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*THE MODERATING EFFECT OF CUSTOMER EXPECTATIONS
ON THE RELATIONSHIP BETWEEN SERVICE
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GUESTS IN KENYA*

WANJIKU NG'ANG'A. K
PROFESSOR. JUSTUS M. MUNYOKI
PROFESSOR FRANCIS KIBERA
PROFESSOR GANESH P. POKHARIYAL

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THE MODERATING EFFECT OF CUSTOMER EXPECTATIONS ON THE RELATIONSHIP BETWEEN SERVICE ENCOUNTER QUALITY AND SATISFACTION OF HOTEL GUESTS IN KENYA

Wanjiku Ng'ang'a. K¹, Professor. Justus M. Munyoki², Professor Francis Kibera³, Professor Ganesh P. Pokhariyal⁴

Abstract

Consumers have expectations of what they will receive from the service delivered to them. These beliefs about future events are compared with the perceived service delivered, and are assumed to influence customer satisfaction and service quality. The main objective of this study was to determine the moderating effect of customer expectations on service encounter quality and guest satisfaction. The study was guided by the service encounter needs theory, the expectancy disconfirmation theory and the three factor theory of customer satisfaction. A descriptive cross sectional research design was used in this study and the unit of analysis was resident guests at four star and five star rated town hotels in Kenya. The Tourism Regulatory Authority identifies 9 five- star rated town hotels and 12 four-star town hotels in Kenya. 18 of these hotels are located in Nairobi, 2 in Nyeri and 1 in Uasin Gishu. The study targeted 376 hotel guests who were randomly selected. A total of 350 responded which was a 95% response rate. Descriptive analysis as well as factor analysis, and regression analysis were used to analyze the data. The results show that when the interaction term was included there was an R^2 change of .0260, $p < 0.05$, showing presence of significant moderating effect. This implies that customer expectations moderate the relationship between service encounter quality and satisfaction. Hotels in Kenya need to actively pay attention to guests' expectations in terms of their desires at the point of encounter. These can be through ensuring staff are courteous, trustworthy and are equipped with information to assist the guests. Additionally, customers expect that a service is performed right without errors the very first time, therefore, the hotel management must ensure their staff are competent and that other services that enhance guests experience like neatness, timely service, modern fixtures meet guest expectations. Since this study was focused on top tier hotels, further research can be conducted on the lower tier hotels which are not featured in this study. More research is needed to compare the levels of guest satisfaction with other regions as well as doing studies with a different methodology like using longitudinal study design.

Key words: Service Encounter Quality, Customer Satisfaction, Customer Expectations, Hotels, Hospitality industry.

¹ Lecturer, St. Paul's University, Kenya. nganga.wanjiku@gmail.com

² School of Business, University of Nairobi, Kenya

³ School of Business, University of Nairobi, Kenya

⁴ School of Mathematics, University of Nairobi, Kenya

INTRODUCTION

A customer's expectation plays a major role in delivery of satisfaction. Customer expectations are beliefs about the kind of service delivered to customers that serve as standards against which the actual performance is appraised (Zeithaml, Bitner & Gremler, 2006). A comprehensive understanding of guest expectations, including an understanding of the factors that shape them is critical to hotel marketing because guests compare their perceptions of hospitality when evaluating the overall service quality. Service satisfaction is dependent on the degree to which the services received match the customers' expectations therefore, understanding consumers' service quality expectations is the key to delivering service quality. Customer satisfaction with a service encounter depends on initial expectation of the encounter compared to actual perceptions of the encounter (Rust & Huang, 2014).

In the service industry, customer expectations are important in the provision of quality service with two main levels of customer expectations being vital in service delivery that is desired and adequate levels (Hill, 2000). The desired service expectation describes what customers believe they will receive from the service providers, while adequate service is the service quality that customers can accept. The desired service represents a blend of what the customer believes should be offered to them. This kind of expectation reveals the wishes, hopes and desires of consumers that must be fulfilled or else the consumers would possibly not buy the product. Customers have hope that they will achieve their service desires but recognize that this is not always possible (Rust & Oliver, 2000). At this point a customer may have to put up

with certain service encounters that are less than their expectations. On the other hand, adequate service indicates the lowest level of performance that a customer can accept. Customers therefore assess service performance based on the two confines; what they desire and what they deem acceptable.

Expectations are not merely needs, but are also an assortment of other devices that consumers use to define the level of expected service. Once an encounter with a service is completed, customers compare their expectations with outcomes and then express their satisfaction levels (Stanton, 2015). Normally, a firm will attempt to meet its customers' expectations consequently ensuring that they are pleased with the encounter hence satisfaction. A firm should aim at setting service delivery above the expectations of the consumer. This will result in positive outcomes for the firm, including profit maximization, advocacy and positive word of mouth as well as return customers (Standards, 2004). This means that exceeding customer expectations will result to enhanced customer enthusiasm for the firm (Santos & Boote 2003) and therefore most organizations must cultivate firm and progressive expectations that attract and retain customers.

The study therefore sought to:

Assess the moderating effect of customer expectations on the relationship between service encounter quality and customer satisfaction

Theoretical perspective

This study was guided by three theories, namely; The service encounter needs theory (SENT), the expectancy

disconfirmation theory (EDT) and the three factor theory of customer satisfaction

The service encounter needs theory was developed by Bradley, McColl-Kennedy, Sparks, Jimmieson, & Zapf (2010). It proposes that the impact of service encounter on an individual is judged based on their psychosocial needs. These psychosocial needs are; cognition needs, competency, control needs, need for justice, power, trust, respect, and pleasant relations with others (Bradley et al.,2010). These kinds of needs are common among customers and employees and they must be fulfilled. Service encounter actions, like greetings, demands, clarifications, apologies, and complaints, can affect the fulfillment of these psychosocial needs. Consequently, the service encounter needs theory deduces that the level of satisfaction or dissatisfaction can result in a range of emotions like infuriation, irritation and anger through to delight, contentment and pleasure (Bradley et al., 2010).

This study also falls within the framework provided by the expectancy disconfirmation theory which affirms that customer expectations integrated with performance lead to satisfaction. This theory was developed by Richard Oliver in 1980 where he argued that when realism fails to match a person's expectations, then they will experience psychological anxiety. The EDT model is comprised of four components that is expectations, perceived performance, disconfirmation, and satisfaction. Expectations describe a customer's hopes about the performance of a product while perceived performance considers the customer's experience once they have used the goods or services, this experience can either fulfil or fail to fulfil customers' expectations. Disconfirmation is the variance between a customer's

primary expectations and the actual performance (Bhattacharjee&Premkumar, 2004). Finally, satisfaction will occur when the service provided exceeds the expectations of the customer.

The third theory is the three factor theory of customer satisfaction by Kano (1984) which asserts that there are three satisfaction factors that can be used to distinguish the levels of satisfaction that a customer can hold. These are basic factors which are fully expected as the customer regards them as preconditions for product uptake such as the cleanliness of the carpet in a hotel room. Secondly are excitement factors which are unexpected and are used to surprise the customer as well as generate customer delight like a wrapped gift on the hotel bed. Third are the performance factors which are directly connected to the customers' explicit needs and desires. They lead to satisfaction if performance is high and to dissatisfaction if performance is low. Organizations must therefore strive to be unique so as to appeal to customers through regular changes to a brand and its value propositions. They must strive to remain relevant by focusing on benefits, attributes and features that are crucial to service provision, quality enhancement and updating these over time (Nielsen, 2010).

EMPIRICAL REVIEW

A study done by Noone, Kimes, Mattila, and Wirtz (2009) focused on perceived service encounter pace and customer satisfaction and revealed that as perceived pace of the service encounter increases, satisfaction increases. This study was done in the United States of America where respondents were conveniently picked as they were dining. The study explored perceived pace of service encounter but did not address the different value dimensions such as functional, emotional and social

value. In a study done by scholars from US, Canada, Sweden and Portugal on service encounters Voorhees et al., (2017) concluded that there was too much emphasis on the core service encounters and a narrow focus on pre-core and post-core encounters. The current study focused on all the three service encounter points of pre core, core and post core service to define the customer experience. Another study by Lee (2006) conducted in South Korea treated customer satisfaction and perceived value as independent variables and the results showed that perceived value described more variance of loyalty than customer satisfaction. The current study uses customer satisfaction as the dependent variable and perceived value as a mediating variable.

Further, a study by Durvasula, Lysonski and Mehta (2011) in Singapore concluded that service satisfaction is jointly affected by service encounter perceptions and service quality perceptions. The study sampled industrial customers who evaluated service dimensions of ocean freight shipping lines. The service encounter perception dimensions used were not exhaustive and did not cover key service marketing elements like price, physical evidence and people. Another study Singh (2013) conducted a study to show that positive service encounter is a tool for customer loyalty. Convenience sampling was used by choosing customers who had shopped from the fashion apparel in India. This study concluded that service quality strongly influences customer loyalty through customer satisfaction. The latter was tested as a moderating variable.

A study by Phiri and Mcwabe(2013) sought to measure customer expectation levels of service quality in the food retail sector in South Africa. Respondents were

selected through convenience sampling. The study did not test the moderation effect of customer expectations. In 2014, Mayombo carried out a study on the effect of customer complaint behavior (CCB) on customer loyalty in Uganda and found organisations that strive to have and maintain quality service will gain loyal customers. The current study tests customer loyalty as an indicator of customer satisfaction. In Kenya, studies that have been conducted include Owino (2013) whose research sought to identify the impact of service quality on customer satisfaction among university students. The study concluded that there is a statistically significant relationship between service quality and students' satisfaction. However, the study only tested the service mix elements which excludes other marketing elements such as price, product, promotion and place that have been used in the current study.

In his study done in maize flour mills in Kabare (2013) found that quality of service emerged as a key driver of satisfaction among customers in Nairobi and it had positive and significant correlations with customer satisfaction. His study focused on overall satisfaction without exploring key behavioral and attitudinal aspects of customer satisfaction. A holistic approach encompassing both attitudinal and behavioural would be useful in understanding customer satisfaction of hotel guests which is the focus in the current study. Mutisya (2012) in her study of hotels in the Kenyan coast found that guest satisfaction levels averaged between satisfactory to fairly satisfactory. Additionally, her research revealed that there was some level of inconsistency between the kind of hotel services customers expected and what they received.

In the current study two levels of expectations are analysed: desired and adequate customer expectations. The study used customer satisfaction as a dependent variable while the current study conceptualized the same as a dependent variable. From the discussion above there is need to conduct a comprehensive study that integrates several variables to address the knowledge gaps. Though some of the ideas and variables expressed herein may be familiar to many, the value is in integrating these variables to provide a

more comprehensive and holistic picture of service encounter in the Hotel Industry.

Research Framework and hypothesis

The study was guided by a framework which showed the relationships among the three variables of the study. Service encounter quality is the independent variable which influences customer satisfaction (dependent) while customer expectations was used as the moderating variable

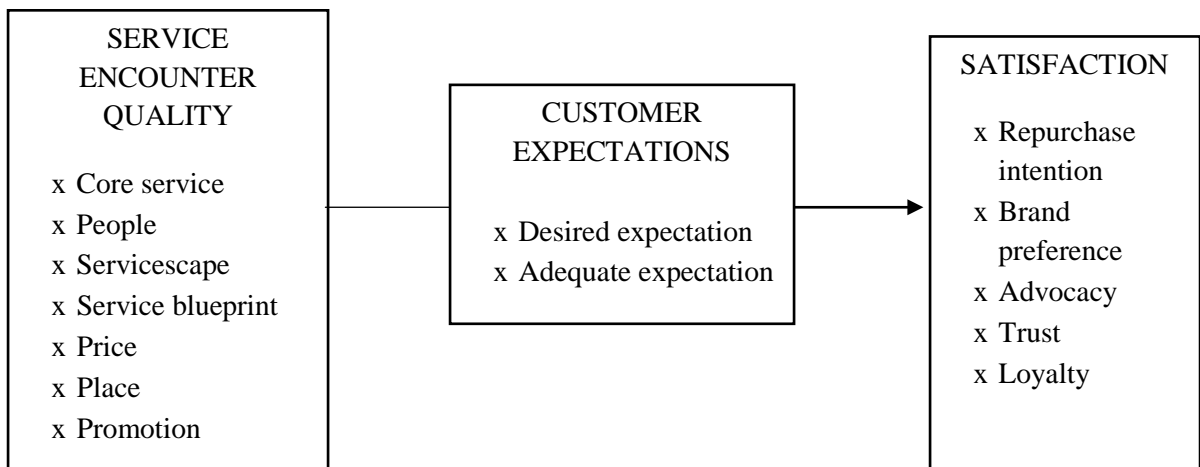


Figure 1: Conceptual model

Arising from the conceptual model in Figure 1 the following hypothesis was proposed

H₁: Customer expectations have a significant moderating effect on the relationship between service encounter quality and customer satisfaction.

RESEARCH METHODOLOGY

The study was pegged on the positivist approach which assumes a quantitative approach of exploring phenomena (Cooper

& Schindler, 2006). It works with observable and evident social realities where only phenomena that is observed will lead to the creation of reliable data. The researcher relied on existing theory to develop hypotheses which was then tested and confirmed. A positivist researcher will most probably use a well-structured methodology in order to enable replication (Gill & Johnson, 2002). The researcher concentrates on facts, key laws, checks for causality, formulates hypotheses and tests the hypotheses (Saunders, Lewis & Thornhill, 2007).

A descriptive cross-sectional design was adopted for this study. Ramani and Kumar (2008) found that cross-sectional studies have robust effects on relationship studies. Therefore, this design is appropriate in establishing the effect of relationships between the current study's variables. It affords the opportunity to capture a population's characteristics and test hypotheses both quantitatively and qualitatively (Cooper & Schindler, 2006). The choice of this design was guided by the purpose of the study which was to test the effect of service encounter quality and customer expectations on customer satisfaction.

The population of the study comprised of guests at star rated hotels in Kenya that are recognized by the Department of Tourism. The analysis unit for the current study was resident guests who had spent at least one night in either a 4-star or a 5-star town hotel. Kenya currently has 21 four star and five-star town hotels which are classified based on their size, their location, their function, target markets, amenities, service levels and industry standards. In Kenya, the tourism regulatory authority(TRA) defines town hotels as those hotels that are located in towns or in the outskirts (TRA, 2016).

The researcher with the assistance of trained research assistants distributed questionnaires through drop and pick later method. The questionnaires were administered to resident guests at all the 21 sampled hotels. At the time of conducting this study the total number of guests in the four star and five-star town hotels in Kenya was 4,579 at full capacity (TRA, 2016). Systematic random sampling technique was then used to pick subjects giving each an equal opportunity of being selected and a final sample of 367

respondents was adopted. Questionnaires were distributed based on the hotel room that the guests were staying in. Reliability of the questionnaire was tested and based on Cronbach's alpha which dictates that coefficients range between 0 and 1 and the nearer it is to 1, the greater the level of internal consistency of the objects in the scale. The study achieved alpha values between 0.882 and 0.965 which was within the range.

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

Factor analysis was done based on the criteria of the Kaiser, Meyer and Ohlin (KMO) measure of sampling adequacy with a threshold of above 0.6 for factor analysis to proceed. Bartlett's test of sphericity was also done using principal component analysis(PCA) by varimax rotation and Kaiser normalization. The constructs of the variables of service encounter quality, customer expectations, and customer satisfaction were exposed to KMO and Bartlett's test extraction. In the current study, the KMO scores were 0.7 which exceeded the prescribed measure of 0.6 and were therefore adequate for factor analysis. While the Bartlett's scores for each of the variables were statistically significant at 0.000.

Data were analyzed using both descriptive statistics and inferential statistics. To test the hypotheses, correlation and regression analyses were computed to determine the relationships between service encounter quality, customer expectations and customer satisfaction. Parametric tests were done to assess whether the assumptions of the parametric data were acceptable and to determine whether the sample fulfils the assumptions of parametric data. The assumptions of multicollinearity normality,

heteroscedaticity and linearity were all attained.

The statistics for the overall scores for study variables are displayed on table 1. Service encounter quality generated the highest mean score value of 4.0992, CV=13.79%, This indicates that the

respondents rated highly in service encounter quality among hotel guests in Kenya. The coefficient of variation was 13.7923% which indicates that majority of the respondents were in agreement regarding quality of service encounter at the hotels.

Table 1: Overall scores of the descriptive statistics

Variables	N	Mean score	Std. Deviation	CV (%)
Service encounter quality	350	4.0992	.56538	13.7923
Customer satisfaction	350	3.8783	.41526	10.7071
Customer expectations	350	3.9862	.43278	10.8569
Perceived value	350	4.0196	.35936	8.94

Source: Primary Data

Customer satisfaction and customer expectations recorded lower mean scores of 3.8783 and 3.9862 respectively yet these are key success factors in any business. This suggests that hotel managers have not given customer satisfaction and customer expectations the weight and importance

they deserve. Managing customer expectations is an important factor that enables customer satisfaction (Hsieh et al., 2011) while customer expectations are a major element of a customer's service quality evaluation and satisfaction (Pham & Simpson, 2006).

Table 2: Reliability Tests

Variable Cronbach's	Components of Variable	Alpha co-efficient	Number of items	Decision
Service encounter quality	Core service People Servicescape Service blueprint Price Accessibility Promotions	0.921	57	Reliable

Customer expectations	Desired service Adequate service	0.891	26	Reliable
Customer satisfaction	Repurchase intention Brand preference Advocacy Trust Loyalty	0.91	19	Reliable

Principal component analysis (PCA) and Promax rotation method was used to refine each of the constructs. Through PCA algorithm, items of the constructs with factor loadings greater than 0.5 were retained for further analysis as prescribed

by (Hair, Ringle&Sarstedt, 2011). The study used three factor analysis measurement indicators to assess the factorability of items. These are Kaiser Meyer-Olin (KMO) measure of sampling adequacy, Barlett’s test of sphericity and communalities.

Table 3: KMO and Bartlett's Test on Customer Expectations

Test		Value
KMO for sampling adequacy		.799
Bartlett's Test of Sphericity	Approx. Chi-Square	1316.645
	Df	28
	Sig.	.000

Source: Primary Data

According to Pallant (2010) communalities threshold of above 0.5 are used to measure the variability of individual items explaining the extracted factor. Kaiser’s

criterion was used to determine the number of factors extracted on each construct and retaining the factors with eigenvalues >1 or equal to 1.

Table 4: Variance

Total Variance Explained for customer expectation

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings ^a
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	3.828	47.849	47.849	3.828	47.849	47.849	3.224
2	1.658	20.721	68.570	1.658	20.721	68.570	3.123
3	.720	8.997	77.568				
4	.487	6.084	83.651				
5	.458	5.730	89.381				
6	.342	4.273	93.654				
7	.284	3.548	97.202				
8	.224	2.798	100.000				

Extraction Method: Principal Component Analysis.

Correlation was used to ascertain the relationships amongst the independent variables and consequently assist in tests for multicollinearity. When correlations are greater 0.90 it is a signal that the

variables could be evaluating similar things (Tabachnick&Fidell, 2013). Table 5 presents the correlation coefficients between study variables.

Table 5: Correlation

Variables	Statistic	Customer satisfaction	Service encounter quality	Customer expectations
Customer satisfaction	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	350		
Service encounter quality	Pearson Correlation	.634**	1	
	Sig. (2-tailed)	.000		

	N	350	350	
Customer expectations	Pearson Correlation	.692**	.591**	1
	Sig. (2-tailed)	.000	.000	
	N	350	350	350

Source: Primary Data

The correlation between service encounter quality and customer satisfaction was affirmative and significant ($r=0.634$, $p<0.05$). Customer expectations was positively and significantly related to customer satisfaction with $r=0.692$, $p<0.05$. The study found that correlations among all the study variables were < 0.90 implying that the variables had different measures of distinct variables hence they were all utilized in the study.

Testing for moderation entails checking for the interaction term by using multiple regression analyses. The interaction term represents the combined correlation

between service encounter quality and customer expectations which accounts for further variation in the dependent variable beyond that described by either service encounter quality or customer expectations. The moderation effect is present when the interaction term outlines a statistically significant variation in the dependent variable.

The moderation model was stated as follows:

$$Y_i = \beta_0 + \beta_1 X_i + \beta_2 Z_i + \beta_3 XZ_i + e_i$$

Where β_0 is the intercept and e_i the error term.

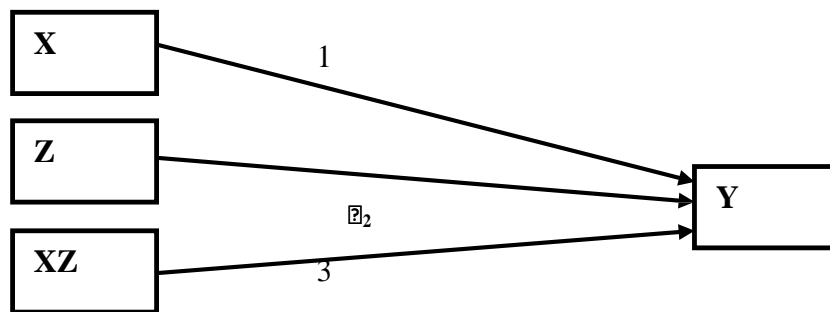


Figure 2: Moderation Path Diagram

Source: Adopted from Fairchild and MacKinnon (2009)

X=Service Encounter Quality (Independent Variable), Z=Customer

Expectations (Moderator), Y= Customer Satisfaction (Dependent Variable), XZ=The product of X (moderator) and Z (Interaction term). $\beta_1 =$ The effect of X on Y; $\beta_2 =$ The effect of Z on Y; $\beta_3 =$ The effect of XZ on Y (Beta Coefficients)

Table 6: Moderating effect of Customer Expectations

6a. Model Summary

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate
1	.746 ^a	0.556	0.553	0.27749
2	.763 ^b	0.582	0.579	0.26958

Source: Primary Data

6b. Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.462	2	16.731	217.275	.000 ^b
	Residual	26.72	347	0.077		
	Total	60.181	349			
2	Regression	35.036	3	11.679	160.7	.000 ^c
	Residual	25.145	346	0.073		
	Total	60.181	349			

a. Predictors: (Constant), Service encounter quality(SEQ), customer expectations

b. Predictors: (Constant), Customer Expectations, SEQ and interaction term

c. Dependent variable: customer satisfaction

Source: Primary Data

6c. Regression Coefficients

Model	Unstandardized Coefficients			Standardized Coefficients	t	Sig.
	B	Std. Error	Beta			
1	(Constant)	0.877	0.106		8.275	.000
	SEQ	0.254	0.033	0.346	7.798	.000

	Customer expectations	0.467	0.043	0.487	10.979	.000
2	(Constant)	-0.923	0.400		-2.307	.022
	SEQ	0.9	0.142	1.225	6.324	.000
	Customer expectations	1.062	0.134	1.106	7.91	.000
	SEQ*Customer Expectations	-0.21	0.045	-1.351	-4.655	.000

Model 1. Predictors: (Constant), Customer Expectations, SEQ

Model 2. Predictors: (Constant), Customer Expectations* SEQ

Dependent Variable: Customer Satisfaction

Source: Primary Data

The results show that when the interaction term was included there was an R² change of .0260, $p < 0.05$, showing presence of significant moderating effect. This implies that the moderating effect of customer expectation gained 2.60% variance in the satisfaction. As shown in Table 6a. the R² for model one was 0.556 implying that service encounter quality and customer expectations jointly explain 55.6% variation in satisfaction of hotel guests in Kenya. The regression model one is a good fit as indicated by the significant F-statistic (Fvalue =217.275, $p < 0.05$). Upon introduction of the interaction construct presented as model 2, the model remains significant (Fvalue=160.7, $p < 0.05$) inferring that customer expectations are significant moderating factors of service encounter quality and satisfaction of hotel guests in Kenya.

Model 2 indicates the outcome after the inclusion of the interactive term in the model. Service encounter quality was found to be significant ($p < 0.05$, regression coefficient=-0.9). Customer expectation

was found to be significant ($p=0.05$, regression coefficient=1.062) and service encounter quality* customer expectations was also found to be significant ($p < 0.05$, regression coefficient =-0.21). However, there was a negative statistically significant relationship of customer satisfaction on the product term of service encounter quality and customer expectations. H₁ [S H F WSD pValue=0.00] is shown in Table 6c. This implies that changes in customer expectations could negatively affect the service encounter quality and customer satisfaction relationship since the direction of the relationship is on the negative.

The effect of service encounter quality on customer satisfaction of hotel guests in Kenya was statistically significant ($p < 0.05$) meaning that with an improvement in understanding customer expectations (adequate and desired expectation), customer satisfaction is enhanced. Therefore, the study supported the hypothesis that customer expectations have a statistically significant moderating influence on the relationship between

service encounter quality and customer satisfaction.

The resultant multiple regression equation is:

$$CS = -0.923 + 0.9 SEQ + 1.062 CE - 0.21 SEQ * CE$$

CS=Customer Satisfaction

SEQ=Service Encounter Quality

CE= Customer Expectations

CONCLUSION

The study concluded that the impact of SEQ on customer satisfaction was moderated by customer expectations. This implies that hotels in Kenya need to actively pay attention to guests' expectations in terms of their desires at the point of encounter. These can be through ensuring staff are courteous, trustworthy and are equipped with information to assist the guests. Customers expect that a service is performed right without errors the very first time, therefore, the hotel management must ensure their staff are competent and that other facilities that enhance guests experience like neatness, timely service, modern fixtures meet guest expectations. The study observed that the guests' expectations significantly vary and they affect satisfaction.

Recommendations

The study found that changes in customer expectations could negatively affect the relationship between service encounter quality and customer satisfaction. It therefore recommended that the policy makers and management of hotels should improve and enhance the quality of the service by considering customer expectations and customer satisfaction. This is because customer expectations have a moderating effect on the

relationship between service encounter quality and customer satisfaction.

The owners of the hotels or the top level of managers should maintain the service encounter quality at the acceptable level, because of the different types of customers who have a variety preferences and expectations. The facilities' physical appearance like facilities at excellent hotels should be visually appealing, materials in excellent hotels should be neat in appearance and the front office area and restaurants must be attractive and appealing.

To solve the problems regarding confidence of employees, the management should look at attracting and recruiting staff that have adequate knowledge in managing, especially in hotel management and tourism with appropriate short and long term training and orientations concerning customers handling should be provided. Well-trained employees can deliver quality service which helps the image of the company and attracts more customers to the company.

Suggestions for future research

This study makes an important contribution in the understanding of the effect of service encounter quality on customer satisfaction. It further brings out moderating effects of customer expectations. Future studies may be done with a different methodology using longitudinal study design. More research is needed to compare the levels of guest satisfaction with other regions. The question would be; are guest's expectations in Kenya similar to those in other countries?

Further research can also be conducted on the other lower star rated hotels which are not featured in this study. The current

study focus was on the top tier hotels which are considered expensive and luxurious hence attracting certain clientele. The customers' expectations and perceptions of value may be different in the three star, two star and one star hotels.

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