

# Implementing Gronroos Service Quality Model: The Role of Image and Service Quality Perception on Customer Satisfaction in the Iran Hotel Industry

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## ABSTRACT

Today's service industry, particularly hotels, faces increasing competition in the hospitality industry. In such an environment, differentiation in offering services is necessary for managers. The general purpose of this research was to understand how the hotel industry can achieve more customer satisfaction based on good service quality in Mashhad. Using the SEM tools of Linear Structure Relation (LISREL) to verify the various path relations, this study developed and empirically tested a model examining the relationship among functional quality, technical quality, image and service quality perceptions on customer satisfaction. The researchers collected approximately 400 questionnaires from customers who used about three days of service from the Iranian hotel industry to test this model. After analyzing the data, all of the research hypotheses were strongly accepted in this population. Thereby providing crucial implications for managers of Iranian tourism and hotel service quality. Recommendations for marketing strategies were provided as well.

**KEY WORDS:** Image. Service Quality Perceptions. Customer Satisfaction. Functional Quality. Technical Quality. Hotel Industry. Iran.

## INTRODUCTION

One of the key elements of successful destination marketing is tourist satisfaction [1]. Tourist satisfaction influences the choice of destination and the decision to return [2]. Such findings have motivated tourism researchers as well as practitioners to identify the major factors that affect tourists' satisfaction with their travel experience. Over the past two decades, researchers have devoted considerable attention to studying service quality as perceived by the consumers. Due to their intangible natures, services are more difficult to evaluate than products, which can typically be inspected and evaluated for quality before the purchase takes place. As services comprise a large portion of economic activities (e.g., 50 to 70 percent in developed nations), researchers are eager to develop a measure suitable for assessing service quality. To date, after 20 years of work, no universally accepted measure exists: instead, various conceptualizations have been advanced. Service quality has been defined in services marketing literature as an overall assessment of service by the customers. Perceived service quality is believed to result from the comparison between customers' prior expectations about the service and their perceptions after actual experience of service performance [3,4]. Service quality has been defined by the practitioners in terms of key dimensions that customers use while evaluating the services [5]. The conceptualization of service quality should include both the service delivery process [4] and the service outcomes [6]. The present study utilizes a combination of frameworks and scales from Parasoraman et al [4], and Gronroos [7], to address two important research objectives:

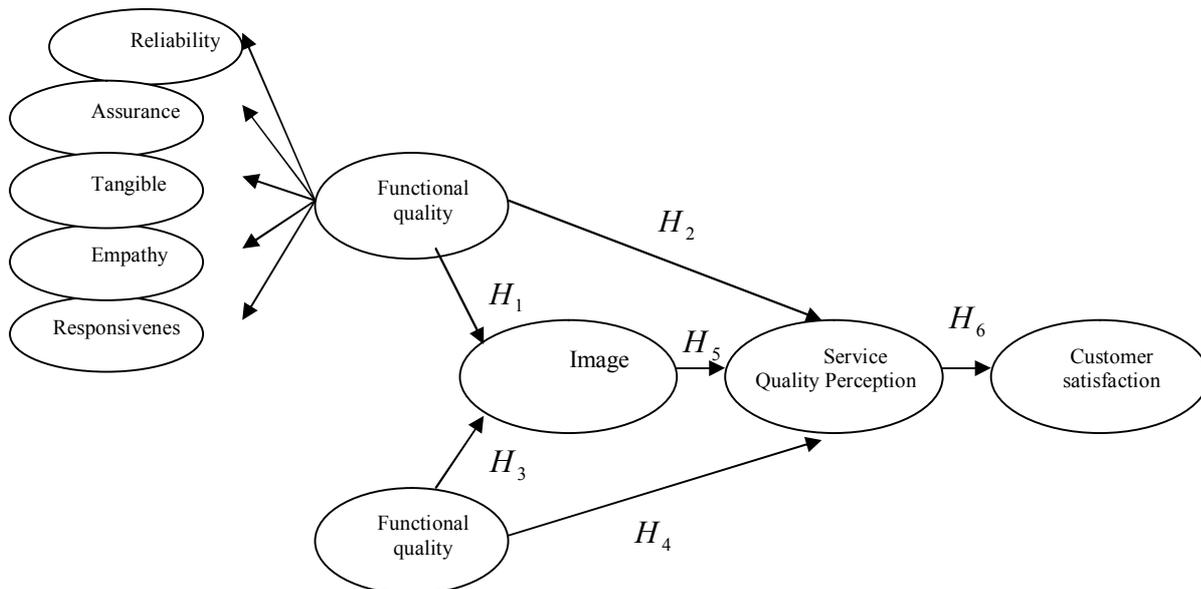
- (1) To determine the degree of service quality dimensions (functional and technical quality) on customer image and satisfaction in the Iranian hotel industry; and
- (2) To determine which values have more effect on a customer's predicted satisfaction, in the service quality and interrelationship of this value in the hotel industry in Iran.

## 2 HYPOTHESES AND RESEARCH MODEL

Since service quality is the result of human interaction between the service provider and the customer, "customer contact employees are well placed to effectively judge the quality of services that they deliver" [8]. Prior research also lends considerable support for employee self-evaluation [9]. A high correlation between customers' and contact employees' perceptions of service quality has been found across several studies [10]. Several past studies have also effectively used employees' perceptions of service delivery [11] in measuring employee performance [12]. As previously noted, Gronroos (1982) identified two service-quality dimensions: a technical aspect ("what" service is provided) and a functional aspect ("how" the service is provided). Technical (outcome) quality involves what a customer actually receives from a service or a service encounter. Functional (process) quality concerns the way a service is delivered to a consumer – that is, the customer's perception of the interaction that takes place during service delivery. For some services, the "what" (or technical quality) might be difficult to evaluate [7]. Based on this understanding, the following hypotheses will be testing in the current study:

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- H1: A significant relationship exists between functional quality and image.  
 H2: A significant relationship exists between functional quality and service quality perception.  
 H3: A significant relationship exists between technical quality and image.  
 H4: A significant relationship exists between technical quality and service quality perception.



Source: Kang and James (2004)  
 Figure 1. Gronroos Service Quality model

The degree of overall pleasure or contentment felt by the customer, results from the ability of the service provider to fulfill the customer's desire, expectations and needs in relation to the service [6]. Service quality is considered a critical measure of organizational performance. It remains the most important issue in both the marketing literature generally, and service marketing literature specifically [13]. The relationship between service quality and satisfaction has been extensively investigated theoretically and empirically over the past few years in the traditional banking service context. It is considered to be an important prerequisite for establishing and maintaining a satisfactory relationship with customers [14]. Anderson et al, 1994 have shown that service quality has a positive effect on satisfaction and subsequently on company performance [15]. Rust and Zahorik 1993 postulate that the importance of service quality leads to an increase in perceived quality and that this, in turn, increases customer satisfaction [16]. Deng et al., found that provision of better service quality is one of the most crucial factors for the satisfaction of customers and increases the loyalty and repurchase intention of customers. Providing efficient service to customers increase customer loyalty [17]. Baumann et al, 2006 concluded that the effectiveness of the service provider's attitude and empathy of staff leads to higher degree of customer satisfaction [18].

H5: A significant relationship exists between image and service quality perception.

H6: A significant relationship exists between service quality perception and customer satisfaction.

### 3 MATERIAL AND METHODS

The present study attempts to analyze the relationship between the independent variables and the dependent variable by applying a reliability analysis, correlation analysis, regression analysis, mean analysis and hypothesis testing. The paper is based on a survey questionnaire adopted from previous studies. The sample was randomly selected among hotels in the Iranian hospitality industry. As a rule of thumb, Sekaran states that the sample size should be between 30 and 500 depending on how appropriate and effective the type of sampling design being used is and the research questions implemented [19]. As the current research focuses on service quality in the hospitality industry, a sample size of 400 customers from government and private hotel industry is deemed adequate. A 5-point Likert scale was used as a measurement with respondents scoring of 5 (strongly agree) to 1 (strongly disagree). The source and scale are included in Appendix.

**Method of analysis and Profile of respondents:** The research model was tested using a structural equation modeling approach. LISREL 8.52 was used to estimate the parameters and assess the fit of the model shown in Figure 1. As two approaches are available in the structural equation modeling approach, it was necessary to address each approach and the one that the study employs. In the case of Likert-scaled items, we always have the choice between a path analysis with latent variables scores (i.e. the common factor of the sets of items) and a simple path analysis of the item (i.e. sums). A total of 339 fully answered questionnaires (respondents) were analyzed. About 63.1% (214) were

males and 36.6% (124) were females. The majority of the respondents (40.7%) fell within the 21 to 31 – years-old age range. Followed by the 31 to 41 years old (28.4%) and more than 41 years old (30.9%). In addition, 47.1% of the respondents stayed in hotel for 2 to 4 days and 28.3% for 1 to 2 days. A large number of respondents noted that they had tested Mashhad hotels more than once, and 67.1% said that more one time use the hotel service. The majority of respondents (75.2%) said that they predominantly came for pilgrimages the first time and subsequent trips were for excursions: these results served as a positive indication of repeat visits. The majority of respondents 247 have diplomas and followed by this 35.2% have licenses and 3.4% others have an MS and PHD. The importance of the questionnaire profiles was in the hotels that we collected data from in researching population. A total of 379 respondents provided full answers and analyses. The hotels included: Javaheri 11.4% (44), International Ghasre 10.2% (42), Tehran Hotel 9.3% (36), Javad Hotel 7.8% (30), Mashhad Hotel 6.6% (25), Trranom Hotel 6.6% (25), Atlas Hotel 6.5% (25), Samenolaemeh Hotel 6.5% (25), Karimkhan Hotel 4.9% (19), Homa Chain Groups Hotels 4.9% (19), Khavaran Hotel 3.1% (8), Al-ghadir Hotel 2.1% (8), Mino Hotel 1.8% (7), and the other hotels like Behesht Hotel, Kazamain Hotel, Razavi Hotel and Kian Hotel.

#### 4 RESULTS AND DISCUSSION

Table 1 reports the path coefficients, the degree of explained variances and the fit index for the conceptual model for the total sample of the hotel industry. As with confirmatory factor analysis (CFA), model testing was done with the LISREL 8.5 software using the maximum likelihood algorithm. The overall fit statistics, as shown in Table 1, indicate an acceptable level of fit between the hypothesized model and the data. As predicted, all hypotheses were accepted, although to differing degrees. Functional quality has a significant relationship with image ( $P < 0.05$ ,  $T = 12.36$ ), thereby confirming H1. Results also indicate that functional quality has a significant relationship with service quality perception ( $P < 0.05$ ,  $T = 8.13$ ), supporting H2. As shown in the results, technical quality has a significant relationship on customer image ( $P < 0.05$ ,  $T = 10/80$ ), thereby confirming H3. Furthermore, the path from technical quality has a significant relationship on service quality perception ( $P < 0.05$ ,  $T = 4/58$ ) meaning H4 was supported by the data. By analyzing data gathered from image to service quality perceptions ( $P < 0.05$ ,  $T = 3/01$ ), H5 was also supported. Finally, the final and most important hypothesis was that the path to service quality perception has a significant relationship with customer satisfaction ( $P > 0.05$ ,  $T = 9/43$ ) which was strongly supported. Consequently all hypotheses according to this data were supported strongly in the Iranian hotel industry. Therefore, all dimensions of customer image and service quality perception have significant relationships with customer satisfaction.

Table 1. The results of hypotheses testing

Hypotheses	Relationship of construct	Result	T-value
H1	FQ → Image	supported	12/36
H2	FQ → SQP	supported	8/13
H3	TQ → Image	supported	10/80
H4	TQ → SQP	supported	4/58
H5	Image → SQP	supported	3/01
H6	SQP → CS	supported	9/42
$\chi^2$		384/61	
Df		3	
CFI		0/98	
NFI		0/90	
NNFI		0/95	
RMSEA		0/07	

Note: Significant at;  $p < 0.05$

#### 5 MANAGERIAL IMPLICATIONS

This study is a valuable contribution to the Iranian hotel industry. According to Gronroos 1990, individuals develop service quality and importantly customer satisfaction as a main target of service quality perception in hospitality service specialty in hotels. Organizations provide and employ individuals in hospitality services. As such, organizations directly influence on service quality perception. The confirmation of the research model has the potential to help managers better understand how customers of the hotel industry in Iran assess the quality of services. The results from the studies of model suggest that all variables in this research should be measured to fully capture an individual's

overall perception of service quality. Consequently, we suggest that top level managers who want to have delighted customers, apply and follow the structure recommended herein. To improve the hotel's ability to grow and create wealth, successful integration of service quality variables in the Iranian hotel industry is essential. Hoteliers are increasingly recognizing the importance of customer image and that service quality perceptions from customers and customer satisfaction are primary drivers of growth and value creation. At the same time, education of employees consideration of culture as an important element in hospitality industry, and functional and technical quality elements done within a hotels industry also influences increased hotel service quality in Iran.

Based on the results obtained in this research effort, managers should be encouraged to evaluate the strategic orientation in place and the structure of their properties. A culture or climate and internal structure that encourage creativity and innovation and - from employee's perspective - offer excellent service quality perceptions should be promoted. The study findings also support previous researchers who have suggested that western theories are not easily generalized to a non-western context. Thus, hotel managers should:

- (1) offer new services by satisfying customers' needs and wants;
- (2) apply dynamic management regulations;
- (3) survey changes on an international level and adapt their equipment by planning for this change; and
- (4) Increasingly maintaining customers using strategic viewpoints.

## 6 LIMITATIONS

As always, this study is not without limitations. Our study has a number of conceptual and methodological limitations. First, the study was conducted with Iranian hotel industry consumers: thus, future researcher on this model should compare two industries by gathering samples from places like restaurants and banks. Second, from the technical quality, this study does not consider full descriptions and seems to be in the introductory stages. Thus future researchers should consider more elements like functional quality. Third, if we want to have valid data and outputs we must consider viewpoints of both customers and hoteliers. Finally, this study relies on an open questionnaire: to ensure adequate information for increasing service quality, we must consider the regulations and the limitations that hoteliers always consider.

## 7 CONCLUSION

As Iran positions itself as a capital spiritual country in the world of Islamic countries, more efforts are required for develop and promote the hotel industry as a one of the infrastructural bases of hospitality in service marketing. Hotel industries have the most impact on service quality and customers satisfaction. In addition, the private sector must be investigated and play a strong role in the hotel industry. Although the industry is private sector-driven, the government must continue to assume an active role to facilitate its growth in Iran.

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**Appendix A. Measurement Scale and Analyses**

Source	Reliability	Scale
Parasuraman et al, 1994	(1) Providing services as promised. (2) Dependability in handling customers 'service performed. (3) Performing the services right the first time. (4) Providing services at the promised time. (5) Maintaining error-free records.	0.96
Parasuraman et al, 1994	Responsiveness (1) Keeping customers informed about when services will be performed. (2) Prompt service to customers. (3) Willingness to help customers. (4) Readiness to respond to customers' requests.	0.91
Parasuraman et al, 1994	Assurance (1) Employees who instill confidence in customers. (2) Making customers feel safe in their transaction. (3) Employees who are consistently courteous. (4) Knowledgeable employee to answer customer questions.	0.95
Parasuraman et al, 1994	Empathy (1) Giving customers individual attention. (2) Employees who deal with customers in a caring fashion. (3) Having the customer's best interest at heart. (4) Employees who understand the needs of their customers. (5) Convenient business hour.	0.80
Parasuraman et al, 1994	Tangibles (1) Modern equipment. (2) Visually appealing facilities. (3) Employees who have a neat, professional appearance. (4) Visually appealing materials associated with the service.	0.87
Parasuraman et al, 1994	Technical quality (1) It is successful to complete a call. (2) There is no noise during the call. (3) The call can be completed without the interruption.	0.86
Gronrooz, 1990	Image (1) It is a reliable company. (2) It provides an excellent service to customers. (3) It is a successful company. (4) It makes a lot of contribution to the society.	0.86

- (5) It has a superior technology in cell phone service.
- (6) It is sincere to the customers.
- (7) It has a good reputation.
- (8) It is a large-scale company.
- (9) It is familiar to the customers.
- (10) It is honest.

Oliver and Swan, 1989

Customer satisfaction

0.91

- (1) The services have not worked out as well as I thought they would.
- (2) I am satisfied with my decision to use this service.
- (3) Sometimes I have mixed feelings about keeping it.
- (4) My choice to use this service was a wise one.
- (5) If I could do it over again, I'd choose a different company.
- (6) I feel bad about my decision to use this service.
- (7) I am not happy that I used this service.
- (8) Using this service has been a good experience.