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MEDIATING EFFECT OF SERVICE QUALITY BETWEEN SERVICE ORIENTATION AND CUSTOMER SATISFACTION IN MICRO HOTELS, AMPARA COASTAL BELT, EASTERN PROVINCE, SRI LANKA

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Abstract

There is an increasing number of micro hotels that are existing at present are greater than those existed in Ampara Coastal Belt, Eastern Province, Sri Lanka during past. Consumers like to have their foods outside their home at micro hotels for a varied number of reasons. Service quality leading to customer satisfaction is not possible without service orientation. On this basis, this study is proposed to test the mediatory effect of service quality between service orientation and customer satisfaction in Srilankan context in micro hotels. In this study, researcher reviewed literature in four components such as service orientation, service quality, customer satisfaction and relationship between service orientation, service quality and customer satisfaction. Following review of literature, researcher derived a research model for the study. In this study, 600 respondents were taken as sample size for data collection using convenience and SRS methods during the period of 2019 and 2020 amidst much difficulties. Data analysis was done using AMOS with reliability and validity checking, individual measurement models, overall measurement models and SEM with fit indices such as CMIN, CMINDF, GFI, RMR, RMSEA and other necessary statistics. Research concluded that SQ mediates between SO and CUS. In usual situations, micro hotel employees worked for CF and SUP. In unusual situations like COVID -19, micro hotel employees served for OS.

Key words: *Customer Satisfaction, Service Orientation, Service Quality Between.*

Introduction

Micro hotels have been increasing in each village of Ampara Coastal Belt, Eastern Province, Sri Lanka. Micro hotels have been rising in Ampara Coastal Belt, Eastern Province, Sri Lanka during the last decade. Statistically, there are somewhat difficulties in saying that micro hotels are increasing. Number of micro hotels existing in present years are greater than those existed in Ampara Coastal Belt, Eastern Province, Sri Lanka during the past years. This is a quantitative evidence and an axiom truth that micro hotels are increasing in Ampara Coastal Belt, Eastern Province, Sri Lanka. There are many reasons behind the rise of increased micro hotels in Ampara Coastal Belt, Eastern Province, Sri Lanka. Consumers prefer to eat outside their home. An increasing number of working people like to have their foods at micro hotels due to time pressure. Since more working couple and working women go to their workplaces than previous years they also prefer to take their foods at micro hotels due to lack of time for cooking. Youngsters prefer to eat their meals at micro hotels in recent times. Due to various reasons including the above noted reasons, there are consumers for micro hotels. To meet the increased demand from consumers, micro hotels are increasing time to time. There is competition among micro hotels. Customers seek better micro hotels for their food needs. In marketing terminology, customers expect better services. Customers prefer service quality. Service quality is impossible without service orientation.

Similarly, customer satisfaction is impossible without service quality. Thus, service orientation, service quality and customer

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satisfaction are related and interrelated. Service quality mediates between service orientation and customer satisfaction. There are number of previous studies that tested the direct relationships between service orientation, service quality and customer satisfaction using correlation and regression analyses in different countries and in different time periods. But, there are limited researches that have tested the mediatory effect of service quality between service orientation and customer satisfaction in Srilankan context in hotel sector in recent times. To fill this research gap, this study is proposed to test the mediatory effect of service quality between service orientation and customer satisfaction in Srilankan context in micro hotels.

Research Question and Research Objective

Research Question and Research Objective are tabulated in Table 1.

Table 1: Research Question and Research Objective

Research Question	Research Objective
Does service quality mediate between service orientation and customer satisfaction?	To know the mediating effect of service quality between service orientation and customer satisfaction

Review of Literature

Researcher reviews literature in four parts such as service orientation, service quality, customer satisfaction and relationship between service orientation, service quality and customer satisfaction.

Service Orientation

Service orientation has been defined by various scholars. Hogan, et. al. (1984) had defined service orientation as a disposition to be helpful, thoughtful, considerate and cooperative. Micro hotel workers should have an attitude of helping, thinking, considering and co-operating their customers. When micro hotel workers are helpful, thoughtful, considerate and cooperative about their customers there will be service orientation. Once looking at this definition, helpfulness, thoughtfulness, consideration and co-cooperativeness of employees are considered as personality traits of employees. Thus, this definition falls in the view that service orientation is an innate personality trait of employees which focuses on customer.

Soloman, Suprenant, Czepiel and Guttman (1985) had defined that service can be explained by situation and environment and argued that situational and environmental variables have an on-service orientation. Situational and environmental variables of workers play an important role in service orientation. Once situational and environmental variables of workers are favourable there will be service orientation otherwise not. Once looking at this definition, situation and environment are external factors surrounding an employee. Thus, situation and environment can have an impact on service orientation of micro hotel workers. Thus, this definition falls in another view that service orientation is not an innate personality trait of employees which focuses on customer but an external situation and environment of micro hotel employees which can exist in organizational support and service under pressure. In a nutshell, there are two views of service orientation. The first view is based on the first definition and focuses on customer. The another view is based on the second definition and based on organizational support and service under pressure. Therefore, service orientation can be dimensionalised into customer focus, organizational support and service under pressure as mentioned by Dienhart, Gregoire and Downey (1991) and Groves (1992).

Dienhart, Gregoire and Downey (1991) measured employee service orientation in restaurant industry. It was found that customer focus, organizational support and service under pressure constitute service orientation. Customer focuses refers to how an employee interacts with customer; makes enjoyable a customer; and makes satisfactory a customer during service delivery. Organisational support refers to how management encourages services, training, design of service systems and organizational procedures for service delivery. Service under pressure refers to how an employee serves a customer during busy hours by meeting expectation of customers and management for service delivery (Source: Dienhart, Gregoire and Downey, 1991). In this proposed study, operationalisation is based

Kim, McCahon and Miller (2003) and review of literatures.

Service Quality

Marketing literatures and many marketing experts have mentioned that a good is different from service. Since services are naturally intangible, inseparable and heterogeneous measuring service quality is difficult. Hotel services are also intangible, inseparable and heterogeneous measuring hotel service quality is difficult. This is why Parasuraman, Zeithaml, and Berry (1995) had mentioned that measuring service quality is difficult. Parasuraman, Zeithaml, and Berry (1995) defined that service quality is the difference between customer expectation of services and the perception of the actual services received. Hotel service quality is the difference between what the hotel customers expect and what the hotel customer receive. Parasuraman, Zeithaml and Berry (1998) developed an instrument called SERVQUAL for measuring service quality of any service. The same tool developed by Parasuraman, Zeithaml, and Berry (1998) is also used in this proposed study by considering overall reliability, responsiveness, assurance, empathy and tangibility.

Customer Satisfaction

Oliver (1981) defined customer satisfaction is the summary psychological state and customer satisfaction is related to performance and expectation. By comparing performance and expectation, there are 2 types of disconfirmation and a type of confirmation. 2 types of disconfirmations are positive disconfirmation and negative disconfirmation. Positive disconfirmation refers to performance exceeds expectation. Positive disconfirmation arises when hotel service performance exceeds hotel service expectation. Positive disconfirmation leads to an emotional reaction called as delight, i.e. more satisfaction. Negative disconfirmation refers to performance lowers expectation. Negative disconfirmation arises when hotel service performance lowers hotel service expectation. Negative disconfirmation leads to an emotional reaction called as dissatisfaction. One type of confirmation is zero confirmation. Zero confirmation refers to performance equals to expectation. Zero confirmation arises when hotel service performance equals to hotel service expectation. Zero confirmation leads to an emotional reaction called as satisfaction.

Relationship between service orientation, service quality and customer satisfaction

Schneider, et. al. (1980) studied about the relationship between service orientation and service quality in banks. It was found that service orientation was correlated to service quality in bank. Parasuraman, et. al. (1988) stated that service quality is a form of an attitude, which is related to customer satisfaction but not equivalent to customer satisfaction. Therefore, there is an evidence that service quality and customer satisfaction are related but different constructs.

Research Model

Using the above review of literature, researcher derives the following research model for the study as depicted in Figure 1.

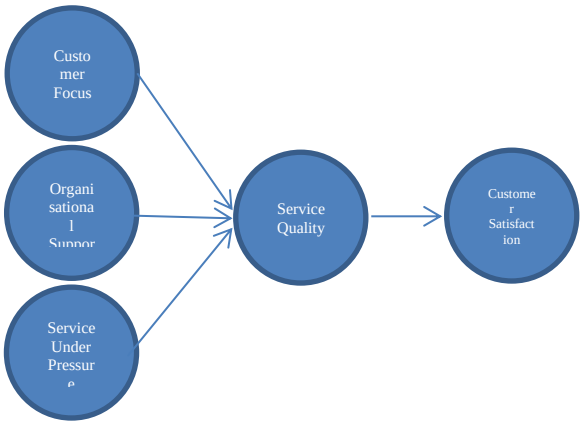

Figure 1: Research Model
(Source: Adopted from Review of Literature)

Research Methodology

Respondents

In this study, respondents are customer who come and buy things from micro hotels in Ampara Coastal Belt, Eastern Province, Sri Lanka. There were 4 major parts in the questionnaire such as personal variables, service orientation, service quality and customer satisfaction. Since service orientation is related to employees' questions were asked from customers' point of view to know the service orientation of employees.

Research Site

Research sites are micro hotels in Ampara Coastal Belt, Eastern Province, Sri Lanka. Micro hotels are eating shops, tea rooms, fast

food outlets, food corners, bite (taste) centres, string hopper outlets, etc. which sell food items to customers who come and buy food stuffs.

Sample Size and Data Collection

In this study, sample size was 600 respondents. Data were collected using convenience and SRS methods during the period of 2019 and 2020. Data collection was very difficult during this period due to the panic of COVID.

Questionnaire Design

There are 4 major parts in the questionnaire such as personal variables, service orientation, service quality and customer satisfaction. Personal variables are age, income, occupation, family size, regular visitor, etc. Service orientation has been operationalized into 3 indicators such as customer focus abbreviated as CF, organizational support abbreviated as OS and service under pressure abbreviated as SUP. CF, OS and SUP have 7 items respectively (Source: Adopted from Kim, McCahon and Miller, 2003). Service quality has been operationalized into 5 items such as reliability, responsiveness, assurance, empathy and tangibility. Although these are dimensions of service quality these are considered as items for measuring service quality. Customers were asked to answer to these service quality items on an overall basis. 5 service quality items have been considered in this study (Source: Adopted from Parasuraman, Zeithamal & Berry, 1988). Customer satisfaction has been operationalized into 7 items such as store salespeople, store environment, merchandising policies, product, clientele, value/ price relationship and special sales (Source: Adopted from Wrestbrook, 1981).

Data Analysis

In this study, researched used AMOS for data analysis. These data analyses were based on reliability and validity checking, individual measurement models, overall measurement models and SEM. Individual and overall measurement models were checked with fit indices such as CMIN, CMINDF, GFI, RMR, RMSEA and other necessary statistics.

Results and Discussion of Findings

In this results and discussion, validity checking, individual measurement models, overall measurement models and SEM are discussed with findings.

Validity Checking: Convergent validity

There are 4 methods of checking convergent validity such as unstandardised regression weight, standardised regression, AVE and CR. Unstandardised Regression is the first method of checking convergent validity. Under this method, convergent validity is achieved when all items in a measurement model are statistically significant. All items in a measurement model are statistically significant this means that convergent validity is achieved in this measurement model.

Standardised Regression is the second method of checking convergent validity. Estimate refers to estimates of standardized regression weights. Since estimates of standardized regression weights of all items in a measurement model are greater than 0.5 convergent validity is achieved in this measurement model.

Average Variance Extracted is the third method of checking convergent validity. Since values of AVE of all items of a construct in a measurement model are closer to 0.5 (Service Quality 0.4901; Customer Satisfaction 0.4771) and greater than 0.5 convergent validity is achieved in this measurement model.

Construct Reliability/ Composite Reliability is the fourth method of checking convergent validity. Since values of CR of all items of a construct in a measurement model are greater than 0.7 convergent validity is achieved in this measurement model.

Validity Checking: Discriminant Validity

Discriminant Validity refers to between different constructs. There are 3 methods of calculating discriminant validity that are based on CR, comparison between CR and AVE and comparison between AVE and squared correlations of constructs.

Composite Reliability/ Construct Reliability -CR- is the first method of checking discriminant validity. Since values of CR of all constructs in measurement model are greater than 0.6 discriminant validity is achieved.

Comparison between Construct Reliability/ Composite Reliability -CR- and Average Variance Extracted -AVE- is the second

method of checking discriminant validity. Under this method, discriminant validity is achieved when values of AVE of all constructs in a measurement model are less than those of CR. In other words, discriminant validity is achieved when values of CR of all constructs in a measurement model are greater than those of AVE. Since values of AVE of all constructs in a measurement model are lower than those of CR discriminant validity is achieved in this measurement model.

Comparison between AVE and squared correlations of constructs is the third method of checking discriminant validity. Under this method, discriminant validity is achieved when values of AVE of all constructs in a measurement model are greater than values of squared correlations of constructs. In other words, discriminant validity is achieved when values of squared correlations of constructs in a measurement model are lower than those of AVE. Table 2 tabulates comparison between AVE and correlations of constructs

Since values of AVE of all constructs in a measurement model are lower than values of squared correlations of constructs. This means that discriminant validity is achieved in this measurement model.

Table 2: Comparison between AVE and correlations of constructs

	CF	OS	SUP	SQ	CUS
CF	0.6163				
OS	0.6620	0.5875			
SUP	0.4450	0.4400	0.5380		
SQ	0.2540	0.3490	0.1070	0.4901	
CUS	0.1800	0.2050	0.0360	0.4190	0.4771

(Source: Survey Results)

SEM Model

In this study, individual and overall measurement models were checked with fit indices such as CMIN, CMINDF, GFI, RMR, RMSEA and other necessary statistics. These statistics are satisfactory as depicted in Figure 2.

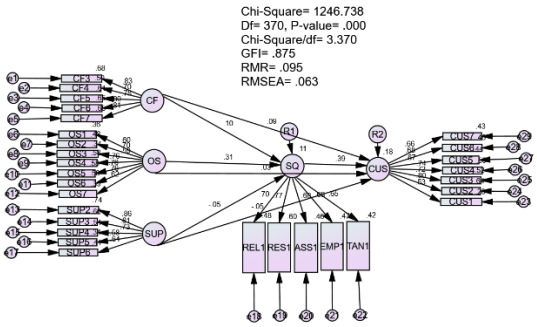

Figure 2: SEM Model

(Source: Survey Results)

Indirect Effect

Indirect effect refers to mediatory effect. In this study, the above SEM model depicted in Figure X, researcher observed that there are 3 models. Researcher broke down this model into 3 sub SEM models. The 1st and 3rd sub SEM models have no mediation. The 2nd sub SEM has full mediation as depicted in Figure 3.

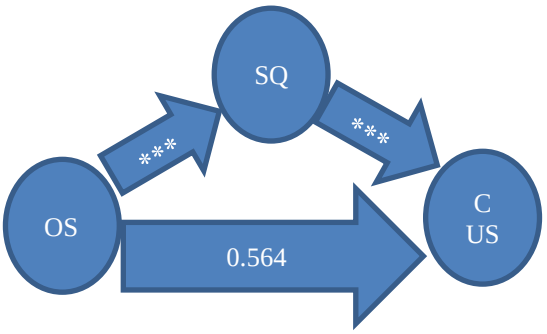

Figure 3: 2nd sub SEM Model

(Source: Survey Results)

Hypothesis Development and Testing

On the basis of the model that had full mediation as depicted in Figure 3, the following hypothesis has been developed and tested. The 2nd sub SEM model was used to develop 1 hypothesis for indirect effect as mentioned below.

Null Hypothesis: SQ has no mediatory effect between OS and CUS

Alternative Hypothesis*:* SQ has mediatory effect between OS and CUS

In order to test this hypothesis, there are 3 methods such as bound (LB and UB), two tailed significance and both. Test results of indirect effects for lower bound and upper bounds are tabulated in Table 3.

Table 3: Indirect effects for lower bound and upper bounds

Indirect Effects - Lower Bounds (PC) (Group number 1 - Default model)							Indirect Effects - Upper Bounds (PC) (Group number 1 - Default model)					
	SUP	OS	CF	SQ	CUS			SUP	OS	CF	SQ	CUS
SQ	.000	.000	.000	.000	.000		SQ	.000	.000	.000	.000	.000
CUS	-.075	.082	-.025	.000	.000		CUS	.013	.271	.060	.000	.000
		+.082							+.271			

If both lower bounds and upper bounds are positive and no zero falls in between these two values then researcher rejects null and accepts alternative.

Test results of indirect effects for two tailed significance are tabulated in Table 4.

Table 4: Indirect Effects - Two Tailed Significance (PC) (Group number 1 - Default model)

	SUP	OS	CF	SQ	CUS
SQ	...	...	...	...	...
CUS	.226	.002	.435	...	...

Value of two tailed significance is 0.002. This means that p value is less than significance level of 5%. In other words, 0.002 is less than 0.05 then researcher rejects null and accepts alternative.

On the basis of the above 3 methods for hypothesis tests, null is rejected and alternative is accepted. Rejecting null hypothesis refers to that "SQ has no mediatory effect between OS and CUS" is rejected. Accepting alternative hypothesis refers to that SQ has mediatory effect between OS and CUS.

Conclusion

Research objective is to know the mediating effect of service quality between service orientation and customer satisfaction. In order to answer this research question, researcher tested an indirect effect. 2 sub SEM models (1st and 3rd SEM models) were not considered in this study since these models have no mediation. The 1st SEM model was based on SO (CF), SQ and CUS. Micro hotel employees did not focus on customer due to COVID - 19. This means that CF was lacking during COVID – 19 period. Micro hotel employees did not care customers. Micro hotel employees had fears and panic in approaching, nearing and contacting customers due to COVID situation. In normal situation, micro hotel employees focused their attention on customers. The 3rd SEM model was based SO (SUP), SQ and CUS. Micro hotel employees did not serve under pressure due to COVID - 19. This means that SUP was also lacking during COVID – 19 period. Micro hotel employees did not serve under pressure situation such as crowd, queue, busy hours and waiting time of customers due to COVID – 19. The 2nd SEM model was based on SO (OS), SQ and CUS. Micro hotel employees served on the instructions of micro hotel owners or managers. Micro hotel employees worked for organizational support. In normal situation like COVID - 19, micro hotel employees worked under pressure. It can be concluded that SQ mediates between SO and CUS. In normal situation, micro hotel employees focused their attention on customers and worked under pressure. In other words, in normal situations, micro hotel employees served for CF and SUP. In abnormal situation like COVID - 19, micro hotel employees worked for the sake of organizational support. In other words, in abnormal situations like COVID -19, micro hotel employees served for OS.

Limitation and future research venues

This study is conducted in Micro Hotels. This study can be extended to other service sectors in Ampara Coastal Belt, Eastern Province, Sri Lanka. This study is geographically limited to Ampara Coastal Belt, Eastern Province, Sri Lanka. Thus, generalisation of findings of this study can have limitation. Findings can only be applicable to micro hotels, Ampara Coastal Belt, Eastern Province, Sri Lanka. Sample size may be 600 which may sometimes not be sufficient. If so, sample size can be enhanced in future for doing the research studies.

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