the service experience and their general assessment of the hotel service provider. As an aftereffect of this survey of the writing, the present study sets that feelings are affected by the service quality. For instance, such feelings as delight might be evoked by the physical layout of a hotel or dissatisfaction may be inspired by poor service from a front line staff.

2.4 Service Quality and Customer Loyalty

Distinctive studies have investigated the relationship between service quality and customer faithfulness. For example, in focusing on repurchase points as a measure of faithfulness, Cronin and Taylor, (1994) affirmed that service quality does not have a basic (positive) affect on repurchase objectives (instead of the immense beneficial outcome of satisfaction on repurchase objective). In any case, Boulding, et al, (1993), focusing on the segments of repurchasing and moreover the availability to recommend as measures of customer dedication, found positive associations between service quality and repurchase desires and capacity to propose to others (Akbar and

Parvez, 2009). on an alternate note, a couple of customers may stay steadfast in light of high exchanging costs or the nonattendance of honest to goodness substitutes, while others will continue being dedicated since they are content with the services given (Lam and Burton, 2006). Service suppliers must abstain from being smug since loyal customers may not generally be the fulfilled ones and also not every fulfilled customer may dependably be loyal. Research has demonstrated that service quality decidedly influences customer dedication (Wong, 2005). This is in light of the fact that service quality has been found to identify with behavioral outcome particularly as informal, protestation, proposal and exchanging (Al-Rousan, Ramzi and Mohamed, 2010).

2.5 Theories of Service Quality, Customer Satisfaction and Customer Loyalty

Different researchers have developed alternative measures of service quality for specific service settings. Cronin and Taylor (1992) developed SERVPERF model to measure service quality in the hotel industry. The model is based on the five original SERVQUAL dimensions and contains 22 items.

2.5.1 The SERVQUAL model

Service quality measurements have benefited extraordinarily from studies by Parasuraman, Zeithaml and Berry (1988) who built up the model and estimation approach which they named SERVQUAL, consisting of 22-items. SERVQUAL was developed on the basis of service levels of a groups of firms or service providers, classified in one category (general) and the customers' assessment of the actual

performance of a selected firm in this category. The SERVQUAL model will be the hypothetical premise whereupon this contextual analysis will be established.

2.5.2 Performance Only Model (SERVPERF)

SERVPERF was made by Cronin and Taylor (1992) in their trial work which incorporated the adjustment of SERVQUAL concerning conceptualization and estimation of service quality. They developed an execution based measure of service quality called "SERVPERF" demonstrating that service quality is a sort of customer demeanor. It measures service quality on the basis of execution. Cronin and Taylor (1992) contended that execution is the measure that best clarifies customers' view of service quality, so perception ought not be incorporated into the service quality estimation instrument. SERVPERF looks at the attributes of the 5 dimensions, worded the same as SERVQUAL however does not rehash the arrangement of explanations as expected items. SERVPERF hence contains a 22 items (Likert-type) with five measurements of dependability, responsiveness, affirmation, sympathy and physical assets. 22 statements are then inferred to gauge the view of customers towards the quality of services of the association being surveyed. This examination adjusted the SERVPERF apparatus to quantify service quality among hotels in Nairobi Kenya.

2.5.3 The Disconfirmation Model

The Disconfirmation Model depends on the examination of customers and their perceived performance ratings. Individuals' expectations are met when an item or service performs according to his or her desires. It is adversely affirmed when an item performs more ineffectively than anticipated. The disconfirmation is certain when an

item performs superior to expected (Churchill and Suprenant 1982). The four constructs that depict the customary disconfirmation worldview are desires, execution, disconfirmation and satisfaction. "Satisfaction is considered as a result of the experience that may be, buy and use, in connection to the purchasers' correlation of expected rewards and aggregate expenses of the buy in connection to the foreseen outcomes. In operations, satisfaction is by one means or another like demeanor as it can be assessed as the whole of satisfactions' inside a few components of an item.

"Satisfaction is considered as a result of the experience that seems to be, buy and use, in connection to the purchasers' correlation of expected rewards and aggregate expenses of the buyer in connection to the foreseen outcomes

The theories can be used to understand the relationship between the customers' desires and the genuine encounter. It would help the administration to comprehend the crevices in the item. In instances where marketers over promise, this can help the team to evaluate and manager customer expectations; promise less and offer more At last, the customer is content with the experience.

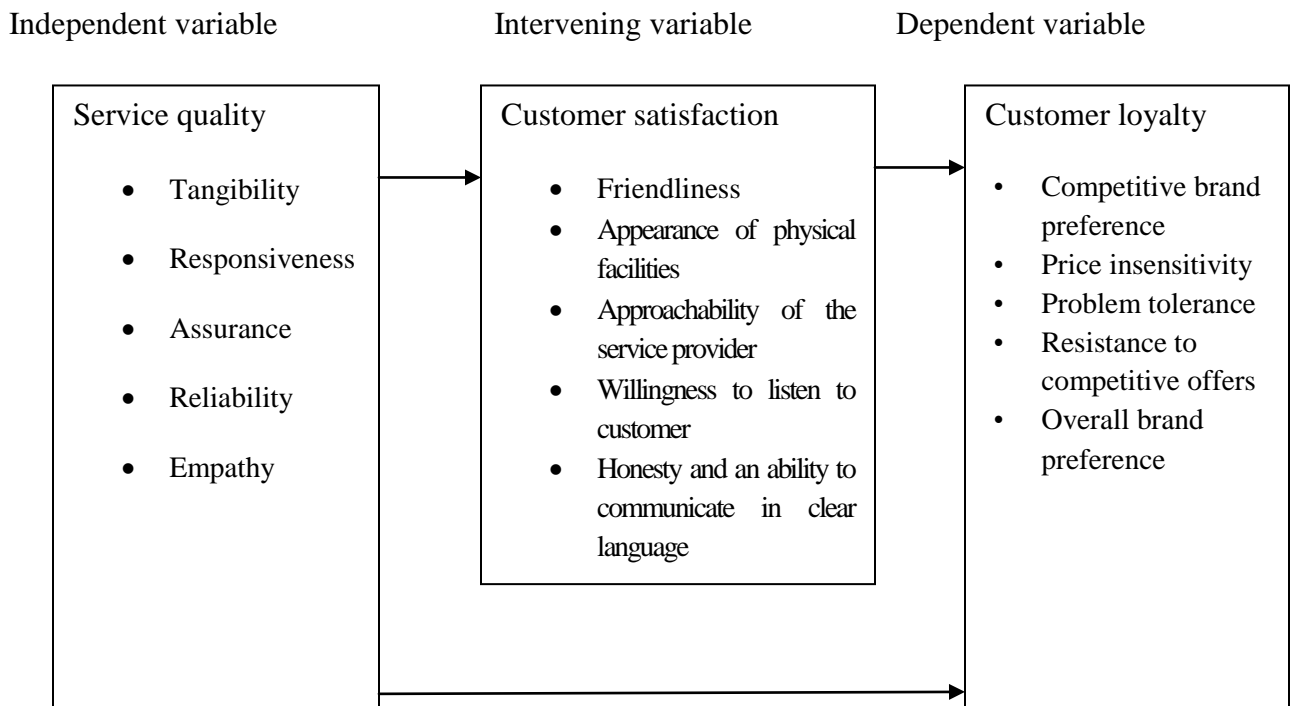
2.6 Summary and Research Gap

Service quality is staff driven yet criticism on experience and effectiveness originates from the customer's experience. In a study that gets the customers' perception of services that they get and managements' perspectives on customer feedback. Kimungu and Maringa in their study included orientation, training, motivation, behavior and attitudes as the main factors. Mukherjee and Malhotra (2006) then again considered clarity at work that is the part as the element that influences the service

quality. Wanjau et al (2012) in their study demonstrates how staff empowerment helps in enhancing the service quality. This study has investigated the variables and demonstrated how these elements influence service delivery and service quality recognition and their association with the customer satisfaction and customer loyalty. These can be presented in the conceptual framework in the Figure 1 below.

2.7 Conceptual model

Figure 1: Conceptual Framework



The applied structure is expected to create mindfulness and comprehension of the circumstance under investigation and impart this viably.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The methodology displays portrayal of how the study was drawn nearer. It displays the arrangement of the exploration, that is, the examination plan, how information was gathered and from whom, and the information investigation system that were embraced to break down the information keeping in mind the end goal to produce the discoveries of the study. It therefore comprises of sub-sections namely; research design and methodology, target population, sample design, data collection methods, pilot study and procedures and data analysis techniques and reporting.

3.2 Research Design

Cooper and Schindler (2008) portrayed the exploration outline as a game plan and structure of examination confined to offer responses to research questions. In this study distinct research outline was utilized. The outline endeavored to depict or characterize a subject, regularly by making a profile of a gathering of issues, individuals or occasions through accumulation of information and organization of the frequencies on research factors or their association (Cooper and Schindler, 2006). Its a statistical, cross-sectional study in the sector to allow for generalization of the findings across sectors. The strategy was proper for the study since it helped the analyst to create factual data on the impact of service quality on customer reliability and satisfaction in the lodging organizations. It appeared as a connection study to demonstrate the degree of the relationship between service quality and customer satisfaction in hotels and took into consideration reasonable judgmental correlation of

the factors included. The study expected controlled impact of different factors that influence service quality including data innovation.

3.3 Study Population

In this study, the population that was targeted comprised of the guests in three to five star rated hotels in Nairobi, Kenya. According to the Kenya gazette, 20th November, 2015, vol.cvii-no.126, Nairobi has thirty seven 5-star hotels, seventy eight 4-star hotels and one hundred and forty three 3-star hotels. Out of the list, seven 5-star hotels and seven 4-star hotels and seven 3-star hotels were randomly selected for the study.

3.4 Sampling

The study used multi stage, sampling method, where the hotels were stratified into their ratings then convenience sampling was used to for the three categories of hotels. This was done because the number of hotels in each category was very high and the time available for the study was limited.

Table 3.1: Sample size

Rating	Number of Hotels	Sample Size
3	37	7
4	78	7
5	143	7
Total	258	21

Source: Author, (2016)

3.5 Data Collection

The study utilized both primary and secondary information which was to a great extent quantitative and descriptive in nature. Primary data was collected using questionnaires administered to customers in the selected hotels. Kothari, (2004) states, that a survey comprises of various inquiries printed and written in a definite order on a shape or set of structures. There were four different sections including; general information, service quality, customer satisfaction and customer loyalty respectively. The questionnaire included open-ended and close- ended questions. The close-ended questions provided more structured responses, while open-ended questions were used to test the rating of various dimensions. Secondary data on the other hand was used to get insights on customer satisfaction.

For actual services delivered, data was collected relating to the customers 'perception of service quality measures as compared to other firms. As for the service quality, data was collected from customer feedback data on their experience. Customers were also given their perception of the kind of services they received and their views on what they expect from such hotels. For employee role, data was collected based on the variables in the reviewed literature.

The researcher personally administered the questionnaires and collected the filled in questionnaire before leaving each of the selected respondents. The questionnaire was pretested using some population elements to ensure that it was easily understood and to check if there were any obvious problems with the length, sequencing of questions or sensitive items in it. Secondary data was collected from Tripadvisor, an

independent forum where guests review and provide feedback on their experiences, during their stay in hotels. The most current reviews were analyzed and used to understand customer satisfaction.

3.6 Data Analysis

The data collected during the study was edited, coded then entered into a computer for processing. As indicated by Cohen and Manion (2010), altering of responses "is proposed to clean and take out mistakes made by the questioner or respondents. Therefore, information was altered for fulfilment and consistency before examination. Pearson correlation co-efficient was used to test if a relationship existed, the nature of that relationship (direction) and strength of the relationship between the concepts as outlined.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Whereby: Y = Customer loyalty (CL);

X1 = Customer satisfaction (CS);

X2= Service quality (SQ);

B0, β_1 , β_2 , =Regression model coefficients.

ε = **Error Term.**

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This area is a presentation of results and disclosures obtained from field responses and data broken into two segments. The essential region deals with the establishment information, while the other section presents revelations of the examination, in light of the objectives of the study as researched by the surveys where both drawing in and inferential have been used.

4.2 Response Rate

From the data assembled, out of the 330 questionnaires distributed, 292 copies were completed and returned making a response percent of 88.85%. This rate concurs with Mugenda and Mugenda (2003) who explains that for hypothesis a response rate of half is palatable for examination and reporting, 60% is extraordinary and a response rate of 70% and over is awesome, thus 87.95% was surprising for an examination. This high response rate can be credited to the data gathering systems, where the researcher pre-told the potential individuals and associated the drop and pick technique where the surveys were picked at a later date to allow the respondents rich time to fill the reviews.

Table 4.2: Response Rate

The table illustrates the breakdown of the questionnaires sent out. It indicates the ones returned and those that were not returned.

Response	Frequency	Percentage
Filled-in Questionnaires	292	88.85
Unreturned Questionnaires	38	11.15

Source: Research Data

4.3 Reliability Analysis

Reliability of the poll was assessed through Cronbach's Alpha which measures the inside consistency. Cronbach's alpha was registered by utilization of SPSS frame 20 for unwavering quality investigation. The estimation of the alpha coefficient ranges from 0-1 and may be used to portray the steadfastness of parts removed at 0.5 importance level from dichotomous and also multi-point organized polls or scales. With a higher value of the result, the more dependable the coefficient. Cooper and Schindler (2008) have demonstrated 0.7 to be a satisfactory unwavering quality coefficient.

Table 4.3 demonstrates that administration quality had the most astounding service quality ($\alpha=0.893$) then consumer satisfaction ($\alpha=0.810$). This outlines all the three scales were dependable as their unwavering qualities surpassed the recommended limit of 0.7 (Mugenda and Mugenda, 2008).

Table 4.3: Reliability Coefficients

Scale	Cronbach's Alpha	Number of items
Service quality	0.754	7
Customer satisfaction	0.814	4

Source: Research Data

4.4 Demographics

The study looked to discover the demographic data of the respondents which included sexual orientation, age and level of training. This was vital since it shapes establishment under which the study can reasonably embrace in thinking of conclusions. The examination depended on this data of the respondents to sort the distinctive results as per their associate and reactions.

4.4.1 Gender of the Respondents

A further study on the same in order to confirm the gender distribution of the respondents was done. The discoveries were as show in table 4.4.

Table 4.4: Gender of the Respondents

Gender	Percentage
Male	53.77%
Female	46.23%
Total	100.00%

Source: Research data

53.77% of the respondents were male while the rest (46.23%) were female. This confirmed that the gender distribution was fair.

4.4.2 Age Bracket

The study further established respondent's age distribution categorized in a certain range. This was to determine how age relates to customer satisfaction based on experience. The findings were as indicated in table 4.5.

Table 4.5: Age Bracket of the Respondents

Age Bracket	Percentage
21- 30 years	23.3%
31- 40 years	27.1%
41- 50 years	37.3%
51- 60 years	8.6%
60 years and above	3.7%
Total	100.00%

Source: Research Data

The respondents were required to demonstrate their age where the study discoveries showed that lion's share (37.3%) showed that their age section was somewhere around 41 and 50 years. Further, 64.4% of the respondents were between the age of 31-50 years. This suggests the greater part of the clients were sufficiently experienced to give genuine answers concerning the study.

4.4.3 Education Level

This section sought to determine the respondents' education level. They were supposed to pick the highest level, based on four options provided. Table 4.6 illustrates the findings.

Table 4.6: Level of Education

Level of Education	Percentage
Master's Degree	35.95%
Bachelor's Degree	54.45%
Diploma	7.20%
Secondary Education	2.40%
Total	100%

Source: Research Data

From the table 4.6, majority (54.45%) of the respondents had bachelor's degree, with 90.4% of the respondents having a bachelors' degree and above. The discoveries along these lines show that the respondents have the ability to answer the inquiries effectively.

4.5 Profile of study concepts

The questionnaire was meant to bring out the relationship of service quality, customer satisfaction and customer loyalty.

4.5.1 Service Quality

The researcher sought to investigate the influence of service quality on customer loyalty. To achieve this, respondents were required to indicate to what extent service quality affected customer loyalty. The details are in table 4.7 below.

Table 4.7: Extent to which Service quality customer loyalty

SERVICE QUALITY	Mean	SD
1. The Hotel has good looking facilities.	4.29	1.692
2. The Hotel's physical facilities are visually appealing.	3.97	0.497
3. The Hotel's employees are neat appearing	3.65	0.630
4. The materials associated with the service (such as pamphlets) are visually appealing.	3.53	0.841
5. When the hotel promises to do something by a certain time it does so.	4.17	1.043
6. When you have a problem the hotel shows a sincere interest in solving it.	4.38	0.801
7. The hotel performs the service right the first time	4.37	1.596
8. The hotel provides its services at the time it promises to do so.	4.07	0.557
9. The hotel insists on error-free records	4.65	0.641
10. The hotel employees tell you exactly when services will be performed.	4.53	0.791
11. The hotel employees give you prompt service.	3.99	1.093
12. The hotel employees are always willing to help you	4.18	0.601
13. The employees are never too busy to respond to your requests.	3.92	0.771
14. The behavior of hotel employees instills confidence in customers.	4.71	1.081
15. You feel safe in your transactions with the hotel	4.39	0.997
16. The hotel employees are consistently courteous with you.	4.32	0.879
17. The hotel employees have the empathy to answer your questions	4.03	1.003
18. The hotel's operating hours are convenient to its customers	4.52	0.956
19. The hotel has employees who give you personal attention.	3.71	1.192
20. The hotel has your best interest at heart	4.03	0.731
21. The hotel employees understand your specific needs.	4.08	0.826
Total Mean	4.17	

The researcher wanted to determine the extent to which service quality affects customer. The respondents were required to fill their own reactions in a five point likert scale where 5 was the most elevated score and 1 the minimum. From the findings the average of the mean was 4.17. Table 4.7 the respondents agreed the hotel had error free records, the employees informed the guests of the services that would be performed, and their behavior instilled confidence in the customers. The respondents also indicated that hotel employees were neat (3.65) and that material associated with service were visible (3.53).

4.5.2 Customer Satisfaction

The researcher wanted to determine the extent to which Customer satisfaction affected customer loyalty in three to five star hotels in Nairobi. An illustration of the findings is on Table 4.8 below.

Table 4.8: Extent to which Customer satisfaction Affects customer loyalty

CUSTOMER SATISFACTION	Mean	SD
1. Hotel's Physical facilities are great	4.51	1.027
2. Hotel's Equipment is functional	4.18	0.734
3. The Hotel Employees' are tidy and professional.	4.13	0.597
4. The hotel has a clear channel of Communication.	4.64	0.802
5. The service is timely.	3.97	1.047
6. The employees have an interest in problem solving.	4.42	0.734
7. The hotel has efficient service.	4.04	1.301
8. There is consistency of service	3.79	0.802
9. The hotels records are accurate.	4.17	1.024
10. Prompt problem resolution.	4.03	0.603
11. Prompt attention to guest's requests	4.01	0.773
12. Employees are willingness to help	4.51	1.027
13. The employees are flexibility.	4.18	0.734
14. The employees are professional	4.13	0.597
15. The hotel has a great security procedure.	3.64	0.802
16. Courtesy of employees	3.97	0.971
17. Competence of employees	4.50	0.725
18. I get Individualized attention	4.25	0.679
19. The hotel has convenient operating hours	4.11	0.815
20. I get personal attention from employees	4.61	0.717
21. The employees have concern towards guest interest.	4.23	0.415
22. Understanding guest specific needs	4.09	0.941
Total Mean	4.19	

The researcher sought to determine the extent to which service quality influences customer loyalty. From the findings shown in table 4.7 the respondents agreed to a great extent that employees had interest in problem solving, the hotel had a clear

channel of communication and that they received personalized service. On the other hand, courtesy of employees was 3.97, while security scored 3.64. A mean score of 4.19 was attained and this means that most customers were satisfied.

4.5.3 Customer Loyalty

The researcher looked to research the degree to which the accompanying articulations about customer satisfaction impacted a customer's choice of a hotel. The results are displayed in table 4.9.

Table 4.9: Customer Loyalty

CUSTOMER LOYALTY	Mean	SD
1. I can tolerate some problem in the hotel	4.01	1.081
2. Price is the last thing that I check when booking my accommodation.	4.29	0.997
3. I haven't booked any other hotel in the city.	4.12	0.879
4. I only check other hotels when this hotel is fully booked.	4.03	1.003
5. I do not consider the competitions special offers.	4.32	0.956
6. Even if the rates go up, I will still come to this hotel.	4.61	1.192
7. I will book other hotels of the same brand in other destinations.	4.17	0.971
Total	4.22	

In this section, the researcher sought to determine the extent to which customer loyalty influence your choice of a hotel. The respondents were required to fill their own responses in a five point likert scale. All the respondents scored a mean above 4, with a mean of 4.22. This signifies that even though the customer may not get everything in a perfect state at their respective hotels, they were loyal and they were not likely to go to another hotel.

4.6 Inferential Statistics

This section seeks to understand the results of inferential statistics. Independent variables' relationship was measured, by use of the correlation analysis. The relationship in consideration is service quality and customer satisfaction. Regression analysis was then used to confirm the relative significance of these variables on customer loyalty.

Table 4.9: Correlation coefficient

	Service quality	Customer satisfaction	Customer loyalty
Service quality	1		
Customer satisfaction	0.8345	1	
Customer loyalty	0.8507	0.8679	1

The data in the table above exhibits that all the indicator factors were appeared to have a positive relationship between them at a colossal level of 0.05. A conclusion, that there was solid positive relationship between customer satisfaction and customer dedication (connection coefficient 0.8679), service quality and customer faithfulness (relationship coefficient 0.8507) and between service quality and customer satisfaction (connection coefficient 0.8345).

4.8.3.3 Regression coefficients

The table demonstrates the aftereffects of the relapse coefficients required to frame the multiple regression model.

Table 4.13: Regression coefficients

Model		Unstandardized		Standardized		
		Coefficients		Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	0.903	0.123		7.367	0.000
	Service quality	0.056	0.028	0.158	2.021	0.045
	Customer satisfaction	0.037	0.030	0.105	1.194	0.234

a. Dependent Variable: Customer loyalty

From the Regression results in table below, the multiple linear regression model finally appear as

$$Y = 0.903 + 0.056 SQ + 0.037CS + 0.123$$

The multiple linear regression models indicate that all the autonomous factors have positive coefficient. The regression results above confirm that there is a positive relationship between dependent variable (customer loyalty) and independent variables (service quality and customer satisfaction). One unit change in customer satisfaction results in 0.037 units increase in customer loyalty, and one unit change in Service quality cause 0.056 changes in customer loyalty.

The t statistics helps in deciding the relative significance of every variable in the model. As a guide in regards to helpful indicators, we search for t values well underneath - 0.5 or above +0.5. For this situation, the most imperative variable was service quality took after by customer satisfaction individually.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study looked to decide the service quality, customer satisfaction and customer dedication in three to five star inns in Nairobi. This section displays the outline of the discoveries, conclusions and recommendations of the study.

5.2 Summary of the Findings

The goal of the study was to set up the relationship between service quality, customer satisfaction and customer faithfulness in three to five star hotels in Nairobi. The result of the study uncovered that larger part (53.77%) of the respondents was male while the rest (46.23%) were female. Further, it uncovered that a large portion of the respondents was between the age of 41 and 50 years. Likewise the discoveries uncovered that the largest level of education was Bachelors' degree.

Under service quality, the study revealed that there was a great relationship between service quality and customer loyalty with a mean score of 4.17. Customer satisfaction on the other hand had a strong relationship with customer loyalty. The mean score of 4.19 signifies that the relationship is very strong.

5.3 Conclusions

From the findings, the hotels had great service quality, even though they were not perfect. Some of the reason that they managed to score very well included: great physical offices, when the hotels promised to accomplish something by a specific time they would do so.

Most of their consumers were satisfied, because the staff empathized where a problem arose, services, service levels are consistent and the employees are generally helpful.

A great number of their clients are loyal. This is illustrated in the scores including, price is the last thing that they check when booking their accommodation, and that they only check other hotels when their hotel is fully booked, finally that they do not consider the competitions special offers.

Also the study concluded that even if the rates go up, the loyal customers will still come to the hotels and that they always book other hotels of the same brand in other destinations.

5.4 Recommendations

Hotel Management should pay attention to service processes and ensure that the employees are well trained. Competence would greatly improve the process and consequently improve customer perception. The hotel should be clean, organized and information should easy access.

Customer satisfaction surveys and guest feedback should also be taken very seriously. Areas recommended for improvement should be studied and implemented as and when the information is received. They hotel management should also invest in customer loyalty programs, which will help them in retaining their customers.

5.5 Limitation of the study And Areas for Further Research

Due to the large number of hotels available in the city, convenient sampling was used. A further research would be helpful, in order to research on more hotels. Time was also a major constraint and only guests who were in-house during the period of study participated. Given a longer duration, spreading out the distribution of the questionnaire would help get a varied response.

Although the sample size is representative, it's not representative of all hotels In Nairobi and the study was limited to 3 – 5 star hotels only. Although this research provides some significant insights into service quality, customer satisfaction and customer loyalty in the hospitality industry, there is still room further research in the difference star categories.

The current research can also be expanded to tourism sector, in which the hotels operate, in order to understand the needs of the customer.

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APPENDICES

Appendix 1: Questionnaire

Hello my name is Tabitha Wangari Muchogu. I am an MBA student from Nairobi University. I am carrying out a research on the ‘**service quality, customer satisfaction and customer loyalty a case study of three to five star hotels in Nairobi**’. This will take approximately 15-25 minutes of your time. Your answers will not be shared with anyone outside this project.

SECTION A:

GENERAL INFORMATION

By the means of tick (✓) kindly indicate an option that best describes you where appropriate. Also fill in the blanks where necessary.

1. Gender (a). Female
(b). Male
2. Age Bracket
 - a) 20 - 30 years
 - b) 31 – 40 years
 - c) 41 - 50 years
 - d) 51-60
 - d) 60 and above
3. Level of Education
 - a) Secondary Education
 - b) Diploma
 - c) Bachelor’s Degree
 - d) Master’s Degree

SECTION B: MAIN ISSUES OF THE STUDY

4. This part concerns the factors that influence your satisfaction with hotel services.

Please show the extent to which you think each factor influences your satisfaction with the hotel services. Please indicate your overall evaluation of all part B sections that applies to your organization by placing a check (√) mark in the relevant box below using the following scale;

5. Strongly Agree (SA) 4. Agree (A) 3. Neutral (N) 2. Disagree (D)

1. Strongly Disagree (SD)

SERVICE QUALITY This part concerns how you feel about aspects of service quality levels at the hotel. Please tick (√) in the appropriate box to show the extent to which you believe the hotel has features described by the statement.	SA	A	N	D	SD
22. The Hotel has good looking facilities.					
23. The Hotel's physical facilities are visually appealing.					
24. The Hotel's employees are neat appearing					
25. The materials associated with the service (such as pamphlets) are visually appealing.					
26. When the hotel promises to do something by a certain time it does so.					
27. When you have a problem the hotel shows a sincere interest in solving it.					
28. The hotel performs the service right the first time					
29. The hotel provides its services at the time it promises to do so.					
30. The hotel insists on error-free records					
31. The hotel employees tell you exactly when services will be performed.					
32. The hotel employees give you prompt service.					

33. The hotel employees are always willing to help you					
34. The employees are never too busy to respond to your requests.					
35. The behavior of hotel employees instills confidence in customers.					
36. You feel safe in your transactions with the hotel					
37. The hotel employees are consistently courteous with you.					
38. The hotel employees have the empathy to answer your questions					
39. The hotel's operating hours are convenient to its customers					
40. The hotel has employees who give you personal attention.					
41. The hotel has your best interest at heart					
42. The hotel employees understand your specific needs.					

CUSTOMER SATISFACTION	SA	A	N	D	SD
Please indicate the extent to which you agree with the statements about your hotel.					
1. Hotel's Physical facilities are great					
2. Hotel's Equipment is functional					
3. The Hotel Employees' are tidy and professional.					
4. The hotel has a clear channel of Communication.					
5. The service is timely.					

6. The employees have an interest in problem solving.					
7. The hotel has efficient service.					
8. There is consistency of service					
9. The hotels records are accurate.					
10. Prompt problem resolution					
11. Prompt attention to guest's requests					
12. Employees are willingness to help					
13. The employees are flexibility.					
14. The employees are professional					
15. The hotel has a great security procedure.					
16. Courtesy of employees					
17. Competence of employees					
18. I get Individualized attention					
19. The hotel has convenient operating hours					
20. I get personal attention from employees					
21. The employees have concern towards guest interest.					
22. Understanding guest specific needs					

CUSTOMER LOYALTY	SA	A	N	D	SD
Please indicate the extent to which the following statements influence your choice of a hotel.					
23. I can tolerate some problem in the hotel					

24. Price is the last thing that I check when booking my accommodation.					
25. I haven't booked any other hotel in the city.					
26. I only check other hotels when this hotel is fully booked.					
27. I do not consider the competitions special offers.					
28. Even if the rates go up, I will still come to this hotel.					
29. I will book other hotels of the same brand in other destinations.					

□

Thank you for your participation.

Appendix 2: List of Hotels

No	Hotel Category	Number of Beds	Number of Guests with average occupancy of 55%	Percentage of sample	Number of samples
	Five Star Hotels				
1.	Hotel Intercontinental	770	424	12%	45
2.	Laico Regency Hotel	388	213	6%	22
3.	Hilton Hotel	353	213	6%	20
4.	The Norfolk Hotel	334	184	5%	19
5.	Nairobi Serena	283	156	5%	16
6.	The Stanley	434	239	7%	25
7.	Safari Park Hotel	285	157	5%	17
	Four Star Hotels				
8.	The Boma Hotel	100	55	2%	6
9.	Fair View	163	90	3%	9

	Hotel				
10.	Eka Hotel	77	42	1%	4
11.	Landmark Hotel	242	133	4%	14
12.	Holiday Inn	342	188	6%	20
13.	Windsor Golf Country club	260	143	4%	15
14.	Nairobi Safari Club	282	155	5%	16
	Three Star Hotels				
15.	Utalii Hotel	105	58	2%	6
16.	Panafric Hotel	46	25	1%	3
17.	Silver Spring Hotel	188	103	3%	11
18.	Hotel Boulevard	140	77	2%	8
19.	Six Eighty Hotel	680	374	11%	39
20.	The Bounty Hotel	104	57	2%	6
21.	Ole sereni Hotel	190	105	3%	11