

# The Factors Influencing Customer Satisfaction with Chain Budget Hotels in Bangkok

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## ABSTRACT

This study developed and tested a model to predict customer satisfaction (SAT) with chain budget hotel in Bangkok, Thailand. Our research is to find which factors that influence customers' satisfaction and how it influences. Besides, we would like to test new independent variable "eco-tangible" ; physical facilities that were environmentally appropriate and equipment that minimizes environmental degradation, to customer satisfaction in chain budget hotel business section that is significant to SAT or not and how it influences. Data was collected from both customers who were staying at the time we collected and customers who were recently experienced within 6 months. We did 200 online/offline questionnaires from 10 chain budget hotels in central business district in Bangkok only. We initially hypothesized 5 independent variables; hotel image, eco-tangible, physical quality, staff service quality and value for money had positive and direct effect on SAT. We used multiple regression to test the proposed SAT model. The result revealed differently a bit. Two new constructs were found ; room quality and facility, which were originally physical quality construct variable. Thus, final SAT model consists of 6 independent variables and all constructs have positive relationship and direct effect to customer satisfaction. The final model has a good explanatory power with  $R^2 = 72.3\%$ . As room quality construct has highest correlation coefficient at 0.819 while value for money has correlation coefficient at 0.092, meaning that customers pay attention in room quality such as room cleanness even it is budget hotel.

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## 1. Introduction

The budget hotels in Thailand are likely to grow by the growth of low cost airline. Since cheaper airline ticket, middle management employees and their families including tourists travel more and more. The group of travelers spend time to travel outside the hotel rather than being within hotel. Therefore, this group of travelers need the basic requirement such as good location, safety, convenience and cleanliness (Bob, 2004; Wai-Ching & Kevin Lock-Teng, 2005). Even the European debt crisis, average of occupancy rate in budget hotel still was between 70%-80%. Not surprisingly, the giant public company in Thailand hotel business, CENTEL, has been planned to expand new brand of 2 star hotel chain to serve the number of increasing travelers for AEC in 2015. Other than that, budget hotel business requires low investment; construction and operation, but good return. (manager, 2012; Pannell Kerr Forster, 1993). According to "green" or "environmental friendly" trend, many environmental conservation campaigns have been raised for the past 10 years and also applied to service business section. Referred to ECOSERV, there was found that the factor "eco-tangible" was statistically significant and was highest effect to service quality (Khan, 2003). Eco-tangible factor was applied and tested in banking service section and found that there was positive and direct effect to bank's customer satisfaction. (Sureshchandar, Chandrasekharan, & Anantharaman, 2002) Customer satisfaction strategy is one of efficient strategies (Anderson, Fornell, & Mazvancheryl, 2004) High level of customer satisfaction leads to loyalty and finally competitive advantage in business. Therefore, this study tested all factors that influenced to customer satisfaction in chain budget hotel in Bangkok, especially, eco-tangible factor has not been tested in hotel business section before.

## 2. Literature Review

In order to investigate the relationship between hotel image, eco-tangible, physical quality, service quality, and value for money as independent variable and customer satisfaction as dependent variable, we review literature of these predictors and dependent variable.

### 2.1 Customer Satisfaction (SAT)

The concept of satisfaction has been the subject of many controversies over the past 30 years. The current tendency is it as a phenomenon that is not directly observable and the result of two parallel processes—emotional and effective. However, the dominant paradigm states that satisfaction is the result of subjective comparison between initial expectations of a product or a service and the a posteriori perception of its performance. (Robinot & Giannelloni, 2010). Moreover, the short definition of satisfaction is the consumer fulfillment response (Yuksel, Philip, & Graham, 2008). Satisfaction is posited as having both a cognitive component and an affective component. The cognitive component (referred to as "perceived service quality") refers to a customer's evaluation of a series of a service attributes that constitute a service performance. The emotional component (referred to as "emotional satisfaction") consists of such emotions as anger, contentment, happiness, pleasure, irritation and disappointment. (Riadh, 2009). The way

to identify satisfaction is depend on each researcher. Some researchers take both component to define satisfaction(Cronin Jr, Brady, & Hult, 2000).

## **2.2 Hotel Image**

Prior to the research; An application of ECSI model as a predictor of satisfaction and loyalty for backpacker hostels in 2007,the researchers not also found "hotel image" construct variable has a positive and direct effect on perceived value but also found on customer satisfaction(Bill, Steven, & Christina, 2007). Image is also defined that it is based on cutomers' beliefs about brand(Keller, 1993). Some researchers argued that image is a value-added antecedent determining satisfaction and loyalty(Gro'nroos, 2000). According to literature review, we have 15 items to define this latent variable(Bill et al., 2007; Knutson, 1988) such as hotel location,exterior design,interior design,atmosphere and reputation.

## **2.3 Eco-tangible**

Eco-tangible is one of unobserved construct in ECOSERV model which is used to assess service quality in hotel business. ECOSERV model is adapted from SERQUAL model, developed by parasuraman(1985) ,is a multiple-item instrument designed to measure customer expectation and perception concerning a service encounter (Parasuraman, Zeithaml, & Berry, 1985). Khan(2003) who developed ECOSERV model emphasized on the factor;Eco-tangible, that is environmentally friendly and sustainable development. Eco-tangible is defined as physical facilities that were environmentally appropriate and equipment that minimizes environmental degradation were found more important to the ecotouriests. Eco-tangible has 3 items; appropriateness, minimizing degradation and environmentally safe(Khan, 2003).

## **2.4 Physical Quality**

One of factors in SERQUAL model is physical quality, developed by parasuraman *et al* (1985) to assess the general service quality (Parasuraman et al., 1985). Though there has been adapted and applied SERQUAL model to be many new models, physical quality is still the main predictor in the developed model in order to assess quality or satisfaction in service industry (Riadh, 2008; Tat & Raymond, 2000; Yuksel et al., 2008) .Physical quality is defined as physical service either from hotel facilities or hotel staffs concerning surrounding and /or facilities such as cleanness, comfortable accommodation and parking space (Bill et al., 2007; Yuksel et al., 2008). According to our literature review of this construct,we found 13 items such as availability of parking spaces, clean and comfortable of bed and pillow, comfortable accommodation, room cleanness, room quietness , internet system (Bill et al., 2007; Tat & Raymond, 2000; Yuksel et al., 2008)

## **2.5 Staff Service quality**

Unlike the physical quality,which can be obejectively evaluated,staff service quality is intangible and subjectively determined by customers (Gro'nroos, 2000). Both attributes of service product influence customers perception of value. Parasuraman *et al* (1985) suggest that friendliness,courtesy and personalized service are components of this attribute that contribute to SAT. Many researchers used this attribute to be the direct

predictor to customer satisfaction in hotel industry business and also found that staff service quality has significantly positive and direct effect to SAT. Staff service quality is defined as customers' perception is the result of experiencing with staffs behavior and service. According to our literature review,we found 7 items to indentify this predictor such as polite and friendly,helpful,neat appearance and willing to service (Bill et al., 2007; Tat & Raymond, 2000; Yuksel et al., 2008)

## **2.6 Value for money**

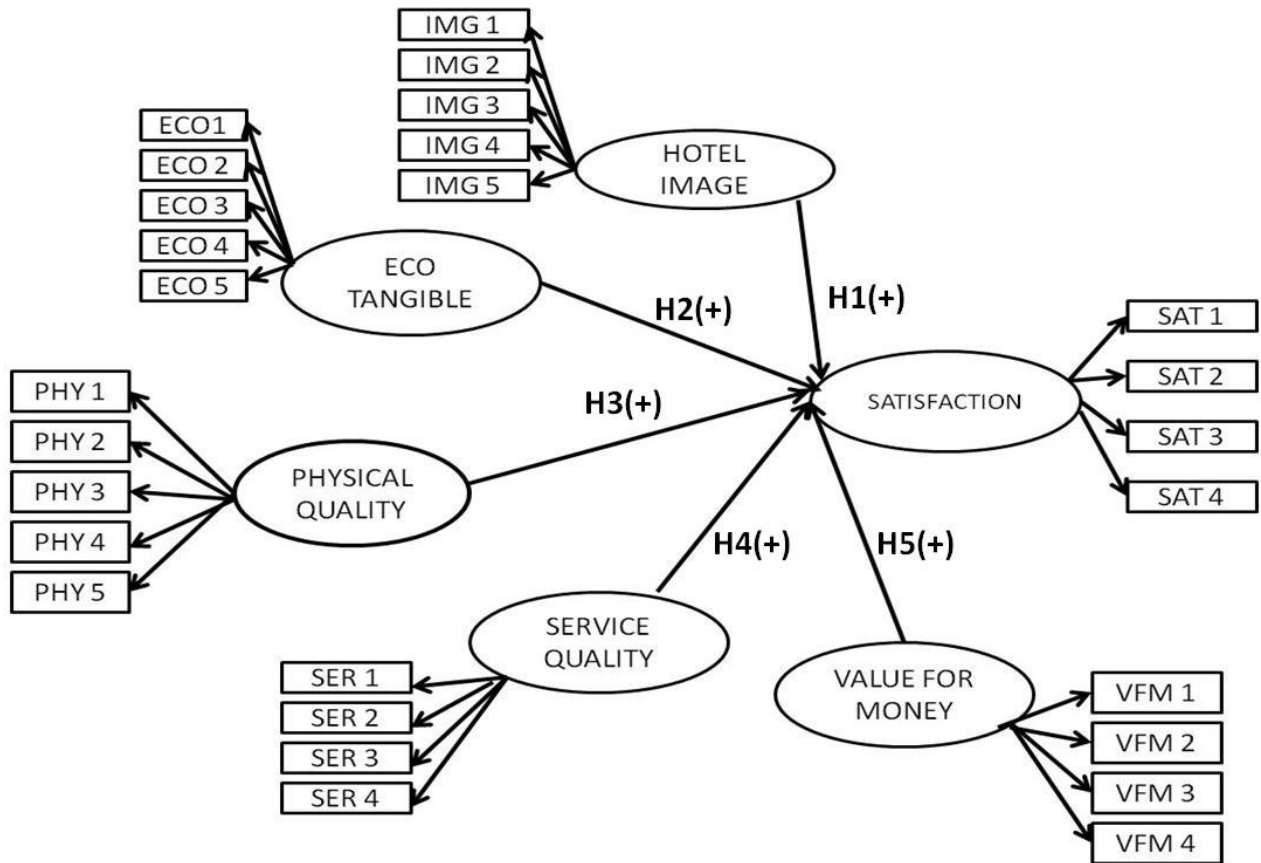
Value for money is considerable as trade-off between price to pay and its quality or benefit(Sinha & DeSarbo, 1998). However, Zeithaml (1998) defined the definition of value for money as customers' evaluation is compared between perceived value of product/service and its benefit which is based on perception of what they got and paid for it. Another support, perceived value between benefit and satisfaction that customer received is important for value for money. In marketing field,value is not limited in term of quality and price but social,emotion(Sheth, Newman, & Gross, 1991).Value for money is raised into many research topic because it has positive and direct effect on SAT.This factor plays important role to SAT as there was a research on level of satisfaction among asain and western travelers which the result indicated that asian travelers's overall satisfaction is primarily derived from the value factor(Tat & Raymond, 2000; Wai-Ching & Kevin Lock-Teng, 2005). Moreover,asian travelers are tend to pay less relatively to western's.Thus they searched to buy more for less which agreed with previous research in 1990s that customers pay attention on preduct or service that is practical for use and careful in spending(Sellers, 1991). Therefore,The customers' need trend is the combination with product quality,price and sevice. In order to capture future potential customer of chain budget hotel,value for money and various choices to travelers are top of customers'mind to make a decision(Burton, 1990; Knutson, 1988).According to our literature review,we found 8 items to measure this unobserved variable such as reasonable price with room quality, reasonable price with food quality, reasonable price with reputation and reasonable price with hotel facilities.(Bill et al., 2007; Tat & Raymond, 2000)

## **3. Model Development and Hypotheses**

This section will demonstate the customer satisfaction model for chain budget hotel in bangkok which are consisted of all measure of all independent variable and dependent variable.

### **3.1 Proposed Customer Satisfaction Model**

Fig.1 summarizes the proposed model for customer satisfaction model for chain budget hotel in Bangkok. All 5 independent variables ;hotel image, eco-tangible, physical quality, service quality and value for money, predict 1 dependent variable ;customer satisfaction (SAT) . All measurable items are 27 items.



**Fig.1 Proposed model of customer satisfaction in chain budget hotel in Bangkok**

### 3.2 Hypotheses

As fig.1 ,we have all 5 hypotheses for proposed model. All hypotheses are tested with 95% confidence level.

- H1 : Hotel image has positive and direct effect on SAT
- H2 : Eco-tangible has positive and direct effect on SAT
- H3 : Physical quality has positive and direct effect on SAT
- H4 : Staff service quality has positive and direct effect on SAT
- H5 : Value for money has positive and direct effect on SAT

### 4. Research Method

The research methodology employed in this empirical study is the application of multiple regression analysis on a sample of person who staying and/or has been experience within 6 months in 10 hotels which are at central business district in bangkok.

#### 4.1 Population, Sample and data Collection

We collect data from both online questionnaire and offline questionnaire (personally) who staying and/or has been experience within 6 months in selected 10 chain budget hotels; all season rajdamri, all season phayathai, all season huamak, aloft sukhumvit, holiday inn express pathumwan, ibis sukhumvit, ibis sathorn, ibis jaroennakorn, tune sukhumvit, imm fusion onnuch, during November – december 2012. The sample size is 200. We have completed answer from questionnaire due to efficiency in offline questionnaire and controllable online questionnaire.

#### 4.2 Measures

All constructs described in SAT model are measured by using developed scales with some modification that fit with our research context-see table 1. The response format was a five-point likert scale ranging from “total disagree” (1) to “total agree” (5)

**Table 1 : Measures used in this research**

Construct	Items	Factor Loadings
Hotel Image	IMG2. This hotel is located at good place and convenient for travelling.	.812
	IMG5. This hotel is well-known and has good reputation.	.750
	IMG4. This hotel atmosphere is suitable for staying.	.748
	IMG3. This hotel decoration has good interior design.	.676
	IMG1. This hotel is located at good place and convenient for travelling.	.544
	5 items –Cronbach 's alpha= .784	
Eco-tangible	ECO2. Hotel facilities cause minimizing degradation of natural resources.	.881
	ECO1. This hotel building doesn't cause a negative impact on the surrounding environmental scenery.	.870
	ECO3. Hotel facilities are environmentally safe.	.825
	ECO4. This hotel has a campaign to reduce waste and pollution to the environment.	.729
	ECO5. This hotel is aware of energy saving	.563
	5 items –Cronbach 's alpha= .867	
Room Quality	PHY2. Bed and pillow is comfortable for sleeping.	.939
	PHY3. This hotel room is clean.	.890
	PHY4. This hotel room is quiet and suitable for resting.	.890
	3 items –Cronbach 's alpha= .941	

Facility	PHY5. This hotel internet system is workable.	.884
	PHY1. Parking is available for hotel guests.	.779
	2 items –Cronbach 's alpha= .700	
Staff service quality	SER4. Hotel staffs express a willingness to serve.	.854
	SER3. Hotel staffs are in neat appearance.	.814
	SER2. Hotel staffs are helpful to customer.	.786
	SER1. Hotel staffs are polite and friendly.	.695
	4 items –Cronbach 's alpha= .824	
Value for money	VFM2. Hotel food and beverage are value for money.	.884
	VFM1. Hotel room quality is value for money.	.884
	VFM3. When I 'm thinking of this hotel reputation,I feel that room price is not that expensive.	.798
	VFM4. Hotel facilities make me feel " value for money".	.783
	4 items –Cronbach 's alpha=.895	

## 5. The findings

### 5.1 Sample Characteristics

Of 200 respondents,51.5 % are female,68% are thais. All majority of respondents information are ; age between 21-30 years(66 %),objective for travelling(61%),2-3 person per room (66.5%),Actual room price between 1,001-1,500 baht per night(52.5%).

### 5.2 Validity and Reliability

We calculated Cronbach's alpha scores for each independent variable to test the reliability of all scales which was between 0.700 and 0.941. All reliability statistics were over 0.7 (table 1),which confirmed that items for each construct variable in SAT model have good reliability.

We used exploratory factor analysis utilizing principle component method for factor extraction and varimax rotation technique to examine the validity of each independent variable. Measurement items which has factor loading less than 0.5 were cut off. After running SPSS,we found no any itmes to be cut off ,in turn,new construct variable happened named "facility" that loaded 2 items ;PHY5 and PHY1, which spiltted from "physical quality". Therefore, we renamed the old "physical quality" to "room quality" which loaded 3 items ;PHY2,PHY3,PHY4 (Table 1).

### 5.3 Hypotheses Testing

In order to test direct effect of all 6 independent variables (4 original independent variables plus "room quality" and "facility") on SAT model, we employed multiple regression analysis with factor scores by enter method. The result came out that all 6 construct variable has significant positive relationship with customer satisfaction(SAT) with adjusted  $R^2 = 72.3\%$  which expressed good explanatory power(Table 2) and also have multiple regression equation for this study as belowed.

$$\begin{aligned} \text{Customer Satisfaction} = & 0 + 0.132 (\text{Eco-tangible}) + 0.092 (\text{Value\_For\_money}) \\ & + 0.819 (\text{Room\_Quality}) + 0.076 (\text{Service\_Quality}) \\ & + 0.139 (\text{Hotel Image}) + 0.101 (\text{Facility}) \end{aligned}$$

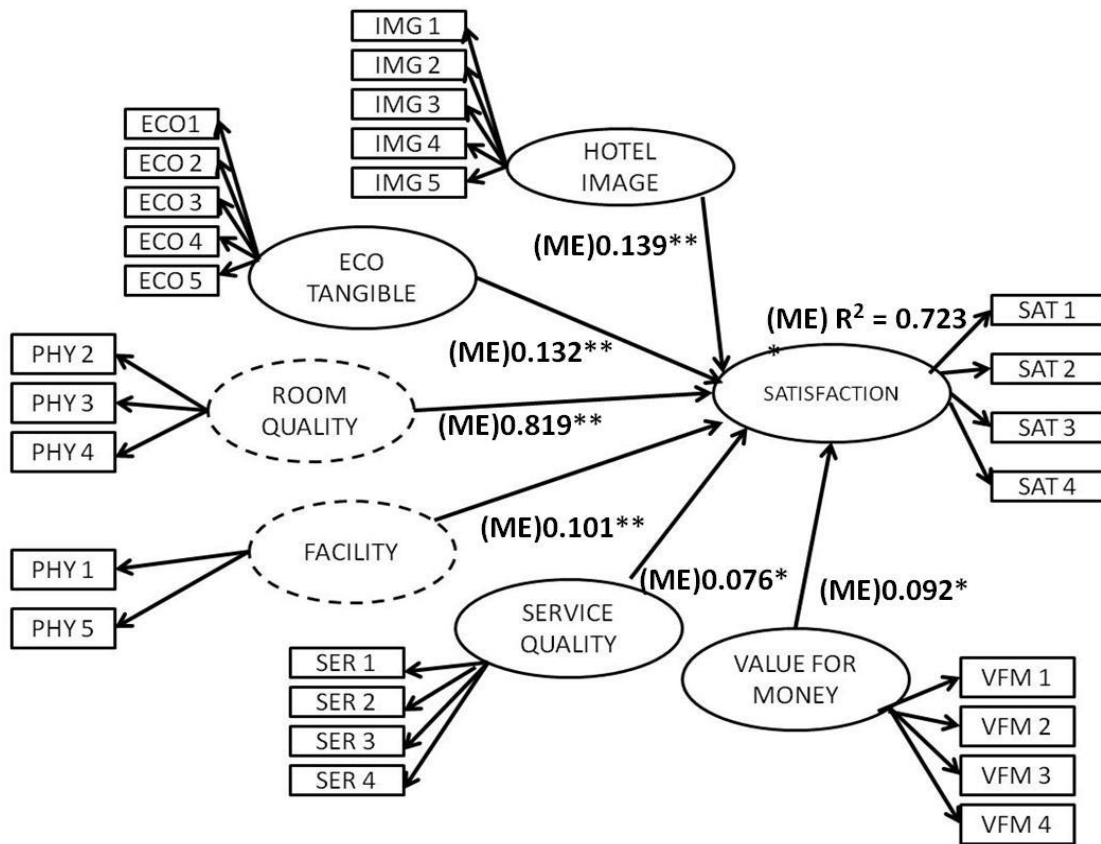
**Table 2 : The Result of Multiple Regression Analysis to Test direct Effects**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
<b>Eco-tangible</b>	<b>.132</b>	<b>.037</b>	<b>.132</b>	<b>3.541</b>	<b>.000</b>
Value for money	.092	.037	.092	2.467	.014
Room quality	.819	.037	.819	22.004	.000
Service quality	.076	.037	.076	2.052	.041
Image	.139	.037	.139	3.735	.000
Facility	.101	.037	.101	2.715	.007

Dependent variable :SAT  $R^2 = .731$ , Adjusted  $R^2 = .723$



After all the test ,we have a new customer satisfaction model (SAT model) with chain budget hotel in Bangkok (Figure2)



ME is main or direct effect  
 \*\*p<0.01 , p<0.05

## 6. Conclusions and Recommendation

As the result ,we found 6 independent variables ; hotel image,eco-tangible,room quality,facility,staff service quality and value for money all have positive effect and direct relationship to customer satisfaction with chain budget hotel in Bangkok especially eco-tangible construct variable which havn't tested in hotel section before. By the way,the outstanding factor which is highest relationship with customer satisfaction is room quality ,which is consistent with the prior study in budget hotel in UK (Bob, 2004) but not consistent with the study in hotel in hongkong which value for money construct variable is significant and highest relationship to customer satisfaction. This might be because respondents of this research also have 32% foreigner and we focused only chain budget hotels which room rates per night are normally higher a bit relatively to non chain budget hotel.

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