THE EFFECTS OF SERVICE QUALITY ON CUSTOMER SATISFACTION

IN THE 3 STARS HOTELS IN ARUSHA CITY

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CERTIFICATION

The undersigned certify that she has read and hereby recommends for examination by the Open University of Tanzania a dissertation titled: ***The Effects of Service Quality on Customer Satisfaction in the 3 Stars' Hotels in Arusha City***: in partial fulfilment of the requirements for the award of degree of Master of Business Administration of the Open University of Tanzania.

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Dr. Hawa Uiso

(Supervisor)

…………………………………….

Date:

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DECLARATION

I, **Emanuel Raymond Mwacha**, do hereby declare that this dissertation titled ''The effects of service quality on customer satisfaction in the 3 stars' hotels in Arusha city" is my own original work and that it has not been submitted for a similar degree in any other university.

…………………………………

Signature

…………………………………

Date

DEDICATION

I glorify my Almighty Lord Jesus Christ for being my redeemer to achieve this stage and dedicate this dissertation to my beloved wife, Flora and children; Fransisca and Witness for their support and endless prayers towards point of my success.

ACKNOWLEDGEMENT

ABSTRACT

The objective of this study was to investigate the effects of service quality on customer satisfaction in the 3 stars' hotels in Arusha city. The study design was a descriptive research design using mixed approach. Questionnaires were administered to 57 hotel customers while in-depth interviews were conducted to 5 hotel managers. Descriptive statistics under SPSS was used to run statistical mean, correlation and factor analysis was also conducted. The service quality gap was established using SERVQUAL Model by comparing expectations means with actual perceptions. The findings revealed a high negative service quality gap between customer expectations and perceptions in assurance, responsiveness and tangibility as compared to empathy and reliability where the figures were slightly lower. This implies that the hotels administration has to put more effort in improving the variables related to those components. Also, the study found a high positive significant linear relationship between all five service quality dimensions and customer satisfaction. Further, only tangibility was found by the customers to be the most important service quality dimension in Arusha city third level hotels. Therefore, the hotels management should mark eyes on those features regarding tangibility since it was the most targeted by customers.

Keywords: SERVQUAL, service quality and customer satisfaction.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF APPENDICES

LIST OF ABBREVIATIONS

EAC	East Africa Community
GCCs	Guest Comment Cards
HOLSERV	Hotel Service
KMO	Kaiser Meyer Olkin
MBA	Master of Business Administration
(P-E)	Perception minus Expectation
(RS)	Random Sampling
SPSS	Statistical Package for Social Sciences
SERVPERF	Service Performance
SERVQUAL	Service Quality
TALA	Tourist Agency Licence
TANAPA	Tanzania National Parks
TQM	Total Quality Management

CHAPTER ONE

INTRODUCTION

1.1   Chapter Overview

This chapter covers background information, statement of the research problem, research objectives, research questions, the significance and organization of the study.

1.2   Background to the Problem

In recent years' service sector has become the dominant element in the world economy and quality is the most important for success and survival in the competitive business environment (Akbaba, 2006). Several measurement models of service quality have been established by different scholars such as; - Technique and functional quality model, SERVQUAL model, Synthesized model of service quality, SERVPERF, Antecedents and mediator model (Gronroos, 1984; Parasuraman *et al.,* 1985, 1988; Brogowicz *et al.,* 1990; Cronin & Taylor, 1992; Dabholker *et al.,* 2000; Minh *et al.,* 2017).

Many scholars have adopted the SERVQUAL model dimensions proposed by Parasuraman *et al.* (1985, 1988) for measuring service quality and customer satisfaction in the service industry especially in the hotel industry. The dimensions include; tangibility, assurance, reliability, empathy and responsiveness (Fitri & Hasan, 2008). Competition for offering high service quality and customer satisfaction in today's hospitality industry have been seen increasing because majority of hotels are currently implementing corporate wide quality management programs designed to improve service offerings and market retentions (Sharma, 2014).

Although many studies have been undertaken to assess the hotel service quality and customer satisfaction, very few have been done in Africa. The literature reviewed showed that most of them were done in Asia (Chung *et al.,* 2015; Boon-itt & Rompho, 2012; Debasish & Dey, 2015; Management, 2014; Ullah *et al.,* 2016).

Further literature shows that more studies were done in developed countries to assess the effect of service quality on customer satisfaction in the hotel industry including Sweden, Italy and Slovenia (Agbor, 2011; Guzzo *et al.*, 2010; Milfelner, 2009).

Other studies on service quality measurement and customer satisfaction have been done without using the SERVQUAL modal. Mbise *et al.* (2014) in Tanzania investigated factors affecting the quality of service and the related factors in tourist's hotel in Arusha. The general hotel products that were assessed include: location accessibility, visibility of the hotel, hotel design and presentation. According to Mbise (2014) the identified factors showed a big gap, due to poor market information, remote location of hotels from the airport and lack of staff courtesy and professionalism.

Despite the effort provided by the hotels to improve their services, there is still evidence of challenges on the quality of services, which leads to customer satisfaction in Arusha 3 stars hotels. The current study examines service quality and customer satisfaction in the third level hotels in Arusha city which include; Naura Springs hotel, Snow Crest hotel, Impala Hotel Ltd, SG Northern Adventure Ltd, Palace Hotel Arusha, Njiro Veta Hotel, Venus Premium Hotel, Arusha Corridor Springs Hotel, Arusha Crown hotel and New Safari hotel (1967) Ltd. The third level hotels are the 3

stars' hotels or towns' hotels according to the criteria for standardization of hotels, restaurants and other tourist accommodation facilities of East Africa as of March, 2009. The hotels and restaurants rate range from 1 star to 5 stars, but in Arusha city Mount Meru hotel is the only 5 stars hotel. The criteria used to distinguish 1 star/level to another are as follows: location, building, lobby/lounge, restaurant, bar, kitchen, guest rooms, guest bathroom, reception area, hygiene and sanitation, safety and security, sundry services, management, and general such as lifts, parking facilities, entertainment and recreation, swimming pool, hotel insurance and facilities for disabled/handicapped. Researcher opted to assess the third level hotels because previous researchers focused much on 4- and 5-stars' hotels and others generalize these hotels as a tourist's hotels.

1.3   Statement of the Research Problem

The increase of competitive market raises the issue of quality in significance for hotel business which has been influenced by a number of factors such as the expansion of consumer rights and the alleged emergence of 'new', quality conscious customers. According to Lovelock (2006), many people recognizes the pervasion consequences of quality, at the same time having difficulty in grasping its many dimensions which has becomes a key issue in the management of hotel industry.

According to Bienstock (2003), the problem of service quality, normally caused by different perceptions existing between the hotel personnel and the hotel customers. Sometimes hotels personnel failed to realized that, there are guests who required only basic necessities such as; food and accommodation while others need full service from the hotel such as; accommodation, restaurant and bar, conference facilities, gym

facilities, swimming pool facilities, laundry facilities etc. The studies conducted on service quality have been done in both developed and developing countries covering both service sector (Agus *et al.,* 2007). However, few studies have been conducted in the hotels industry specifically in 3 stars hotels in Arusha region, leaving a contextual gap to be filled by the current study. By addressing this gap the study will indicate whether the 3 stars hotels are experiencing the same situation like other tourists hotels in Tanzania.

1.4   Objectives of the Study

1.4.1   General Objective

The general objective of this study is to assess the effect of service quality on customer satisfaction in the third level hotels in Arusha city.

1.4.2   Specific Objectives

(i)   To compare customer's expectations and actual perceptions of services quality.

(ii)   To determine the relationship between service quality and customer satisfaction.

(iii)   To identify the most important service quality dimensions in Arusha city third level hotels.

1.5   Research Questions

1.5.1   General Research Question

What are the effects of service quality on customer satisfaction?

1.5.2   Specific Research Question

The research questions of this study are summarized as,

(i)   What is the difference between customer's expectations and actual perceptions of service quality?

(ii)   What is the relationship between service quality and customer satisfaction?

(iii) What are the most important service quality dimensions in the third level hotels in Arusha?

1.6   Significance of Study

This study is a pre-requisite for accomplishing my MBA studies. The finding of the study will provide a venue for future researches.

1.7   Scope of the Study and Limitation

This study was conducted at Arusha city on assessing the effects of service quality on customer satisfaction in the third level hotel so that it can be used by hoteliers and authorities to increase customer satisfaction in hospitality industry, specifically in hotels. The rationale for the choice of the location was that, Arusha is the city of tourism because it is the most important arriving destinations for the most of tourists who arrived via Kilimanjaro International Airport (KIA) and it is the gate way to the Serengeti National park, the Ngorongoro Conservation Area, Lake Manyara National park, Olduvai Gorge, Tarangire National Park, Mount Kilimanjaro, and Arusha National Park on Mount Meru (Tanzania Tourist Board magazine, 2017).

The study focused on the guests/visitors, and hotel industry issues associated with quality service and customer satisfaction. As this study investigated the topic of customer satisfaction through guest's perception and experience the components of service quality in the hotel business was identified. Limitation of the study was to determine the exact way to administer questionnaires to the respondents in the hotels for the research without creating any inconveniences to their customers. The

researcher used hotel front office desk as research assistants to administer questionnaires to the respondents. Also, researcher assumed the role of a visitor so as to observe the way services were delivered to customers.

1.8   The Structure of the Dissertation

This study has five chapters; chapter 1 introduced the background of the study, statement of problem, the objectives of the study, research question and the significance of the study, scope of the study and limitation and the structure of dissertation. Chapter 2 defined the basic concepts used in the study; critical review of supporting theories, empirical literature review, research gap and a conceptual framework presented at the end of the chapter. The methodology covered in chapter 3 and comprises of research philosophy, research strategies, targeted population, area of the study, sample size, sources of data, data collection technique and presentation, reliability and validity of data, data analysis and presentation, ethical consideration and presentation. Chapter 4 outlines the findings of the study and discussion on the findings. Conclusions and recommendations are given in chapter 5 together with the suggestions for future studies.

CHAPTER TWO

LITERATURE REVIEW

2.1   Chapter Overview

This chapter contains definitions of basic concepts used in the study, theories supporting the study, review of empirical literature from both developed and developing countries, research gap and finally conceptual framework.

2.2   Definition of Basic Concepts

2.2.1   Service

Kottler and Keller (2009) defined service as any intangible act or performance that one party offers to another that does not result in the ownership of anything.

2.2.2   Quality

Quality has been defined in different ways by Researchers. It has been defined as fitness for use (Juran *et al.,* 1974) and meeting customers' expectations (Parasuraman *et al.,* 1985). Also, is the totality of features and characteristics of a product or services that bear on its ability to satisfy stated or implied needs (Kotler *et al.,* 2002). The current study adopted the definitions given by Kotler *et al.* (2002) because the attributes explained are the key factors for customer satisfaction hence this study aims to assess the effects of service quality on customer satisfaction.

Therefore, service quality is determined by customers, as the difference between expected service and the actual perception. Service quality has an effect on customers repurchase intention (Cronin & Taylor, 1992; Zeithaml *et al.,* 1996) and that enhancement of service quality has a positive effect on customer satisfaction.

The famous instrument which is used to assess customer expectations and perceptions considering the quality of a service is SERVQUAL. The original five service dimensions which were developed by Parasuraman (1988) for the customers to judge the quality of a service include: tangibles, reliability, responsiveness, assurance and empathy. Tangibles in the hotel industry include the atmosphere and general appearance of the physical facilities, rooms, restaurants, equipment, personnel, and communication materials (Na, 2010). Reliability is considered as the ability of the hotel service provider to perform the promised service dependably and accurately (Na, 2010).

Responsiveness is a sincere willingness to assist guests and provide timely service (Na, 2010). Assurance is knowledge and courtesy of all employees and their ability to inspire trust and confidence in hotel guests (Na, 2010). Empathy refers to individualized attention the hotel provides to its guests (Na, 2010) as cited by Eshetie *et al.* (2016), therefore, this study adopted definition of service quality dimensions as defined by Na (2010). For each SERVQUAL scale provides a score for customer expectations (E) and a score for customer perceptions (P) of service providers' performances. Customer expectations are wants or desires of customer, what they feel from the providers or it can be the prediction of future events. While customer perceptions are measured directly within and after their experience in using service. They reveal the evaluations of customers about what they gain from service (Na, 2010) as cited by Eshetie *et al.,* (2016).

According to Parasuraman *et al.* (1988), the difference between the two scores of customer perceptions (P) minus customer expectations (E) equal service quality (Q).

Q = P – E. The key to optimizing service quality is to maximize this positive gap score. The negative value of this gap score reveals the dissatisfaction of customers.

2.2.3   Customer Satisfaction

According to W.H.D.U.G (2014) as cited by Eshetie *et al.* (2016) Customer satisfaction is the outcome of customer's perception of the value received in a transaction or relationship, where value equals perceived service quality, compared to the value expected from transactions or relationships with competing vendors.

2.2.4   A Hotel Industry

According to Sheela (2007) as cited by Sharma (2014) argues that, "A hotel is the place where the tourist stops being the traveler and become a guest". Hotels normally offer a full range of accommodations and services, which may include suites, public dinning, banquet facilities, lounges and entertainment facilities. It's considered also as an industry whose main aim is also to make profits for the hoteliers.

2.2.5   Third Level Hotels

Third Level Hotels (Town Hotels) are those hotels which have been rated and registered as a three star (3 stars) according to the criteria for standardization of hotels, restaurants and other tourist accommodation facilities of East Africa as of March, 2009. The East African Community's (EAC) criteria for classification of hotels and restaurants are as follows: location, Building, lobby/Lounge, Restaurant, Bar, Kitchen, Guest Rooms, Guest Bathroom, Reception Area, Hygiene and Sanitation, Safety and Security, Sundry Services, Management, and General such as lifts, parking facilities, entertainment and recreation, swimming pool, hotel insurance and facilities for disabled/handicapped.

2.3   Theory Supporting the Study

Two theories were used in this study. The first one is an Assimilation theory, which states that consumers seek to avoid dissonance by adjusting perceptions of a given product to bring it more in line with expectations (Anderson, 1973). Also, consumers can reduce the tension resulted from the difference between expectations and perceptions of the services by either distorting expectation so that they coincide with perceived services performed. Therefore, the guests understand that they can't receive the services at the maximum level because of situations within the service provider. However, they set the minimum targets of satisfaction and concentrates on their service target. The theory is relevant as it identifies the key dependent variable of this study which is usefulness by hoteliers to set target on how to achieve need of customer.

Although this theory has been accepted as the theory of customer satisfaction, it has been criticized by Payton *et al.* (2003). They argue that, the approach assumes that there is a relationship between expectation and satisfaction but does not show the way disconfirmation of an expectation result to either satisfaction or dissatisfaction. Also, it assumes that customers are motivated enough to adjust to either to their expectation or perception about the performance of the product.

The second theory is Disconfirmation theory (Oliver, 1977, 1980), which states that satisfaction is related to the size and direction of the disconfirmation experience that occurs as a result of comparing service performance against expectations (Spreng and Page, 2003). Satisfaction, which is referred as positive disconfirmation, occurs when a product or service is provided in better ways than expected by customers while on the

other hand, when the performance of the services is worse than what customers expected it leads to dissatisfaction and this referred as negative disconfirmation (Nomnga *et al.,* 2015). Thus, if the outcome matches the expectation confirmation occurs. Disconfirmation occurs where there is a difference between expectations and outcomes. Therefore, a customer is either satisfied or dissatisfied as a result of positive or negative difference between expectations and perceptions (Yuksel, 2014).

Although it is the most promising theoretical framework for the assessment of customer satisfaction, but it has been criticized by Halstead *et al,* (1994), the theory proposed that, without the prior expectations, dis/confirmation of expectations cannot occur however it might be less meaningful in situations where customers do not know what to expect, until they experience the service. It is difficult to predict and evaluate those services that are based heavily on experience and credence properties, such as hospitality and tourism services. Credence properties are those attributes that the consumer finds impossible to evaluate even after purchase and consumption (Reisinger & Waryszak, 1996). Lack of any kind of previous experience with the service, or not knowing what to expect as a result of the absence of pre-purchase information, may result in tentative and uncertain expectations (Crompton & love, 1995; Mazursky, 1989; McGill & Lacobucci, 1992), therefore in this situation it is difficult for the one makes evaluative judgment.

Lastly, post-purchase evaluations may not be based on initial expectations (McGill & Lacobucci, 1992), this means that if you make a comparison between the features that affects satisfactions in the pre-experience and post-experience it may not be consistent. Despite its shortcoming the theory is relevant to the current study because

the attributes positive disconfirmation explained above is the independent variables of this study as it assesses effects of service quality on customer satisfaction.

2.4   Empirical Literature Reviews

2.4.1   The Worldwide Context

Ullah *et al.* (2016) measured the effects of perceived quality of service on customer loyalty, a case of Pearl Continental Hotel Services in Pakistani by using SERVQUAL and regression analysis, the findings revealed that in today's competitive environment and diverse era of civilization quality of service is very critical strategy which shapes the customer's perception regarding the services and customers take firm decisions in future purchase. Based on the findings, similar study is going to be conducted in Tanzania using SERVQUAL Model to measure service quality gap by assessing the effects of service quality on customer satisfaction in 3 stars' hotels at Arusha city.

Debasish and Dey (2015) assessed the customer perceptions of service quality towards luxury hotels in Odisha India. Using regression and T-Statistics analysis, the findings showed that emphasis on the service quality qualifications is vital because the dimensions of service quality play a significant role in the performance of a hotel as a service sector. It is thus necessary to continuously measure customer satisfaction in order to assess the service providers' performance. Based on this study, similar study will be conducted in Tanzania to assess the effects of service quality on customer satisfaction in 3 stars' hotels in Arusha city using regression and correlation analysis and the findings are expected to show if there is a relationship between service quality and customer satisfaction.

Mazumder and Hasan (2014) measured service quality and customer satisfaction of hotels in Bangladesh. Using mean and standard deviation of the satisfaction levels of the respondents towards the hotel stay; paired *t* test was used to compare means between expectations scores and perceptions score of the respondents. The finding showed that, in general, Bangladesh customers had higher perceptions, while international customers had the lowest perceptions score but international customers had higher perceptions in responsive and empathy dimensions compare to Bangladesh customers. The mean scores showed hotel guest from other countries were marginally lower than the mean scores of Bangladesh guests, means guests from Bangladesh were more satisfied than guests from other countries.

In overall findings showed that both Bangladesh and international hotel guests had the highest expectations in empathy as well as perceptions but international hotel guests had lowest mean score in assurance for both expectations and perceptions. Similar study is going to be conducted in Tanzania to measure effects of service quality on customer satisfaction in a 3stars hotel in Arusha city using SERVQUAL model, factor analysis and correlation analysis.

Minh *et al.* (2017) empirically examined the relationship between service quality and customer satisfaction in Vietnamese hotels. Using regression and correlation analysis and servqual model to examine the relationship between hotel service quality and customer satisfaction. The findings showed that the service quality is a strong driver for customer satisfaction in hotel service in Vietnam.

The findings also stressed that, empathy was the most significant dimension with an impact on customer satisfaction. Empathy refers to providing customers individual

attention, understanding customer specific needs, having positive attitude when receive feedback from customers and providing healthful menu. This means that hotels should pay much attention on all variables under empathy dimension so as to make their customers satisfied with the services delivered. Together with empathy, the three remaining intangible quality dimensions which are; responsiveness, reliability and assurance express positively significant influence on customer satisfaction. Among the three, responsiveness has the strongest impact on customer satisfaction, followed by reliability and then assurance.

2.4.2 The Africa Context

Wang'ombe and Ngige (2016) examined the effects of service quality on customer satisfaction in 4 to 5-star hotels in Nairobi, Kenya using mean, standard deviation and chi-square tests and the findings showed a linear relationship between service quality and customer satisfaction.

Also, Kortler (2006) supports the finding in that customer's satisfaction depends on the products performance suitability relative to expectations, further noted that when performance exceeds expectations, the customer is highly satisfied leading to loyalty.

2.4.3 The Tanzania Context

Mbise *et al.* (2014) investigated factors affecting the quality of service and the related factors in tourist's hotel in Arusha by using ANOVA test and t-test. The findings showed that there were gaps between customer expectations and the services offered. Some of the complaints registered from the hotel customers included the facts that the hotels were located far from the airport, the front office showed lack of staff courtesy

and professionalism and poor speedy in checking in and checking out customers because they were operating manually. Also, in the restaurant and bar there was a discrepancy on presentations of dishes and food on menu, billing and cashiering procedures and service techniques and styles, this was because the information concern guests' needs and wants was not interpreted in the menus. Mbise (2015) investigated the challenges facing tourist hotels towards provision of good customer services. The results showed that, the challenges facing tourist were unqualified staffs, poor management, poor communication system and shortage of staffs.

Mrutu (2008) investigated on factors influencing customer satisfaction in tourist hotels, and the relationship between the level of perceived service quality and customer satisfaction in tourist hotels. The findings showed that, among other factors, perceived quality and prices were the influential factors in determining customers' satisfaction.

Also, there was a positive significant relationship between perceived quality, perceived price and customers' satisfaction in tourist hotels. However, the relationship between hotel location and customers' satisfaction was found to be weak. Based on this study, the current study is going to measure the effects of service quality on customer satisfaction in 3 stars' hotels in Arusha city using SERVQUAL model, factor analysis and correlation analysis.

2.5   Research Gap

From the analysis of theoretical and empirical literature review, most of the studies in different countries were done by using SERVQUAL model to assess the effect of

service quality on customer's satisfaction in tourist hotels. Most of the studies of service quality and customer satisfaction were done in developed countries and in Asian countries (Akbaba 2006; Milfelner, 2009; Guzzo *et al.,* 2010; Agbor, 2011; Ullah *et al.,* 2016; Mazumder *et al.,* 2014; Debasish *et al.,* 2015; Minh *et al.,* 2017). Hence a contextual gap. Also, there were studies conducted without considering the ranking criteria, for instance; (Mbise *et al.,* 2014) investigated the factors affecting quality of service and the related factors in tourist's hotel in Arusha and Mbise (2015) investigated the challenges facing tourist hotels towards provision of good customer services. While others conducted by considering ranking criteria but in other stars rather than 3 tars. For instance, Wang'ombe *et al.* (2016) examine effects of service quality on customer satisfaction in 4- and 5-stars' hotels.

2.6   Conceptual Framework

Young (2009) defines conceptual framework as a diagrammatical representation that shows the relationship between dependent variable and independent variables. The conceptual framework developed shows the relationship existing between the service quality and customer satisfaction.

Independent Variable

Service Quality
Tangibility
Reliability
Responsiveness
Assurance
Empathy

Dependent Variable

Customer Satisfaction
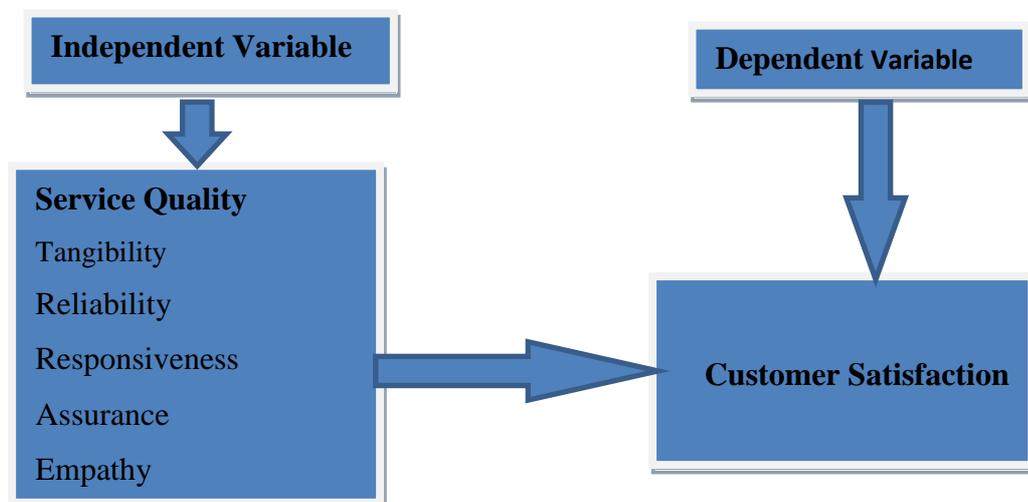
Figure 2.1: Conceptual Framework Modified from Minh *et al.* (2015)

2.6.1   Independent Variables

Independent variable in this study is quality service and its dimensions that affect customer satisfaction in hotel industry include: tangible, reliability, responsiveness, assurance and empathy.

2.6.2   Dependent Variables

In this study dependent variable is customer satisfaction. It is researcher's assumption that if quality service is good, the guest/visitor will be loyal to the particular hotel, and vice versa is true. So bad quality service the guest/visitor will shift to another hotel. Therefore, customer satisfaction can be measured by positive word-of-mouth, loyalty, repeated use and increase long term profitability.

2.6.3   Chapter Summary

The above chapter presents theoretical issues concerning service quality and customer satisfaction. It also acknowledged studies dealing with service quality and customer satisfaction. It discusses different definition of service, service quality and its measurements, characteristics and dimensions of service quality and the experience from different context. It concludes that, services quality in hospitality industry should be given priority for high profitability to the hotels. Also, there is a relationship between service quality and customer satisfaction.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1   Overview

This chapter presents the methodology used in carrying out this study. It starts by highlighting the research philosophy guiding the study followed by research strategies, targeted population and location of study area. It further presents sampling procedure and sample size, data collection methods, data analysis and presentation. The validity and reliability of the research instrument is then tested. The chapter ends with ethical consideration.

3.2   Research Philosophy

Research philosophy relates to the developments of knowledge and nature of that knowledge (Saunders *et al.*, 2012). The research philosophy accepted for this study was pragmatism. Pragmatism states that concepts are only relevant where they support action. This means that the most important determinant of your position on each of the continua is the research question – one position may be more appropriate than another for answering a particular question (Saunders *et al.*, 2012).

The researcher adopts both objectivism and subjectivism stance. Objectivism state that things, such as social entities, exist as a meaningful reality external to those social actors concerned with their existence (Crotty, 1998; Saunders *et al.*, 2012). The choice of objectivist stance was due to the variables of service quality and customer satisfaction has tangible realities. For the organization to increase sales for profit must ensure customer satisfaction, but satisfaction which is utility vary for individuals. The

services too vary in the organizations because each organization has its own offer and mission (Agbor, 2011).

The second stance is subjectivism which holds that social phenomena are created through the perceptions and consequent actions of affected social actors. The choice of this stance was due to that, management of the organization has to attach to their roles to the ways which results to high impact to the organization. Therefore, for the organization to achieve its missions, manager's role is highly considered (Saunders *et al.*, 2012). Both quantitative (objectivism) and qualitative (subjectivism) philosophy were used in this study.

3.3   Research Design/Strategy

Generally, a strategy is a plan of action to achieve a goal. Also, it is a plan of how a researcher will go about answering research question. It is the methodological link between researchers' philosophy and subsequent choice of methods to collect and analyze data (Saunders *et al.,* 2012). Therefore, this study adopted descriptive survey strategy which is cross sectional research design. Explanatory research design was also used for the correlation. The survey strategy is usually associated with a deductive research approach (Saunders *et al.,* 2012). Descriptive survey research investigates and reports about current situations, focusing on certain important variables such as attitude or opinion, for example, attitudes of guests toward hotels services provision. Also, Cross-sectional design can be defined as a research design involving the collection of data at one point in time from a random sample representing a population or from more than one sample representing two or more populations (Wiersma & Jurs, 2005). Therefore, the current study was cross sectional

because it was undertaken as a pre-requisite for accomplishing the MBA degree program and the submission of the final dissertation marked the end of the research.

3.4   Area of the Study

The study was conducted at 3 stars' hotels in Arusha city. The rationale for the choice of the location was that, Arusha is the city of tourism because it is the most important arriving destinations for the most of tourists who arrived via Kilimanjaro International Airport (KIA) and it is the gate way to most of tourist attractions found in the northern part of Tanzania such as; the Serengeti National park, the Ngorongoro Conservation Area, Lake Manyara National park, Olduvai Gorge, Tarangire National Park, Mount Kilimanjaro and Arusha National Park on Mount Meru (Tanzania Tourist Board magazine, 2017). Also, Arusha is a major international diplomatic hub. The city hosts the East African Community, the International Criminal Tribunal for Rwanda, and the African Court on Human and Peoples' Rights. Lastly, it is the home for the famous Arusha International Conference Center.

3.5   Population and Sample of the Study

The population for the study comprises of all guests accommodated in 3 stars' hotels located in Arusha city. Three stars' hotels/third level hotels are those hotels which have been rated and registered according to the criteria for standardization of hotels, restaurants and other tourist accommodation facilities of East Africa as of March, 2009. In Arusha city there are ten hotels which has been rated and registered as 3 stars as following: Naura Springs Hotel, Snow Crest Hotel, Impala Hotel Ltd, SG Northern Adventure Ltd, Palace Hotel Arusha, Njiro Veta Hotel, Venus Premium Hotel, Arusha Corridor Springs Hotel, Arusha Crown Hotel and New Safari Hotel (1967) Ltd.

In this study random sampling (RS) technique was used to obtain respondents from the population in the study area. This technique was applied due to the fact that guests were many and every individual had an equal chance to participate in this study. Researcher used random sampling technique to select 5 three stars' hotels out of ten available in Arusha city. However, researcher prepared 10 labelled papers each with hotel name and mix together in one box and selected 5 labelled papers to represent entire three stars' hotels.

This technique helped the researcher to avoid biases in selecting sample size and to save time. Cohen *et al.* (2008) defines a sample as a smaller or subset of a total population in such a way that the knowledge gained is representative of the total population under study. Patton (2002) argues that the sample size depends on what one wants to know, the purpose of the inquiry, what is at stake, what will be useful, what will have credibility and what can be done with available time and resources. A number of authors have suggested different guidelines concerning the number of cases required for generalization.

Tabachnick and Fidell (2007) provide a formula for calculating sample size requirements, taking into account the number of independent variables that you wish to use: $N > 50 + 8m$ (where m = number of independent variables and N = sample size). For example, if you have three independent variables, you will need 74 cases. This study adopts Tabachnick *et al.* (2007)'s formula, the sample size of this study involved 90 respondents (i.e. $N > 50 + 8(5) = 90$). In this study 18 respondents/guests were selected as a sample from 5 selected three stars' hotels to make a total of 90 respondents which was a sample size in this study.

Despite the fact that researcher aimed to get 18 respondents from each selected three stars' hotels the willingness of the guest/respondent to participate was more considered.

Simple random sampling used in selecting guests to be used as the respondents by the researcher in the third level hotels whereby the researcher requested guests' register book or cards from the front office officer so as to identify a number of guests spent one or more night in the hotel. Then, the researcher selected names of guest from register book or cards and wrote them on a piece of paper and mixed them together in a box then asked the front office officer to pick a paper randomly as per number of sample size determined. Therefore, the guest whose name was picked included in the sample size. However, convenient sampling was also used simply because it allowed the researcher to obtained basic data and trends regarding the study for those areas where a randomize sampling proved to be difficult.

3.5.1 Sampling Technique

Purposive technique was used in this study; where by 1 Manager from each selected three stars' hotels was visited by the researcher in their areas/offices and had ample time for discussion. According to Kothari (2004), purposive sampling refers to as judgment, selective or subjective sampling.

3.5.2 Measurement Procedure

Respondents were asked to rate their agreement with statements identified from the literature review of similar studies as potentially influence of service quality in 3 stars' hotels in Arusha city, a five-point Likert scale ranging from strongly disagree (SD =

1) to strongly agree (SA = 5) was used in the study. The 22 statements were developed

as modified from Akbaba (2006) after reviewing the prior studies on customer

satisfaction as perceived by guest.

Table 3.1: Measurement of Service Quality and Customer Satisfaction

Na	Indicators of service quality	5 Point Lierket Scale				
		SD	D	N	A	SA
1.	Visually appealing hotel buildings and facilities.					
2.	Modern looking hotel equipment.					
3.	Employees appear neat and tidy.					
4.	Food and beverages served are hygienic and adequate					
5.	Materials associated with the services are adequate and sufficient.					
6.	Providing the services at the time it promised to do so.					
7.	Providing prompt service.					
8.	Keeping accurate records					
9.	Willingness to serve customers.					
10.	Employees are always available when needed.					
11.	Guest complaints resolves and compensation for inconveniences					
12.	Providing the same services and associated materials every time.					
13.	Employees' knowledge to provide information and assistance to guests.					
14.	Always treat guests in a friendly and polite manner.					
15.	Making guests feel services are competitive and affordable price.					
16.	Providing its guests, a safe and secure place.					
17.	It is easy to access.					
18.	Employees instill confidence in guests.					
19.	Employees understand the specific needs of guests.					
20.	Employees who take guests best interest at heart.					
21.	Hotel is convenient for disabled guests.					
22.	The overall assessment of service quality about the hotel was good					

Source: Modified from Akbaba (2006)

Key: 1 = SD, 2 = D, 3 = N, 4 = A, 5 = SA.

3.6   Data Collection Technique and Instrumentation

In collecting data questionnaire, interview, observation and documentary review were used in this study to obtain information from respondents.

3.6.1   Questionnaire

Kothari (2004) define questionnaires as a document which consists of a number of questions printed or typed in a definite order on a form or set of forms. Questionnaires were used to obtain information from guests/respondents in the selected 5 hotels in Arusha city. In the 5 selected hotels, receptionists (front office employees) were used as researcher assistant to help to administer questionnaires to the guests, also to make follow up so that the guests could fill the questionnaires.

In this study, both open-ended and closed-ended questionnaires were used to enable the researcher to get sufficient data and information about the effects of services quality on customer satisfaction in the third level hotels. Questionnaire technique was used due to the fact that it could collect large information from large number of people in a short period of time and in relatively cost-effective way.

3.6.2   Interview

This technique was used to collect information from hotel managers. The interview guide (Appendix II) was used to collect data, which involves presentation of oral responses. The researcher decided to choose this approach because it enabled getting detailed information from the respondents. According to Kothari (2004), an interview is a set of questions administered through oral or verbal communication or is a face-to-face discussion between the researcher and the respondents.

Interview technique increases the knowledge of both the interviewer and the interviewee.

3.6.3   Observation

In this study, researcher used complete observer as a type of observation technique in order to supplement information collected through other data collection methods. The researcher used observations regarding the effects of services quality on customer satisfaction in the three stars' hotels. Through observations, the researcher was able to visit the hotels under investigation at the restaurants with the help of observation check list, researcher was capable to document behavior demonstrated by the hotel employees, if the buildings and facilities was visually appealing, equipment was modern looking, as well as if the food and beverages served was hygienic, adequate and sufficient. This was to enable researcher to make personal judgments regarding the provisions of quality services. This technique was most important since researcher did not only rely on respondent's information.

3.6.4   Documentary Literature Review

In this research, documentary literature review was used where various literatures worldwide and local were reviewed. Different books, journals, government reports, hotel magazines, hotels classification register, newspaper, research papers, electronic, media and internet relating to this study were reviewed. The review was conducted in order to help the researcher to get view and information from different authors.

In this study, in order to collect relevant information on the problem studied, the researcher conducted documentary review on criteria for standardization of hotels,

restaurants and other tourist accommodation facilities of East Africa, register of hotels classification in Arusha from TALA office TANAPA Building, guest register books/card generated by hotels. The documents reviewed included journals, web pages, internet sources, newspapers, magazines, diaries, movement publication, official statistics, letter and memos. According to Kothari (2004), documents are official records which were used as source of providing research data.

3.7   Validity and Reliability of the Research Instrument

3.7.1   Validity Test

According to Saunders *et al.* (2007), Validity refer to the extent to which data collection method or methods accurately measure what they were intended to measure or the extent to which research findings are really about what they profess to be. To ensure validity of the research instrument, pilot study was conducted which gave positive results as there was no query on the precision of the questions raised. A discussion of the research instrument with experts in the subject matter including hotels managers and colleagues also was used to validate the study.

3.7.2   Reliability

Reliability refers to the extent to which data collection technique or techniques yield consistent findings. In other words, similar observations would be made or conclusion reached by other researcher or where there was transparency made from the raw data to ensures reliability (Saunders *et al.*, 2007). To ensure reliability of research instruments for data collection in this study, Cronbatch's Alpha was used to test reliability.

3.8   Data Analysis, Interpretation and Presentation

Both quantitative and qualitative data analysis were used in this study. Qualitative data analysis was analyzed by using content analysis. Content analysis means analyzing the information collected through interviews in order to identify the main themes that emerge from respondents (Kumar, 2005).

Content analysis is the one of the classical procedures for analyzing textual material range media products to interview data on this essential feature is the use of categories which are often derived from theoretical models (Flick, 2006). Content analysis used in this study to analyze data collected through interview, observation and open-ended questionnaire.

Quantitative data were analyzed using descriptive statistics where by simple statistical analysis such as comparisons and percentages were used to analyze data. For the case of measure, the service quality gap, a SERVQUAL questionnaire was designed (Appendix I). Comprising of 22 questions in two forms named expectations and perceptions. Also, one open ended question was added to measure comments of customers so as to improve service quality. Ninenty (90) regular guests of the three stars' hotels were asked to fill the questionnaire. After questionnaires were collected from respondents, they were coded ready for entry into SPSS. Statistical Package for Social Science (SPSS) was applied to analyze the coded information of the questionnaire in this study. For analyzing the quantitative data, Welman and Kruger (2001) as well as Blaikie (2003) were used to identify descriptive statistical analysis, which is concerned with the description and summarization of the data obtained for a group or individual unity of analysis.   The data collected from this study were

presented by using pie charts, tables, graphs, correlation and factor analysis so as to make a comparison of expectations with perceptions.

3.9   Ethical Consideration

Saunders *et al.* (2000) defines ethics as the standards of behavior that guide your conduct in relation to the rights of those who become the subject of your work, or are affected by it. Also ethics means a process of determining what is right or wrong when conducting a research (Madondo, 2016). Research clearance to conduct this research was obtained from the Directorate of Research and Post Graduate Studies of the Open University of Tanzania before data collection. Ethical procedures concerning respondents were adhered to, including maintaining confidentiality and privacy, voluntary participation of respondents and right to withdraw and informed consent. Confidentiality enabled the respondents to feel free to provide their responses honestly without fear. Lastly, in order to avoid plagiarism, all sources of information seem to be resourceful to this study were duly acknowledged.

CHAPTER FOUR

FINDINGS AND DISCUSSION ON FINDINGS

4.1   Chapter Overview

This part presents the research findings and discussions of the findings focusing on the effects of service quality on customer satisfaction in the 3 stars' hotels in Arusha City. It included results for basic profile of respondents, validity and reliability tests and findings related to the study objectives.

4.2   Basic Profile of Respondents

4.2.1   Age of Respondents

Data for the study were collected from 57 respondents in the researched hotels with the purpose of understanding the age structure of the guests who visited the hotels. About one third of the respondents were of the age above 46 years while another third plus was below 35 years. The group of respondents with the age ranging from 36 – 45 was slightly less than one third leaving room for missing data that was explained by less than 1.8%. Table 4.1 shows the clear structure of the guest's age, summarize the details.

Table 4.1: Age of the Respondents

Age category	Frequency	Percent
18 -25	3	5.3
26 – 35	17	29.8
36 – 45	17	29.8
46 – 55	16	28.1
Above 55	3	5.3
Total	**56**	**98.2**
Missing 99	1	1.8
Total	**57**	**100**

Source: Field Survey Data 2018

4.2.2   Sex of Respondents

The below bar charts (Figurre 4.1) present the distribution of respondents by sex. In this study both male and female participated to fill the questionnaires, where 64.9% of the total respondents were male and 35.1% were female. This showed the majority of guests found visiting the third level hotels were male.
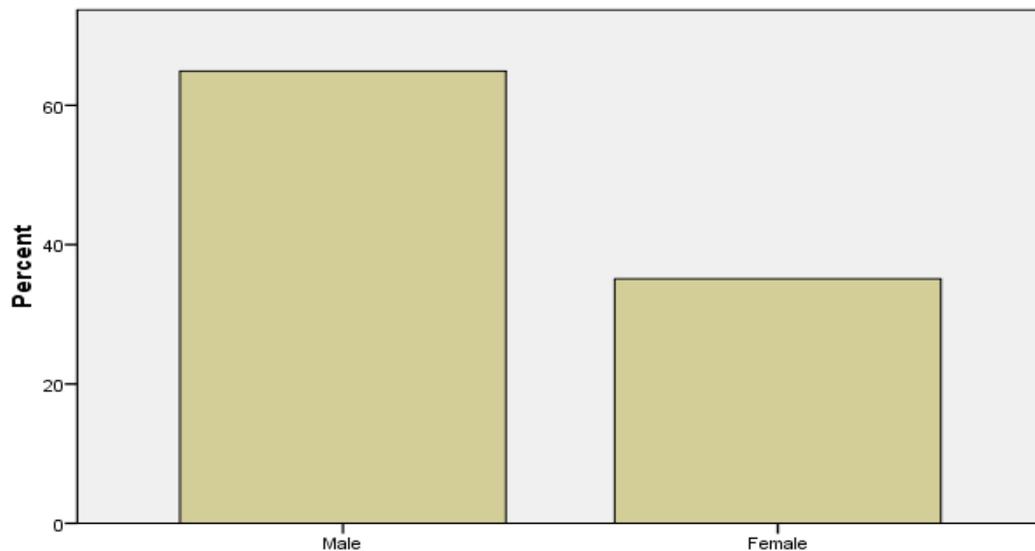
Figure 4.1: Sex of Respondents

4.2.3   Marital Status of Respondents

The following Table 4.2 present the marital status of guests found visiting the third level hotels, more than three quarters of the respondents were married while less than a quarter of them were single and less than 2% accounted for by widow. This implies that most of the guests normally visited the third level hotels are married.

Table 4.2: Marital Status of Respondents

Marital Status	Frequency	Percent
Single	10	17.5
Married	46	80.7
Widow	1	1.8
Total	**57**	**100**

Source: Field Survey Data 2018

4.2.4   Level of Education of Respondents

Table 4.3 present educational levels of the guests found visiting the third level hotels. About one third plus of the respondents were the graduate of Second Degree including professional qualification while the other third had First Degree and the remain one third were the graduate of Diploma and below. Their main purposes of their travelling were conference attending and business.

Table 4.3: Level of Education of Respondents

Education Level	Frequency	Percent
Ordinary level	5	8.8%
Advanced level/Diploma	16	28.1%
First Degree	14	24.6%
Second Degree and above	17	29.8%
Others including Professional qualifications	5	8.8%
Total	**57**	**100%**

Source: Field Survey Data, 2018

4.3   Testing Validity and Reliability of the Research Instrument

4.3.1   Testing Validity and Reliability

To ensure reliability as defined by Saunders *et al.,* (2007) refers to the extent to which data collection technique or techniques yield consistent findings. Therefore, this study measured internal consistency of both customer expectations and perception scale by using Cronbach's alpha to evaluate whether the scale was reliable.

The Cronbach Alpha for customer expectation and perception were found to be 0.816 and 0.919 respectively as shown in Table 4.4. Also, the Cronbach's alpha for each dimension was 0.875 as shown in Table 4.5. This is an acceptable reliability with

reference to Cronbach's alpha description. Nunnally (1978) recommends a minimum level of 0.7 for Cronbach alpha. Therefore, the reliability value for our study is substantial considering the fact that the highest reliability that can be obtained is 1.0 and this is an indication that the items of the five dimensions of SERVQUAL model were accepted for analysis.

Table 4.4: Reliability Statistics – Expectations and Perceptions

Reliability Statistics	No. of Variables	Cronbach's Alpha
Expectations	22	.816
Perceptions	22	.919
Total	**44**	**.868**

Source: Field Survey Data 2018

Table 4.5: Reliability Statistics – Cronbach Alpha for Each Dimension

Cronbach's Alpha	No. of Items
.875	5
Total	**44**

Source: Field Survey Data 2018

4.4   Findings and Analysis for each Research Specific Objective

Descriptive statistics was used to compare customers' expectation (E) with actual services quality delivered (P), and a gap score (P– E) of guests who stayed in the third level hotels was obtained. The means, standard deviations and difference scores between perception and expectations were calculated for each service quality items.

4.4.1   The Comparison of Customers' Expectation with Actual Service Quality

The comparison of customers' expectation with actual service quality delivered in the third level hotels was the first objective in this study. The results in Table 4.6 show

the customers' expectations versus actual service quality delivered in the third level hotels. The guests had higher expectations on tangibility compared to perceptions, followed by reliability, responsiveness and assurance and the last dimension with lower mean score was empathy. Note: The mean is derived from the scale of 1=strongly disagree to 5=strongly agree.

Table 4.6: Customers' Expectation Versus Actual Service Quality Delivered

Service quality dimensions	Expectations (N=57)		Perception (N=57)	
	Mean	**Std. Deviation**	**Mean**	**Std. Deviation**
Tangibility	4.3304	.43698	4.1175	.49834
Reliability	4.2114	.43022	4.0877	.56768
Responsiveness	4.2114	.43022	3.9342	.56007
Assurance	4.0482	.49999	4.0424	.48184
Empathy	3.7953	.65315	3.7749	.85710
Total Mean Score	**4.1565**	**.33817**	**4.0164**	**.47189**
Average Mean Score	4.1255	.46479	3.9955	.57282

Source: Field Survey Data 2018

The results in Table 4.7 show the customers'/Guests' perceptions regarding the statements of each SERVQUAL dimension. The statements with higher customers' perception mean scores were: accessibility to hotels, employees willing to serve customers, materials associated with the service, food and beverage served, visually appealing building and facilities keeping accurate records.

While the statements found to have lower mean scores were: convenient for disabled guests, followed by services provided at a competitive and affordable price as well as hotels resolves guest complaints and compensate for inconveniences guests go through.

Table 4.7: Customers/Guests' Perception

Statements	N	Minimum	Maximum	Mean		Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
P. Visually appealing buildings	56	3	5	4.12	.089	.662
P. Modern looking equipment	56	2	5	3.93	.111	.828
P. Employees appear neat	56	2	5	4.00	.108	.809
P. Food and beverages	54	3	5	4.22	.090	.664
P. Materials associated	56	2	5	4.30	.105	.784
P. Services as they promised.	56	2	5	3.88	.102	.764
P. Provide prompt services.	57	2	5	3.93	.112	.842
P. Keeps accurate records	54	1	5	4.09	.143	1.051
P. Willing to serve customers.	57	2	5	4.32	.087	.659
P. Available when needed.	57	2	5	4.21	.099	.750
P. Resolves guest complaints	54	2	5	**3.72**	.116	.856
P. Provides the same services	57	2	5	3.77	.100	.756
P. Employees have knowledge	54	2	5	3.96	.091	.672
P. Treat guests friendly	56	3	5	4.23	.092	.687
P. competitive and affordable	57	2	5	**3.72**	.108	.818
P. A safe and secure place.	57	2	5	4.11	.078	.588
P. It is easy to access	57	2	5	**4.39**	.099	.750
P. Instill confidence in guests.	54	2	5	3.94	.085	.627
P. The specific needs of guests.	56	2	5	3.93	.122	.912
P. Take guests' best interest	56	2	5	3.95	.109	.818
P. Convenient for disabled	53	1	5	3.45	.184	1.338
P. The overall assessment	57	2	5	4.09	.068	.510
Valid N (list wise)	45					

Source: Field Survey Data 2018

Table 4.8 show the gap between Perception and Expectations that were both measured using 5-point Likert scale, whereby the higher the gap scored the lower the level of satisfaction and vice versa is true.

From the customers' point of view, the gaps between perceptions and expectations (P – E) clearly reveal the service quality of hotels. A positive gap (+) means the service quality of hotels was good and the hotels deliver the service that were better than expected; a negative gap (-) means the service quality of hotels was bad and the hotels

delivered poor service and a zero gap (0) means the service quality of the hotels satisfied the customer needs (Boon-itt *et al.,* 2012). The service quality of hotels in Arusha city 3 stars' hotels was moderately low; hotels were not able to deliver service as expected by customers (perception – expectation). The variables with highest gap mean scores were food and beverages served hygienic, adequate and sufficient, visually appealing buildings and facilities, and modern looking equipment (air conditioner, furniture, elevator and communication devices).

The lowest gap mean scores were the understanding of hotel specific needs of guests by employees, willingness to serve customers, provision of same hotel service, ability of employees to instill confidence in guests, provision of prompt service and employees' understanding of the hotels specific needs of guests. The least gap mean scores were provision of a safe and secure place, taking guests best interest at heart and the convenience for disabled guests.

The findings are supported by Chung *et al.* (2015) who explored the relationship between hotel service quality and customer satisfaction and found that the overall assessment of service quality about the hotel was not good. The results were in line with the study conducted by Mazunder *et al.* (2014) who measured service quality and customer satisfaction of hotels in Bangladesh and found that the overall customer satisfaction levels towards the hotel stay was not satisfactory. The findings were further supported by Boon-itt *et al.* (2012) on measuring service quality dimensions in Thai hotel industry where the service quality of hotels was moderately low, unable to deliver services as expected.

Table 4.8: Perception-Expectation Gap

DIMENIONS	STATEMENTS	EXPECTATION	PERCE PTION	GAP SCOE
Tangible	Visually appealing buildings and facilities	4.40	4.12	-0.28
	Modern looking equipment	4.18	3.93	-0.25
	Employees appear neat and tidy	4.21	4.00	-0.21
	Food and beverages	4.51	4.22	-0.29
	Materials associated with the services	4.36	4.30	-0.06
Reliability	The services as they were promised.	4.05	3.88	-0.17
	Employees provide prompt services.	3.96	3.93	-0.03
	Keeps accurate records	4.27	4.09	-0.18
	Always willing to serve customers.	4.33	4.32	-0.01
	Employees are available when needed.	4.40	4.21	-0.19
Responsiveness	Resolves guest complaints and compensate	3.87	3.72	-0.15
	The hotel provides the same services	3.78	3.77	-0.01
	Knowledge to provide information and assistance	4.18	3.96	-0.22
	Employees always treat guests in a friendly	4.39	4.23	-0.16
Assurance	Competitive and affordable price.	4.16	3.72	-0.44
	Safe and secure place.	4.16	4.11	-0.05
	It is easy to access to the hotel.	4.53	4.39	-0.14
	Employees instill confidence in guests.	3.95	3.94	-0.01
Empathy	The hotel understands the specific needs of guests.	3.89	3.93	0.04
	The hotel takes guests best interest at heart.	4.00	3.95	-0.05
	The hotel is also convenient for disabled guests	3.50	3.45	-0.05
The overall assessment of service quality about the hotel was good.		4.33	4.09	-0.24

Source: Field data, 2018

The result in Table 4.9 shows the gap score between perception and expectation on each dimension. The first three dimensions; tangibility, assurance, and responsiveness had high gap mean scores. Five items were used to measure tangibility and four items used to measure assurance and responsiveness. This means that customers expected higher quality services compared to what was delivered by the hotel hence

dissatisfaction. While the two dimensions; reliability and empathy had lower gap means scores, five items were used to measure Reliability and three items on empathy. This means that, customers were moderately satisfied with the service quality provided.

This result suggests that there is still a gap between guests' expectation with actual services delivered in Arusha city third level hotels. In general, consumer expectation exceeded the perceived level of service shown by the perception scores. This resulted in a negative gap score (Perception – Expectation). According to Parasuraman *et al.* (1988) it is however common for consumer's expectation to exceed the actual service perceived and this signifies that there is always a need for improvement. The finding supported by Eshetie *et al.* (2016) who claimed that there was a negative gap between actual service and expected service in all dimensions of lodging quality index.

Table 4.9: The Summary of Perception – Expectation Gap

S/NO	DIMENSION	EXPECTATION	PERCEPTION	GAP SCORE
1	Tangible	4.33	4.11	-0.22
2	Reliability	4.20	4.09	-0.11
3	Responsiveness	4.06	3.92	-0.14
4	Assurance	4.2	4.04	-0.16
5	Empathy	3.79	3.77	-0.02
6	The overall assessment of service quality about the hotel was good.	4.33	4.09	-0.24
7	**OVERALL AVERAGE SERVQUAL score**	**4.12**	**3.99**	**-0.13**

Source: Field Survey Data 2018

4.4.2   The Relationship between Service Quality and Customer Satisfaction

Assessing the relationship between service quality and customer satisfaction was another objective of this study. Table 4.10 presents a correlation matrix for all variables. The findings showed that Customer satisfaction was significantly related to

all service quality dimensions. Considering the first dimension the results indicated that there was a moderate positive significant relationship between tangibility and customer satisfaction ($r=0.679$, $p<0.01$). Therefore, as owners of the hotels provides visually appealing buildings and facilities, modern looking equipment, ensure employees appear neat and tidy, serving hygienic, adequate and sufficient food and beverages, and better material associated with the services, customers will be satisfied with the services at the hotel. In the last four dimensions, results showed that there was a high positive significant relationship between the reliability, responsiveness, assurance and empathy, and customer satisfaction ($r=0.848$ - 0.876 $p<0.01$). This implies that, always hotel management should be very strategic on putting effort on improving the five service quality dimensions (Tangibility, Reliability, Responsiveness, Assurance and Empathy) so as to make their customer satisfied.

These results confirmed that there exists a strong positive significant relationship between service quality dimensions and customer satisfaction in the third level hotels. These results were supported by the research conducted by Wang'ombe *et al.* (2016), who assessed the effects of service quality on customer satisfaction in 4- & 5-stars' hotels in Nairobi, Kenya and found out that there was a significant relationship between service quality performance measurements and customer satisfaction because p-value was less than 0.05. Also, it is supported by Eshetie *et al.,* (2016), who investigated service quality and customer satisfactions in hospitality industry, and found significant and positive relationships between the five service quality dimensions and customer satisfaction. Gronroos (2000) recommended that, always service quality dimensions' change in respect of that service being served and different efforts should be taken for different service situations.

Correlation coefficient represented by the letter r and normally take any value between (-1) and (+1). It enables to quantify the strength of the linear relationship between two ranked or numerical variables (Saunders *et al.,* 2012). A value of (+ 1) represents a perfect positive correlation and (-1) represents a perfect negative correlation. The perfect positive correlation means that there are two variables which are precisely related, whereby the increase of one it leads also to the increase of another one. But the difference to perfect negative correlation is that if the one variable increase it leads the another one to decrease. Therefore, the literature suggests that a correlation coefficient between (-1) and (+1) indicates weaker positive and negative correlations, a value of (0) indicates the variables are perfectly independent. Also (– 0.3) and (– 0.7) referred as weak negative and strong negative correlations and the vice versa (Saunders *et al.,* 2012).

Table 4.10: Pearson Correlation

DIMENSION	TANG.	REL.	RESP.	ASS.	EMP.	OVER.
Reliability	.636**					
Responsiveness	.454**	.718**				
Assurance	.490**	.641**	.755**			
Empathy	.473**	.586**	.731**	.696**		
Overall Ass.	.415**	.701**	.693**	.760**	.659**	
Satisfaction	.679**	.848**	.876**	.862**	.866**	.840**

**. Correlation is significant at the 0.01 level (2-tailed)

Source: Field Survey Data 2018

4.4.3 The Most Important Service Quality Dimension

Identifying the most important service quality dimensions in Arusha city third level hotels was the third objective in this study. Researcher has used factor analysis to test which service quality dimension among the five was highly considered by the

customers in the third level hotels in Arusha city (Tangibility, reliability, responsiveness, assurance, and empathy). The first output from the analysis is a table of descriptive statistics for all the variables under investigation. Table 4.11 presents the results of descriptive statistics of each service quality dimension. Typically, the mean, std deviation and number of respondent (N) who participated in the survey.

Table 4.11: Descriptive Statistics

	Mean	**Std. Deviation**	**Analysis N**
Tangibility	4.1175	.49834	57
Reliability	4.0877	.56768	57
Responsiveness	3.9342	.56007	57
Assurance	4.0424	.48184	57
Empathy	3.7749	.85710	57

Source: Field Survey Data 2018

Results in Table 4.11 shows that it is only tangibility dimension which has the highest mean score of 4.1175. Therefore, researcher conclude that customers perceived tangibility as the most important service quality dimension that influence satisfaction in the third level hotels. The next output from the analysis is the correlation coefficient. Table 4.12 shows that each service quality dimension under investigations was significantly related to each other with determinant of 0.047.

Table 4.12: The Correlation Matrix

DIMENSION	TANG.	REL.	RESP.	ASS.	EMP.
Reliability	.636**				
Responsiveness	.454**	.718**			
Assurance	.490**	.641**	.755**		
Empathy	.473**	.586**	.731**	.696**	1.000

Determinant = .047

Source: Field Survey Data 2018

Further, the Kaiser Meyer Olkin (KMO) and Bartlett's Test measures the strength of relationship among the variables. Kaiser (1974) recommend that 0.5 as a minimum value which is barely acceptable, values between 0.7 to 0.8 acceptable, and values above 0.9 as a superb. Therefore, the result in Table 4.13 shows that the KMO measure is 0.823, this means that the sample was adequate and also there was a significant answer to question "what were the most important service quality dimensions in the third level hotels in Arusha?"

Table 4.13: The KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.823
Bartlett's Test of Sphericity	Approx. Chi-Square	164.081
	Df	10
	Sig.	.000

Source: Field Survey Data 2018

Table 4.14 below shows that, there was only one factor (tangibility) among the five service quality dimensions with eigenvalue greater than one (1). Further, tangibility factor accounts for 69.777% of the variability in all five (5) service quality dimensions. Therefore, this concludes that tangibility was the most important service quality dimension to customers among the SERVQUAL model.

Table 4.14: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.489	69.777	69.777	3.489	69.777	69.777
2	.666	13.325	83.102			
3	.366	7.323	90.425			
4	.290	5.805	96.230			
5	.188	3.770	100.000			

Extraction Method: Principal Component Analysis.

Source: Field survey data, 2018

Figure 4.2 shows scree plot, it is a graph of the eigenvalues against all the factors. The graph is useful for determining how many factors to retain. The point of interest is where the curve starts to flatten. Therefore, the result in Figure 4.2 shows that, it is only one (1) factor (tangibility) which has an eigenvalue greater than one (1). It can be seen that the curve begins to flatten between factor 2 and 3. Therefore factor two (2) onward such as; (reliability, responsiveness, assurance and empathy) have an eigenvalue less than one. Furthermore, only tangibility factor retained as the most important service quality in the third level hotel in Arusha. Therefore, from the factor analysis result the researcher can conclude that, tangibility was the most important service quality dimension compared with other dimensions such as; reliability, responsiveness, assurance and empathy in the third level hotel in Arusha. The result was different from the research conducted by Guesalaga and Pitta, (2014), who addressed the importance and formalization of service quality dimensions: a comparison of Chile and the USA and the result showed that among the five service quality dimensions, reliability was the most important in both countries.
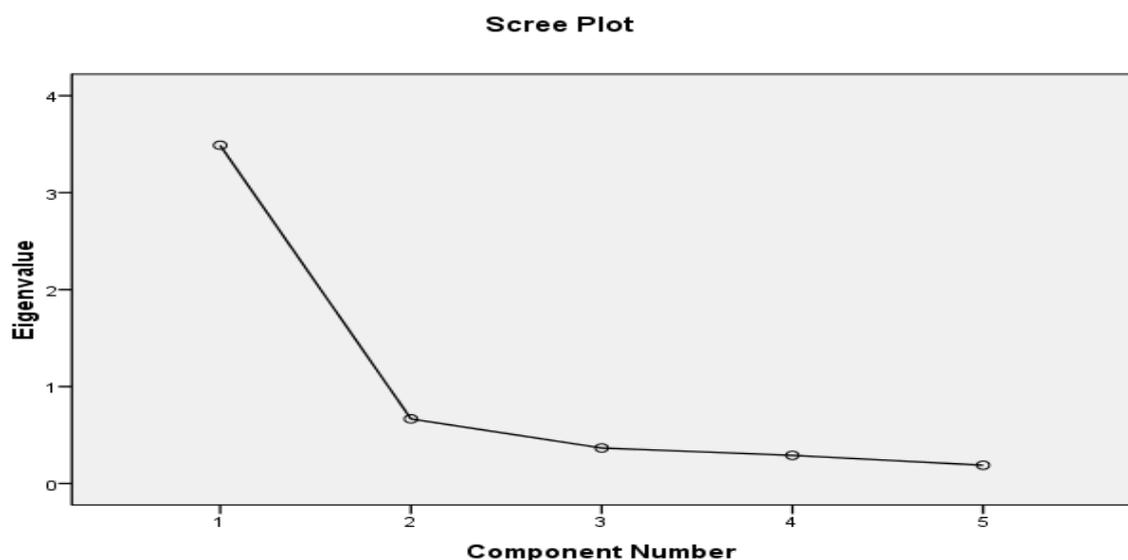
Figure 4.2: Scree Plot
Source: Field survey data 2018

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1   Chapter Overview

This chapter begins with the conclusion and recommendations as well as findings, and it ends with limitations of the study and suggestion for future studies.

5.2   Conclusion

5.2.1   The Comparison between Customer's Expectations and Actual Perceptions of Service Quality in the Third Level Hotels in Arusha City

The first objective of this study was to compare customer's expectations and actual perceptions of services quality in the third level hotels in Arusha city. The conclusion drawn from the study showed that, there was a negative gap between customer's expectation and actual perceptions of services quality delivered in the third level hotels in Arusha city. This implies that the hotel failed to deliver services as expected by the customers.

5.2.2   The Relationship between Service Quality and Customer Satisfaction

The second objective of this study was to determine the relationship between service quality and customer satisfaction. The conclusion drawn in this objective justify that, there was a high positive significant linear relationship between service quality dimensions and customer satisfaction in the third level hotels. Therefore, any improvement on service quality dimensions would result to increase in customer satisfaction.

5.2.3 The most Important Service Quality Dimensions in Arusha City Third Level Hotels

The last objective of this study was to identify the most important service quality dimensions in Arusha city third level hotels. The conclusion drawn from the study was that, only tangibility was the most important service quality dimension in the Arusha city third level hotels. Therefore, the hotels management should mark eyes on improvement for all features concerned with tangibility.

5.3 Recommendations

Following the conclusions, a number of recommendations have been made accordingly. The study found out different problems, which made customers dissatisfied in the third level hotels in Arusha city and Tanzania as whole, as identified by respondents in the questionnaire, interview and the observations made by researcher. Therefore, the researcher in this study made recommendations to address different issues, which will lead to customer's satisfaction as follows.

5.3.1 The Comparison between Customer's Expectations and Actual Perceptions of Service Quality in the Third Level Hotels in Arusha City

The first objective was to find out the comparison between customer's expectations and actual perceptions of service quality in the third level hotels in Arusha city. Tangibility, assurance and responsiveness were the dimensions that present higher gap mean score in the third level hotels while empathy and reliability were the dimension which indicated to have lowest gap mean score. Based on this finding, the study recommended that hotel management should make effort to understand what customers expect before and during service delivery and what facilities would be

required so as to deliver high quality services. However, they should effectively and efficiently address the service-quality gap by making sure that, they understand what customer need to be delivered and make appropriate strategies to deliver superior services.

5.3.2 The Relationship between Service Quality and Customer Satisfaction in the Third Level Hotels in Arusha City

The finding on the second objective was to determine the relationship between service quality and customer satisfaction in the third level hotels in Arusha city. Responsiveness empathy and assurance were the dimensions, which had higher positive linear correlations with customer satisfaction in the third level hotels.

Therefore, by referring the findings the study recommended that employees always should keep in their mind that, guests always prefer to be treated in a friendly and polite manner also employees should be knowledgeable enough to provide information and assistance to guests in time. Furthermore, regarding empathy and assurance dimensions, during the guests visit, employees should instill confidence to the guests, so that they should feel that they are in a safe and secured place as well as to take guests best interest at heart.

Moreover, on assurance dimension, hotel management should review service charges on time to time depending on the market situations so that as provide services at a competitive and affordable price. Therefore, hotel management should be conscious that any improvement in any service quality dimension will result into increase of customer satisfaction.

5.3.3 The most Important Service Quality Dimensions in Arusha City Third Level Hotels

The finding on the last objective, concerned with identification of the most important service quality dimensions in Arusha city third level hotels. The result showed that only Tangibility was the most important service quality dimension among the five in the SERVQUAL model in Arusha city third level hotels. By referring on this result, the study recommended that hotel management should strive to improve all features regarding tangibility which include: buildings and facilities, equipment's like (air conditioner, furniture, elevator, communication devices etc.), employee's uniforms and personal grooming, food and beverage as well as materials associated with services such as; soap, shampoo, and towel, since all these were the factors which the customers targeted most to be satisfied. Also, management should mark their eyes on the other service quality dimensions because the findings showed that they relate to each other.

5.3.4 Limitations

Administering questionnaires in the service industry especially in hotels it's not an easy task to the researcher, because hotels managements were rigid to allow researcher to contact guests face to face in the hotel to avoid disturbance to their guests, instead researcher was allowed to use front office officers to assist to administer questionnaires to guests, which led to extension of time of data collection. Therefore, a researcher had to pretend to be among of the customers so as to enable him to speed up data collection process at the same time make observation on how services were delivered to customers.

5.4   Areas of Further Study

By referring to the criteria for standardization of hotels, restaurants and other tourist accommodation facilities of East Africa, the study based in only the 3 stars' hotels in Arusha city. Therefore, future researches may be extended on a larger scale in a big city like Dar es Salaam and Mwanza by considering a greater sample size, and attributes to confirm the effects of service quality on customer satisfaction in the 3 stars' hotel.

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APPENDICES

Appendix I: Questionnaire for Customers

Dear guest.

The aim of this questionnaire is to find out your opinions about **the effects of service quality on customer satisfaction in the third level hotel in, Arusha city.** Kindly I do request you to spare your time to fill this questionnaire which is mainly intended for academic purpose and submit to me timely. The information collected will be treated confidentially. The questionnaire has section **A, B and C.**

SECTION A

How would you rate your Agreement/Disagreement with the following statements which are addressing matters related to service quality that you expect to be provided by the hotel on which you are the guest (EXPECTATIONS) in relation to the actual service provided (PERCEPTIONS)? Please put a tick on the appropriate cell "Strongly Disagree" (SD = 1) Disagree (D = 2), Neutral (N = 3), Agree (A = 4) and Strongly Agree (SA = 5).

S/N	SERVICE QUALITY DIMENSIONS	EXPECTATIONS						PERCEPTION				
	TANGIBILITY	SD	D	N	A	SA		SD	D	N	A	SA
1	Hotel has visually appealing buildings and facilities.	1	2	3	4	5		1	2	3	4	5
2	The hotel has modern looking equipment (air conditioner, furniture, elevator, communication devices etc.)	1	2	3	4	5		1	2	3	4	5
3	Employees of the hotel appear neat and tidy (such as uniforms and personal grooming.)	1	2	3	4	5		1	2	3	4	5
4	Food and beverages served are hygienic, adequate, and sufficient	1	2	3	4	5		1	2	3	4	5
5	Materials associated with the services such as; soap, shampoo, and towel are adequate	1	2	3	4	5		1	2	3	4	5

	and sufficient										
6	The hotel provides the services as they were promised.	1		3	4	5	1		3	4	5
7	Employees provide prompt service.	1	2	3	4	5	1	2	3	4	5
8	The hotel keeps accurate records such as reservations, guest, bills and orders.	1	2	3	4	5	1	2	3	4	5
9	Employees are always willing to serve customers.	1	2	3	4	5	1	2	3	4	5
10	Employees are available when needed	1	2	3	4	5	1	2	3	4	5
11	The hotel resolves guest complaints and compensate for the inconveniences guests go through	1	2	3	4	5	1	2	3	4	5
12	The hotel providing the same services and associated materials every time.	1	2	3	4	5	1	2	3	4	5
13	Employees have knowledge to provide information and assistance to guests in time.	1	2	3	4	5	1	2	3	4	5
14	Employees always treat guests in a friendly and polite manner.	1	2	3	4	5	1	2	3	4	5
15	Guests feel that the hotel services are provided at a competitive and affordable price.	1	2	3	4	5	1	2	3	4	5
16	The hotel provides its guests a safe and secure place.	1	2	3	4	5	1	2	3	4	5
17	It is easy to access to the hotel	1	2	3	4	5	1	2	3	4	5
18	Employees instill confidence in guests	1	2	3	4	5	1	2	3	4	5
19	Employees of the hotel understand the specific needs of guests.	1	2	3	4	5	1	2	3	4	5
20	Employees of the hotel take guests best interest at heart.	1	2	3	4	5	1	2	3	4	5
21	The hotel is also convenient for disabled guests.	1	2	3	4	5	1	2	3	4	5
22	The overall assessment of service quality about the hotel was good	1	2	3	4	5	1	2	3	4	5

23. Any comments for the improvement of the service quality in the hotel industry…………………………………………………………………………………………
……………………………………………………………………………………………
……………………………………………………………………………………………
……………………………………………………………………………………………
………………………………….

SECTION B: Basic Profile of Respondent

Date of filling the questionnaire…………………………

Hotel name………………………………

P Please tick (√) the appropriate box below.

24. Age of respondents in years.

18 - 25		26-35		36-45		46-55		Above 55	

25. Sex

Male		Female	

26. Marital status

Single		Married		Divorced/Separated		Widow	

27. Level of education.

Ordinary level		Advanced level/Diploma		First Degree		Second degree and above		Others including Professional qualification	

THANK YOU FOR YOUR TIME AND EFFORT IN FILLING QUESTIONNAIRE

Appendix II: Interview Guide with Hotel Manager

1. What are the most targeted customers in your hotel?

2. Which services provided in your hotel?

3. To what extent your customers satisfy with the services provided in your hotel?

4. What have done to improve the service quality in your hotel?

5. How do you cooperate with other stakeholders to improve services provided here?

6. What are the challenges facing your hotel towards provision of quality services?

Appendix III: Research Clearance Letters

<p align="center"><i>THE OPEN UNIVERSITY OF TANZANIA</i></p>

<p align="center"><i>DIRECTORATE OF POSTGRADUATE STUDIES</i></p>

P.O. Box 23409
Dar es Salaam, Tanzania
http://www.openuniversity.ac.tz

Tel: 255-22-2668992/2668445 ext.2101
Fax: 255-22-2668759
E-mail: dpgs@out.ac.tz

Our Ref: PG201610215   **Date: 5th June, 2018**

NEW SAFARI HOTEL (1967) LTD,
Boma Road, Arusha.

RE: RESEARCH CLEARANCE

The Open University of Tanzania was established by an act of Parliament No. 17 of 1992, which became operational on the 1st March 1993 by public notice No. 55 in the official Gazette. The act was however replaced by the Open University of Tanzania charter of 2005, which became operational on 1st January 2007. In line with the later, the Open University mission is to generate and apply knowledge through research.

To facilitate and to simplify research process therefore, the act empowers the Vice Chancellor of the Open University of Tanzania to issue research clearance, on behalf of the Government of Tanzania and Tanzania Commission for Science and Technology, to both its staff and students who are doing research in Tanzania. With this brief background, the purpose of this letter is to introduce to you **Mr. Emmanuel Raymond Mwacha, Reg No: PG201610215** pursuing **Master of Business Management (MBA).** We here by grant this clearance to conduct a research titled ***"Assessing the effect of service quality on customer satisfaction in the 3 stars Hotels in Arusha city.'' He*** will collect his data in Arusha region from 06th June 2018 to 25th June 2018.

In case you need any further information, kindly do not hesitate to contact the Deputy Vice Chancellor (Academic) of the Open University of Tanzania, P.O. Box 23409, Dar es Salaam. Tel: 022-2-2668820.We lastly thanks you in advance for your assumed cooperation and facilitation of this research academic activity.

Yours sincerely,

Prof. Hossea Rwegoshora
For: VICE CHANCELLOR
THE OPEN UNIVERSITY OF TANZANIA

THE OPEN UNIVERSITY OF TANZANIA

DIRECTORATE OF POSTGRADUATE STUDIES

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Tel: 255-22-2668992/2668445
ext.2101
Fax: 255-22-2668759
E-mail: dpgs@out.ac.tz

Our Ref: PG201610215   **Date: 5th June, 2018**

NAURA SPRINGS HOTEL,
East Africa Community, Nairobi Rd 7302, Arusha,

RE: RESEARCH CLEARANCE

The Open University of Tanzania was established by an act of Parliament No. 17 of 1992, which became operational on the 1st March 1993 by public notice No. 55 in the official Gazette. The act was however replaced by the Open University of Tanzania charter of 2005, which became operational on 1st January 2007. In line with the later, the Open University mission is to generate and apply knowledge through research.

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Yours sincerely,

Prof. Hossea Rwegoshora
For: VICE CHANCELLOR
THE OPEN UNIVERSITY OF TANZANIA

P.O. Box 23409 Dar es Salaam, Tanzania http://www.openunive rsity.ac.tz		Tel: 255-22-2668992/2668445 ext.2101 Fax: 255-22-2668759 E-mail: dpgs@out.ac.tz **Date: 05th June, 2018**

Our Ref: PG201610215

PALACE HOTEL,
Makongoro Rd, Arusha.

RE: RESEARCH CLEARANCE

The Open University of Tanzania was established by an act of Parliament No. 17 of 1992, which became operational on the 1st March 1993 by public notice No. 55 in the official Gazette. The act was however replaced by the Open University of Tanzania charter of 2005, which became operational on 1st January 2007. In line with the later, the Open University mission is to generate and apply knowledge through research.

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Yours sincerely,

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Tel: 255-22-2668992/2668445
 ext.2101
Fax: 255-22-2668759
E-mail: dpgs@out.ac.tz

Our Ref: PG201610215 Date: **05th June, 2018**

IMPALA HOTEL,
Off old Moshi/Simeon Rd 7302, Arusha.

RE: RESEARCH CLEARANCE

The Open University of Tanzania was established by an act of Parliament No. 17 of 1992, which became operational on the 1st March 1993 by public notice No. 55 in the official Gazette. The act was however replaced by the Open University of Tanzania charter of 2005, which became operational on 1st January 2007. In line with the later, the Open University mission is to generate and apply knowledge through research.

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In case you need any further information, kindly do not hesitate to contact the Deputy Vice Chancellor (Academic) of the Open University of Tanzania, P.O. Box 23409, Dar es Salaam. Tel: 022-2-2668820.We lastly thanks you in advance for your assumed cooperation and facilitation of this research academic activity.

Yours sincerely,

Prof. Hossea Rwegoshora
For: VICE CHANCELLOR
THE OPEN UNIVERSITY OF TANZANIA

Appendix IV: List of Rated Hotels

ARUSHA REGIONS
TOWN HOTELS

S/N	NAME OF THE HOTEL	STAR	REGION	LOCATION
1	Mount Meru Hotel	5	Arusha	Arusha
2	Kibo Palace	4	Arusha	Arusha
3	The African Tulip Hotel	4	Arusha	Arusha
4	Naura Springs Hotel	3	Arusha	Arusha
5	Snow Crest Hotel	3	Arusha	Arusha
6	Impala Hotel Ltd	3	Arusha	Arusha
7	SG Northern Adventure Ltd	3	Arusha	Arusha
8	Palace Hotel Arusha	3	Arusha	Arusha
9	Njiro Veta Hotel	3	Arusha	Arusha
10	Venus Premium Hotel	3	Arusha	Arusha
11	Arusha Corridor Springs Hotel	3	Arusha	Arusha
12	Arusha Crown Hotel	3	Arusha	Arusha
13	New Safari Hotel (1967) Ltd	3	Arusha	Arusha
14	Equator Hotel	2	Arusha	Arusha
15	Lush Garden Business Hotel	2	Arusha	Arusha
16	Hotel Aquiline	2	Arusha	Arusha
17	Green Mountain Hotel	2	Arusha	Arusha
18	Flamingo Safari Lodge	2	Arusha	Karatu
19	Lake Natron Palace Hotel	2	Arusha	Arusha
20	Summit Lodge	2	Arusha	Arusha
21	Mvuli Hotel	2	Arusha	Arusha
22	Crest Safari Lodge	2	Arusha	Arusha

23	Mc'Elly's Hotel	2	Arusha	Arusha
24	Premiere Palace Hotel	2	Arusha	Arusha
25	High View Hotel	2	Arusha	Karatu
26	The Lodge Tellemande	2	Arusha	Arusha
27	Rich Hotel	2	Arusha	Arusha
28	Graceland Hotel	2	Arusha	Arusha
29	Venice Hotel	2	Arusha	Arusha
30	Lush Garden Hotel	2	Arusha	Arusha
31	Explora Lodge	2	Arusha	Arusha
32	Stereo Hotel	2	Arusha	Arusha
33	Silver Palm Hotel	2	Arusha	Arusha
34	Karibu Heritage House	2	Arusha	Arusha
35	Tulia Boutique Hotel&Spa	2	Arusha	Arusha
36	Joshimal Hotel	2	Arusha	Arusha
37	City Link Pentagon Hotel	2	Arusha	Arusha
38	Africana Grand Hotel	2	Arusha	Arusha
39	Briston Hotel	2	Arusha	Arusha
40	Point Zone Resort Limited	2	Arusha	Arusha
41	Jevas Hotel	2	Arusha	Arusha
42	Charity Hotel	2	Arusha	Arusha
43	Nejobugg Palace Hotel	2	Arusha	Arusha
44	Olasiti Lodges and Garden Farm	2	Arusha	Arusha
45	Mercury Hotel	2	Arusha	Arusha
46	Peace Hotel	2	Arusha	Arusha
47	Kamao Hotel Ltd	2	Arusha	Arusha