

Value for Money and Service Quality in Customer Satisfaction

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Abstract: Based on means-end theory the study explains the role of value for money and service quality in customer satisfaction. This research uses online consumer review data from hotel sector to study the relationship proposed in the study. About 1023 reviews were considered for the study. The moderating role of hotel value (star value) on the relationship between value for money, service quality and customer satisfaction was measured using hierarchical regression analysis. The results support means end chain theory by identifying value for money and service quality as significant predictors of customer satisfaction. The moderating variable “hotel value” explores the differences in consumers’ expectations on value for money and service quality based on the star value of the hotel and investigates its effect on customer satisfaction.

Key words: Value for money, service quality, online reviews, customer satisfaction, chain

INTRODUCTION

Rapid development in information communication technology and the proliferation of consumer review based media platforms changed the process by which the consumers’ spread their opinion about a product or service. Internet and online review platforms has become key sources of information in tourism and hospitality (Law *et al.*, 2009), allowing individuals to search for information on products and services, compare and evaluate the alternatives and, finally, make bookings (Crespo *et al.*, 2009). Consumers’ opinion on hotels, travel destination and travel services has recently been voiced and recorded in the form of online/web based consumer reviews. Simultaneously, consumers use these online reviews as a valuable source in travel and tourism decision making process (Ye *et al.*, 2011). The influence of these online review platforms has significant contribution to the tourism and hospitality industry (Kwok and Yu, 2013), where there is a tendency of consumers’ to share their experiences with other people through reviewing and recommending services on the internet (Buhalis and Law, 2008).

Consumers utilize consumer generated information and comments at the information gathering stage of the purchase decision process (Cox *et al.*, 2009). Consumers tend to rely on information about hotel products and services provided by fellow customers (Senecal and Nantel, 2004) than information provided by business entities, as peer customers are more independent and trustworthy (Wilson and Sherrell, 1993). Such online reviews on value for money, service quality and customer

satisfaction increase the visibility of a hotel and contribute to the consumer decision making process. Value for money, service quality, cleanliness and sleep quality are the key factors the consumers concern in their decision making process. Customer satisfaction and recommendation emanate from these factors positively contribute to their repeated purchase and other consumer purchase decision. Hence, Hotels have been using own review platform to help guests and future consumers interact with one another (Kasavana *et al.*, 2010).

Value for money and service quality information noted at online review websites have significant influence on customer satisfaction, retention and market growth. Value for money and service quality influences customer desires to acquire the product or service repeatedly. Publicly available service quality and value for money information influences other consumers’ cognitive desires to purchase the product or services. Though the value for money and service quality has been identified as a determinant of customer satisfaction, it is not clear how the interaction differs based on the hotel value. It is imperative to investigate, how the lower level of value for money and service quality perceived at three star hotels different from the value for money and service quality perceived at five star hotels. We also assume the influence of value for money and service quality on customer satisfaction differs based on the hotel value.

Literature review

Theoretical framework: The study used means-end theory to explain the proposed relationship. The core idea of means-end theory is that individuals are goal directed

and use product and service attributes (service quality and value) as a means to infer desired consequences (satisfaction) (Gutman, 1982). According to Zeithaml (1988), perceived value is a higher level construct that is contingent from perceived price (value for money) and quality (service quality). Thus, this study explains hotel sector consumer satisfaction on the perspectives of value for money and service quality by using means-end chain theory.

Value for money and customer satisfaction: Prior research has discussed value for money in utilitarian (value is for instance linked to perceived prices through what is known as transaction value) and psychological perspectives (emotional aspects of consumers in decision making) (Gallarza and Saura, 2006; Rajaguru, 2016). Empirical studies on tourism and hospitality industry has looked value for money in utilitarian perspective where value is considered as a perceived utility relative to the price paid (Jayanti and Ghosh, 1996). Utilitarian perspective of value for money is the best indicator to measure the consumers overall tradeoffs between price and utility (Kashyap and Bojanic, 2000). In tourism and hospitality context, value for money is a concept that captures both price and quality in one parameter.

Holbrook (1999) defines value as a relativistic, comparative (preferences among objects), personal (varying across people) and situational (specific to the context) process. According to Zeithaml (1988), "value is low price, value is whatever one wants in a product, value is the quality that the consumer receives for the price paid and value is what the consumer gets for what they give". In summary, value for money can be measured as monetary valuation by comparing the benefits and sacrifices (Bolton and Drew, 1995). Customer satisfaction is a psychological outcome derived from experiences and perceived value (Lee *et al.*, 2007). Consumers often evaluate purchase experience in terms of value for money and the evaluation leads to customer satisfaction and post purchase behavior (Rajaguru, 2016). In hospitality industry, the satisfied consumers revisit the destination again and or create positive word of mouth and influence other consumers' decision making. Hence we hypothesize that:

- H₁: value for money perceived positively influence customer satisfaction

Service quality and customer satisfaction: Prior studies have identified the importance of service quality in determining customer satisfaction in restaurant, hotel management (Oh, 1999), travel (Rajaguru, 2016) and tourism (Truong and Foster, 2006) contexts.

Service quality is the degree of difference between the customers' expectations for service and their actual perceptions of performance (Parasuraman *et al.*, 1985). According to Godolja and Spaho (2014), service quality is the gap between consumers' expectations and perceptions of services offered. Smaller the gap, the better is the quality of the services offered and greater the customer satisfaction achieved.

Service quality and customer satisfaction are distinct concepts, although they are closely related. Researchers view customer satisfaction as a consequent of service quality (Brady *et al.*, 2002). However, few literature position customer satisfaction as an antecedent to service quality. In hospitality, most empirical researches investigate customer satisfaction as a consequence of service quality and explored the positive relationship between service quality and customer satisfaction (Lu *et al.*, 2009). According to Yuksel and Yuksel (2001), service quality has the significant effect on customer satisfaction at the aggregate market level. Hence, we hypothesizes that:

- H₂: service quality perceived positively influences customer satisfaction

Moderating role of hotel value: Yuksel and Yuksel (2001) followed a segment-based approach to investigate the differences in segments expectation and its effect on service expectations. The proposed relationship between value for money, service quality and customer satisfaction are not required to be similar for all type of hospitality products.

As the consumer expectation on value for money and service quality differs based on the start value of the hotel accommodation, the ultimate effect on customer satisfaction is expected to differ. Consumers who seek for accommodation in five star hotels have different expectation on service quality compared to the consumer seek for accommodation at a three star hotel. Hence, we propose that:

- H₃: hotel value moderate the relationship between value for money and customer satisfaction
- H₄: hotel value moderate the relationship between service quality and customer satisfaction

MATERIALS AND METHODS

The data were collected from online hotel review websites. Hotels with three, four and five star rating were selected randomly from the websites using random sampling technique. All respondents participated in the

Table 1: Regression

Variables	Model 1		Model 2		Model 3	
	β	t-value (SE)	β	t-value (SE)	β	t-value (SE)
Value for money	0.488***	21.67 (0.02)				
Service quality	0.448***	19.90 (0.02)				
Value for money			0.505***	22.24 (0.02)		
Service quality			0.451***	20.19 (0.02)		
Hotel value			0.067***	4.20 (0.01)		
Value for money					0.535***	23.51 (0.02)
Service quality					0.446***	18.78 (0.02)
Hotel value					0.082***	4.99 (0.02)
Value for money					-0.132***	-6.36 (0.02)
Hotel value						
Service quality					0.047	2.09 (0.02)
*Hotel value						
R ²	0.705		0.759		0.769	

online review for the study period was considered for the study. Of the 1023 respondents participated in the study, 140, 480 and 403 were the representatives from three, four and five star hotels, respectively. Data were coded to predefined questionnaire that included the key questions; value for money, service quality, customer overall satisfaction, recommendation behavior and the hotel and respondents' profile.

Regression model was used to test the relationships proposed in the study. In Model 1, the direct effect of value for money and service quality on customer satisfaction was tested. In Model 2 and Model 3, the interaction effect of hotel value on the relationship proposed in the study was analysed. The overall regression model can be written as:

$$y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5 + \epsilon_i$$

Where:

- y = Customer satisfaction
- x₁ = Value for money x₂: Service quality
- x₂ = Hotel value
- x₃ = Hotel value*Value for money
- x₄ = Hotel value*Service Quality
- β_0 = Intercept
- β_1 = Regression coefficients of x₁

RESULTS AND DISCUSSION

Model 1 indicate the positive and significant effect of value for money ($\beta = 0.488, p < 0.001$) and service quality ($\beta = 0.448, p < 0.001$) on customer satisfaction and supported hypotheses H₁ and H₂ (Table 1). Value for money and customer satisfaction together explains approximately 71% of variance on customer satisfaction.

The findings suggest that consumer satisfaction depends on the service quality and value for money perceived from the hotel accommodation. Considering the regression coefficients, consumers give more emphasize on value for money compared to service quality. In

Model 2, hotel value was included as an endogenous variable. Hotel value ($\beta = 0.067, p < 0.001$) was found to positively and significantly influences customer satisfaction. In Model 3, interaction effect of hotel value on the relationship between value for money, service quality and customer satisfaction was investigated. While the interaction effect of service quality and hotel value ($\beta = 0.047, p < 0.001$) found to be positive and significant, the interaction effect of value for money and hotel value ($\beta = -0.132, p < 0.001$) on customer satisfaction found to be negative and significant. Therefore the study supported hypotheses H₃ and H₄. The changes in coefficient value indicate that the consumers are more judgmental and their perception of value for money and service quality differs based on the star value of the hotel. Value for money and service quality together with hotel star value explains approximately 77% of variance on customer satisfaction. The conclusion drawn from these results is that, value for money and service quality contributes to customer satisfaction. However, the effect differs based on the star value of the hotel.

The above inferences also supported by ANOVA results. The results found significant differences between three, four and five star hotels on the perceived customer satisfaction (F = 8.26, p < 0.001), value for money (F = 26.93, p < 0.001) and service quality (F = 17.68, p < 0.001) (Table 1).

The mean square value for the three, four and five star hotels for perceived customer satisfaction, value for money and service quality were 8.23, 26.93 and 17.68, respectively.

CONCLUSION

The conclusion drawn from these results is that the hotel sector should pay attention to online reviews provided by the customers and make sure the consumer receive value for money they spent, as value for money significantly contribute to the customers' overall

satisfaction. Service quality appears to be the second important predictor of customer satisfaction which indicates the importance of services offered by hotel sectors in satisfying consumers. As the expectation of value for money and service quality differs across the star value of the hotel, understanding the consumers' service expectation beforehand is important. As suggested by Sparks and Browning (2011), exchange of information using social media is important, as consumers rely on the reviews of other customers on decision making.

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