

Consumer psychology in the hotel hospitality industry: The impact of price and service on customer satisfaction

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requirements for the degree *Master of Business
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West University

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NORTH-WEST UNIVERSITY
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Consumer psychology in the hotel hospitality industry: The impact of price and service on customer satisfaction

The responsibility of implementing the recommended language changes rests with the author of the mini-dissertation.

Yours truly,

A handwritten signature in black ink, appearing to read 'Linda Scott', with a stylized, cursive script.

Linda Scott

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Lara Neves

Vereeniging

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ABSTRACT

Consumer psychology in the hotel hospitality industry: The impact of price and service on customer satisfaction

KEY WORDS:

customer satisfaction, price, premium, value, quality service, hotel, hospitality, consumer psychology

With the hotel hospitality industry being a major contributor to the world economy, hotel managers and marketers are pressured to achieve and maintain a competitive edge. In the current erratic economic climate, hotels and the hospitality industry are being forced to present results whilst keeping costs to the minimum. To achieve sustainability, hotels must react speedily to the consumer's changing trends by continually improving on customer satisfaction, prices and services offered. In order to achieve this, hotels must understand how the consumer thinks, pre-empt what the consumer considers important and understand what triggers their purchasing decision. Information is at the core of ensuring that hotels are able to respond quickly to an ever-changing market.

The main objective of the study is to ascertain whether the independent variables of price general, price premium and service have an impact on customer satisfaction. Respondents in this study include employees from a large international manufacturing organisation. These respondents work in a corporate environment; hence, it could be denoted that business travel takes place and hotel accommodation may be required. In addition, this sample of the population earns a monthly salary and is required to take compulsory leave each year, which offers an opportunity to stay at a hotel. Forming part of the secondary objectives, staying at a hotel for business and/or leisure purposes as well as gender and ethnic group were tested with the dependent and independent variables.

The findings of this study indicate that service makes the strongest contribution to explain customer satisfaction, followed by price general. The significance levels of

the study indicate that all the variables, with the exception of price premium, are significant to the study ($p < 0.05$).

Insights from the results of this study will assist both hotel managers and marketing research academics to understand the dynamics that influence the variables of the study. As the results indicate service as the strongest influencer of customer satisfaction, hotel managers can spend additional time designing marketing and sales strategies around this variable.

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CHAPTER 1

INTRODUCTION AND PROBLEM STATEMENT

TITLE:

Consumer psychology in the hotel hospitality industry: the impact of price and service on customer satisfaction

1.1 BACKGROUND TO THE RESEARCH AREA

The dependent variable in this study is customer satisfaction and the three independent variables are service, price premium and price general. A search on previous research pertaining to this study matter revealed that, whilst many studies focused only on customer satisfaction or hotel studies, few combined these variables. From this it can be deduced that a research gap exists, making it an appropriate research topic.

Price and service are very relevant to the current times – competition is rife, customers have many choices and a tendency to consider prices. This study will open up the possibilities for hotel management to consider that there may be other issues (such as quality service) influencing customer satisfaction.

Choice of this topic is based on the author's interest from experiences (Whitley, 2002:91) and feasibility (Whitley, 2002:92). The aim of the research is to ascertain how the independent variables (price general, price premium and service levels) influence the dependent variable of customer satisfaction.

Feedback from the consumer will be the 'voice of the customer'. When the problem is brought to the hotel industry's attention and addressed effectively, it will provide value for the staff, management and guests. The aim of the study is to assist the hotel industry in better understanding the concept of customer satisfaction and the impact of quality service and price on guest satisfaction.

Customer satisfaction is not what the hotel staff deems it to be, but rather what the customer deems it to be, which is often viewed erroneously (Dedeoğlu and Demirer, 2015:130). To derive at this understanding, an empirical study was conducted by asking the customers what their needs are. Data will be analysed, formulated and reported back to the decision-makers, enabling organisations to benefit. For research purposes, the contribution will add value in that the independent variables of price and service and the impact on customer satisfaction will be researched in one study. This will add to previous similar research and act as a reference to any new research conducted.

1.2 MOTIVATION OF TOPIC ACTUALITY

The research question asked is: In the hotel hospitality sector, do price and service levels contribute towards a satisfied customer.

Many customers work hard on a daily basis and when afforded an opportunity to relax, the money spent must be considered well spent. This is important because in today's economic climate there is limited disposable income and many hotels from which to choose.

1.3 PROBLEM STATEMENT

The purpose of this study is to research and measure the impact of price general, price premium and service on customer satisfaction in the hotel hospitality industry. This study will be driven to ascertain whether price general, price premium and service contribute towards customer satisfaction in the hotel hospitality sector. The analysis will include 1-5 star rated hotels scattered throughout South Africa. This may seem a relatively wide unit, however, the intention is not to focus on specific hotels, but rather how the consumers, based on previous experience or current thought references, perceive their experience. The title of this study points to how the consumers of the hotel hospitality industry think their mindset, feelings, needs and attitudes. Quality service will include elements such as room quality, cleanliness, housekeeping, room service and attitude of hotel staff. The purpose of this study is to research whether price

is an influencer in participants' decision-making and whether price affects customer satisfaction.

The findings of this research are expected to assist customers and the hotel industry alike to understand how service and price levels affect customer satisfaction.

In today's challenging economic climate, customers have limited disposable incomes but because of the added lifestyle pressures, customers still feel the need to take an annual vacation. Due to the current recessive times, certain standards of service provided by the hotel are expected in return for money from the customer. There is an array of choices available to the customer, thus price and customer service need to promote an idea, which the customer perceives as positive and value for money.

There is a dearth of research in the area of a combination of the following four variables, namely customer satisfaction, service, price general and price premium. Although some researchers have paid attention to the different variables individually, little is known of how the combination of service and price in the hospitality will impact upon customer satisfaction. From this, it can be deduced that a research gap exists, making this topic valid.

1.4 OBJECTIVES

1.4.1 Primary objective

The primary objective of this research is to investigate whether the three independent variables of price general, price premium and service have an influence on customer satisfaction.

1.4.2 Secondary objectives

The secondary objectives outline intricacies, which hotel managers need to consider when taking marketing strategies into account. This study aimed:

- To determine whether travellers visit hotels for leisure or business purposes.
- To determine the frequency travellers stay at leisure and/or business hotels.
- To determine whether travellers prefer to stay at lower star-rated (1-2 star) hotels, middle star-rated (3 star) or upper star-rated (4-5 star) hotels.
- To determine whether gender has an influence on customer satisfaction, price general, price premium and service.
- To determine whether ethnic group has an influence on customer satisfaction, price general, price premium and service.

1.4.3 Hypotheses

According to Aaker *et al.* (2011:401), a statement made to assume a certain theory regarding relevant populations is known as a hypothesis. The following hypothesis were constructed for the study:

H_{a1}: Service has a statistically significant influence on customer satisfaction.

H₀₁: Service does not have a statistically significant influence on customer satisfaction.

H_{a2}: General price has a statistically significant influence on customer satisfaction.

H₀₂: General price does not have a statistically significant influence on customer satisfaction.

H_{a3}: Price premium has a statistically significant influence on customer satisfaction.

H₀₃: Price premium does not have a statistically significant influence on customer satisfaction.

Figure 1.1 is a conceptual model depicting the main objective of the study which is to investigate whether the three independent variables of price general, price premium and service have an influence on customer satisfaction.

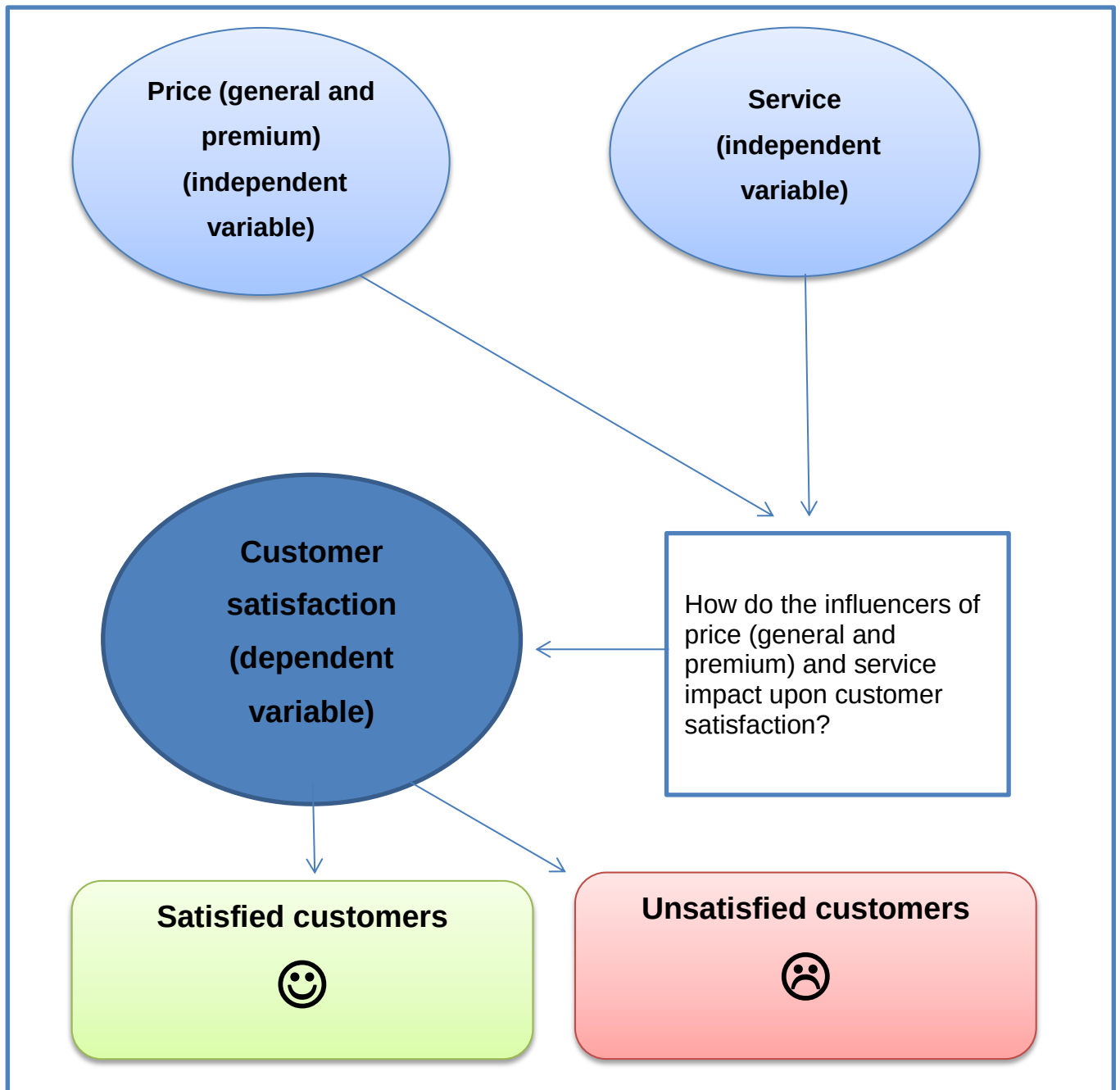


Figure 1.1: A conceptual model depicting the main objective of the study (own source)

1.5 RESEARCH DESIGN/METHOD

1.5.1 Literature review

In order to conduct a research paper of personal choice, one should first access previous literature that relates to the subject. This will be very useful, as it provides a good understanding of the overall study. From this, gaps in the literature can be identified and the researcher could try to fill them. By reviewing the literature, one can also determine whether sufficient studies have been done (addressing all the questions). If similar research is to be conducted, an indication must be provided on how this new research study will tie into or relate to other studies that have been done.

Literature reviews on the topics were conducted and the primary source of information was the NWU library website. The intention was to source previous studies on the subject. The search engines on the NWU website include Emerald, Google Scholar, EbscoHost and oneSource, all of which were utilised in this research.

1.5.2 Empirical research

The research was conducted on respondents who earn a regular monthly income. This will be a quantitative study reaching a reasonable amount of respondents. The case study was applied at an international manufacturing company based in Gauteng province, South Africa. The sample would be easily accessible and will vary in demographics, *inter alia* gender, ethnic group, age and position at the company. The sample size was 102 participants. This sample size was chosen because it would be a sufficient size to represent the population in the case study. When considering that the total population in the case study was approximately 300 people, the sample size is 33.33 percent of the total population. The larger the sample size is, the lower the likely error in generalising the population.

Together with the questionnaire, a short summary introducing the study was included as well as requesting participation from the respondents. Hand-delivered questionnaires

were distributed to the sample, which included a set target date for the deadline for return of the information. Sufficient time was given so that respondents could be reminded if needed.

This study was cross-sectional. It compares information from different population groups (e.g. age, education, gender). This method was chosen because the cost is relatively low and it represented a snapshot at a point in time. This study would apply mostly primary data, which will be the original data collected.

Research Tools

A questionnaire format (5-point Likert scale) was used. This falls under the summated attitude scale, which included a number of statements about the subject matter. The participants needed to indicate the degree to which they relate to the statement.

The following coding was applicable to the answers by the respondents:

- 1 = Strongly disagree
- 2 = Disagree
- 3 = Neutral
- 4 = Agree
- 5 = Strongly agree

The participants responded by typing or writing an 'x' or tick under the applicable number indicated in the columns. Further to this, at the beginning of the instrument, it was important to establish a basic orientation of the participants responding to the study. Hence, in Section A, a basic demographic study was conducted, in Section B a hotel and frequency orientation was established. Section C, included a questionnaire based on the variables.

Statistical analysis is about making sense of a data set. Statistical analysis summarises or illustrates the data set. A statistical technique coupled with coding was used. Once the data was collected from the questionnaires, it was important that this data made

sense by way of analysing it. The North-West University (NWU) Statistical Consultation Services (SCS) on the Potchefstroom North-West University campus was used to analyse the study results.

Techniques of analysis included demographic and descriptive analysis. Further statistical analysis included means and standard deviations. Correlations and regressions were also conducted. The p-value was determined. The correlation coefficient, which is the illustration of a quantitative measure of correlation and dependence between two or more random variables, was measured.

Pertaining to the Cronbach alpha coefficients, it is a statistical tool used to measure internal consistency and reliability of the instrument. The variables should all measure the same thing and correlate to one another. Further to this, scatter plots indicate whether the independent variables of price general, price premium and service have a positive or negative relationship with the dependent variable of customer satisfaction.

1.6 ETHICAL CLEARANCE AND CONSIDERATION

Ethical clearance for this study was obtained from the NWU Ethics Committee (number EMSPBS16/02/16-01/49). In this study, an introductory letter was attached to the questionnaire. The introductory letter stipulated the role of the researcher as well as introducing the core of the study. The respondents were advised that participation was voluntary and that the information would be anonymous and to be used for statistical purposes only.

1.7 OVERVIEW

Chapter 1 – Introduction and problem statement

This is the beginning of the research report. The idea in this section was to describe the purpose and intentions of the research as well as the importance thereof.

Chapter 2 – Literature review

This section features and focuses on the most relevant findings discussed by other researchers. The subject matter includes consumer psychology, hotel hospitality sector, the different hotel star categories, customer satisfaction, price and service.

Chapter 3 – Research design, methodology, analysis and interpretation of findings

Research methodology describes the methods used in the research. It also relates to the controllability and replicability of the study, which makes it possible for future use by other researches. The results will be presented by way of statistical tests, which were performed on the collected data. Tables, graphs and discussions will be used to present the results.

Chapter 4 – Recommendations and conclusions

Any research conducted would be useless without some conclusion and recommendations on how to solve or improve scenarios. The meanings and the implications of the statistical data are explained and the main areas to be improved or changed are highlighted. In this way, value is added to the time, energy and finances spent to conduct and manage a research project.

CHAPTER 2

LITERATURE REVIEW

2.1 CHAPTER OVERVIEW

This chapter describes the literature review. Specifically, the literature discussed examines the concepts of consumer psychology, hotel hospitality industry, the different hotel star categories, price, service and customer satisfaction.

2.2 INTRODUCTION

The hospitality sector has a wide area of scope. Hospitality focuses on any organisation that focuses and aims at satisfying customer needs. Other than the hotel industry, there are many different types of businesses, which form part of the hospitality sector. Other hospitality businesses include transport such as luxury buses, trains, restaurants and cruise ships. The hospitality sector strive to their customer's being satisfied and happy. If customers are happy, return business is very likely. Hotels must consider that patrons frequent their establishment either for leisure or business. This requires a facility where the traveler can relax, services that add value and the customer being able to forget about daily stresses. Bad service is very likely to keep the customer from returning. Further to this, the hotel industry faces many competitive facilities such as guesthouses and self-catering units, so it is important that they maintain exceptionally high standards creating a need for guests to choose their establishment. This chapter includes a literature study where the title of the study is broken down and analysed. To ensure customers are satisfied is key to success.

2.3 CONSUMER PSYCHOLOGY

Cherry (2016) poses questions as to whether, how and why customers purchase certain products. A specialised subject, consumer psychology focuses on how the customer's opinions, values and insights influence the customer to think and decide on whether to purchase the service or product.

According to Cherry (2016), consumer psychologists analyse many areas. Some of the topics include:

- Motivators that lead customers to select a product or service above another.
- How customers select services and products.
- How certain social and environmental variables impact upon the purchasing choices.
- The manner in which customers think and feel, which influences purchasing decisions.
- Marketing campaigns and actions that can be implemented to influence their market successfully.

According to Perner (2010), the psychology of marketing, which is used in consumer behavior, assists companies to enhance their strategies by considering:

- Environmental and social influences.
- Psychology of customers' thinking and reasoning patterns. What influences the customer to make different brands or supplier decisions?
- Effective marketing campaigns to reach and influence the customer.
- Customer behavior during a shopping outing.

Perner's (2010) study is the study of people and companies and what influences them to choose and utilise certain products and services. In the case of tangible products, it allows marketers to analyse how the goods were purchased, how they were positioned and how consumption was increased.

According to Perner (2010) three primary functions of consumer behavior include:

- Can be used to design and apply a marketing strategy. To design campaigns to better understand the customer. It would be important to attract and satisfy first time customers as their word-of-mouth would influence future customers.
- Social marketing would be about gathering market intelligence from a range of customers rather than selling. By using the knowledge of consumers, one would be able to target the campaign better.

- By studying consumer psychology, organisations are able to learn how customers think and what they consider value for money.

According to Perner (2010) to understand the customer is not a simple task. Criteria that influence how a customer thinks and makes choices are widely spread. Amongst other criteria, organisations would need to understand the customer's age group, culture, preferences etc. The researchers would also need to understand the company's strengths and weaknesses, those of competing companies and economic conditions, which may influence the customer's behavior.

According to Wells (2014:1119) psychology has shaped research in marketing and customer conduct. One field of psychology, behaviorism, has not had as much exposure and not much is known about the subject. Behaviorism has persuaded marketing and customer research through traditional mental training and processing.

According to Eckhardt and Houston (2007:81), selling, promotion and advertising is becoming a global daily trend and cultural diversity is becoming crucial for companies to understand. Consumer theories can no longer rely solely on social, economic and psychological assumption norms. Taking this into account, many researchers are starting to investigate a number of areas and regions where cross-cultural groups are prevalent. The notion is to ascertain whether traditions and cultures have a strong influence on the behavior of the customer. This is to assist the researcher with predications as to customer choices.

On cracking the code and using consumer psychology to achieve profitability, Cook (2012:390) states that achievement in the current competitive international climate is highly reliant on the company's ability to predict customer behaviour. This includes the marketer's proficiency in being able to effectively design and apply appropriate advertising and promotions.

2.4 HOTEL HOSPITALITY INDUSTRY

Reynolds (2016) mentions in her study that there are four categories to the hospitality sector:

- **Food and beverage**
This is the biggest section of hospitality. Restaurants can either function as a single entity or be part of a business such as a hotel. When a restaurant forms part of a hotel, excellent products and services can enrich the holistic experience for the guest.
- **Accommodation**
There are many elements, which are included under this heading, including hotels. The attention to detail, comfort and excellent customer service should form the base of this offering. Guests should enjoy the experience and feel that their every need was accommodated.
- **Transportation**
This element includes trains, cruise ships and similar luxury or leisure transport modes. Personnel working for these institutions are often trained as hoteliers in their efforts to provide an impressive experience.
- **Economics**
Important is the economy to ensure that prospective customers have sufficient income to enjoy some leisure. When the economy is stressed, it is likely for customers to cut out luxurious products and service. The opposite is also true in that when the economy is strong, the hospitality sector should notice an increase in business.

According to Ariffin and Maghzi (2012:197) hotel hospitality research has shown growth in the last few years. However, there is very little research by hotels in their endeavor to understand what criteria are important to their guests. Understanding specific criteria of the industry and which are crucial in influencing the guest, will assist the hotel industry in enhancing their offering. Their study found that gender was a determinant as to the level of hospitality expected. Male guests expected a much higher level than female

guest. The study further indicated that leisure guests had a higher expectation than business travellers.

2.5 HOTEL STAR LEVELS

The International Hotel and Restaurant Association (IH&RA) website indicates that the association was founded in 1946 in Paris, France and subsequently moved to Geneva, Switzerland in 2008. This is the world-wide organisation representing the hospitality sector. Their members include hotels and restaurant associations internationally. The IH&RA is recognised by the United Nations and includes an estimated 300,000 hotels and 8 million restaurants. This industry employs approximately 60 million people. Approximately 950 million US dollars (USD) per annum is contributed to the international economy.

According to the Business Dictionary website, a hotel is an institution, which provides lodging and meals. In order to qualify as a hotel, there should be at least six bedrooms, of which three should each have a private bathroom. Although hotels are divided into different star ratings, internationally there is no standard way of linking star ratings. Acquisition of a star rating is voluntary. Different countries may consider different amenities and service standards. According to the IH&RA, a rough guide of the different star hotels are as follows:

- 1 Star: Limited range of services and amenities. High standard of cleanliness is required.
- 2 Star: Good accommodation and well equipped bedrooms. Each bedroom should include a telephone and a private bathroom *en-suite*.
- 3 Star: Bedrooms are more spacious. Décor is on a higher level. A color TV is included in this category. An array of bars or lounges are available.
- 4 Star: A more comfortable offering, which includes larger bedrooms, excellent cuisine and room service.
- 5 Star. Luxurious bedrooms and facilities. Wide range of services as well as guest services. Includes a swimming pool and exercise facility.

2.6 CUSTOMER SATISFACTION

Kandampully and Suhartanto (2000:346), in addressing customer loyalty opine that the loyal customer has been acknowledged as the primary reason why organisations succeed. Hotel facilities include bars, night clubs, restaurants and gyms. These are no longer considered luxury services and for many have evolved into a lifestyle requirement. Further to this, over the last 20 years, due to supply and demand factors, as the offering has moved beyond a traditional one, this has facilitated with the global growth of this industry. Together with growth, demand has encouraged competition, which in turn results in hotels redesigning their offering. Taking into consideration that there are a variety of choices between hotels and high levels of competitiveness, affordable prices and ensuring that the customer receives value for their money is of importance. For many customers, the services offered by a hotel are considered an integral part of modern society and lifestyle requirements. Hotel hospitality has moved beyond the traditional services of a holiday and extended to business travellers. A 5 percent increase in customer loyalty (derived from overall customer satisfaction) can result in an increase in profit of between 25-85 percent.

According to Thompson (2011), no business will be successful without satisfied consumers. Customer satisfaction is often the variable that will decide on whether the consumer will return to an establishment. Effective communication with the client is important and instills a personal level of importance for the customer. It is important that a close relationship is built with the customer, hence, customer satisfaction is fundamental to success.

According to Thompson (2011), some guidelines to building customer partnerships include:

- **Personal contact with the customer**

It could be overwhelming and intimidating dealing with the customer. Although this can be a challenging task at first, over time, it becomes easier to do. Thompson (2011) states that the customer connects with a staff member they have met personally,

instead of via an email or telephone call. On meeting the customer it would be important to promote a professional, calm disposition, while allowing the customer to state what their needs are and what is important for them. If the customer spends over half the discussion talking, then it is very likely that a sale will emerge.

- **Ensure that a customer service policy exists**

This policy should be clearly defined. At the beginning of a transaction or relationship, the policy is not often needed, however. If the policy exists and customers understand it from the outset, in the long run, this will save time going forward. The customer needs to know who to contact if he/she has a problem and who or what is the back-up to the first initiation. This will keep the customer calm and will allow them the reassurance that their needs and queries are being addressed.

- **Reply to messages punctually and ensure your customers are kept up to date**

It is frustrating for customers to have to wait for days or weeks for a response. It is good manners and courteous to acknowledge receipt of the message if the email or message cannot be answered straight away. Afford the customer the feedback that you are working on the problem and will revert soonest.

- **Attention to detail**

This will make the customer feel that they are important to you. A tailored birthday email or congratulations on an event will be welcomed by the customer. This is important and the idea that the customer feels valued and needed, will lead to a happy customer.

- **Be easily accessible**

Speak to the customer as if they can hear your smile on the telephone. The staff should present themselves so that the customer feels they are welcomed and in their time of need, they will be assisted. As customer service staff, it is natural to feel frustrated with the customer at times, but one must consider getting the customer to return to the establishment. The staff should remain polite, calm and level-headed.

- **Try to proactively foresee your customers' needs**

The staff should endeavor to go the extra mile for their customers. Very often this is not easy, however, the ability to understand the customers' needs will build positively to the relationship. It will also pleasantly surprise the client, which will lead to the customer sharing positive feedback by word-of-mouth.

- **Fulfil promises**

This is one of the most important points. When the organisation has promised something, the customer will expect delivery thereof. When promised dates cannot be met, advise the customer that an extended time period is required. The aim would be for the customer not to be disappointed and that they can regard the organisation credit worthy; an organisation that delivers on their promises.

According to Torres and Kline (2013:642-643), hotels receive frequent customer feedback. Part of the feedback concentrates on negative aspects of customer satisfaction. This study focuses on the positive guest experiences and how hotel management can use the data to enhance customer satisfaction. The study goes a step further than customer satisfaction to describe customer delight, which includes problem solving, comparing, appealing, skilled and satisfaction.

According to Ekinci *et al.* (2008:35), service and physical quality, as well as the behavior of staff, have a positive impact on customer satisfaction. Ekinci *et al.* (2008:59) also indicate that customer satisfaction facilitates the customers approach towards the organisation providing service and whether they intend to return.

Pizam *et al.* (2016:3) define their study of customer satisfaction as a psychological view on how customers feel about their expectations from a desired product or service. Quality service and products are of significant importance to achieve customer satisfaction. A customer may enjoy a satisfactory experience at an establishment and leave content. Customer needs vary and this is why the subject of customer satisfaction is a challenging one. Customers would likely react differently to different hospitality services. In light of this, it would be necessary to understand and gain a clear insight of the needs of customers and goals that relate to the different levels of satisfaction. As customer satisfaction varies for most customers, it would be important to develop market segmentation.

A market segmentation is described by Kotler and Armstrong (2012:225-226) as differentiated marketing and entails an organisation breaking the market into similar groups and offering different designs for each of them. By doing this, the organisation hopes to achieve larger sales and increased or dominant market share per segment. Organisations must, however, take heed that this type of strategy can increase the costs of conducting business. As each segment will have a different offering, units may be smaller and will require more internal effort such as marketing, forecasting and planning. In the organisation's endeavor to reach each segment, more personnel or resources will need to be deployed. From this angle, the organisation must establish whether increased sales outweigh increased cost.

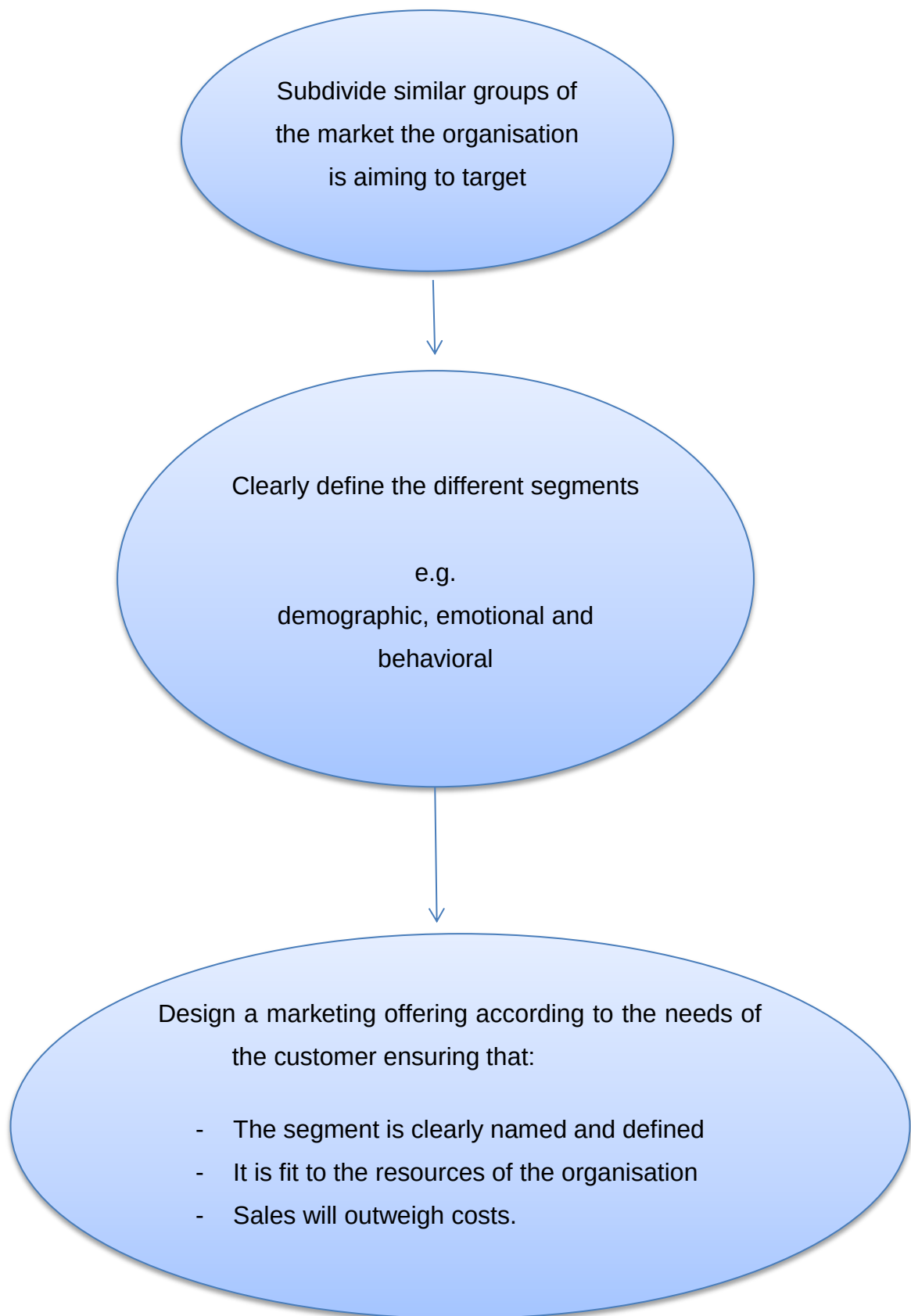


Figure 2.1: Process of market segmentation (own source)

According to Pizam *et al.* (2016:16), some of the reasons for measuring customer satisfaction include:

- Get involved with the customer. This would be to understand what qualities are significant and influence the customer's decisions.
- Continuous improvement. This would be to evaluate whether the criteria that is important to the customer base adds value and applied in a manner coherent with in-house measurements, which are utilised to assess the procedure.
- Improvement for the customer. The importance here is to build a data base, which will include sales and possible improvements.
- Competitive weaknesses and strengths. It would be important for the organisation to understand its competitive position by determining the views of customers and their alternative choices. The organisation needs to study historical, current and prospective clients as well as the competition.

According to Su and Sun (cited by Guillet and Law, 2010:800), the internet allows the customer to evaluate and compare different hotels. Some websites display ratings, which have been done by previous guests. These guests refer to value for money, quality and overall experiences at the hotel. From this, potential guests can establish whether the price they are paying will be worth the stay.

2.7 PRICE (GENERAL AND PREMIUM)

A study by Zhang *et al.* (2011:976-978) focuses on whether the class of the hotel, the characteristics of the room, location, quality, the cleanliness and general service levels influenced the price rates of rooms in hotels. Contrary to expectation, the results show that cleanliness does not statistically determine the price of a room. Service and location, however, plays a huge role when considering price. In today's modern times, the use of the Internet is high. The Internet has developed to such an extent that customers are able to access information on an establishment at the touch of a key. Guests are prepared to pay more when staying at different classes of hotels. Hence, this study will facilitate managers in the hotel industry to conduct a comparison on the

importance of certain features so that they can establish price levels and gain market share. The results from this study state that first, guests consider the quality of the room as the most important feature in paying for an economy hotel. To ensure that economy hotels perform in this area, they could consider the facilities in the room, as well as the design. The location is the second most important consideration when guests decide on price and this is with more reference to luxury hotels. Hotel managers can thus focus their marketing campaigns promoting their location as close to certain hot spots. Third on the list are excellent service levels, mostly relevant to luxury hotels. Employee training within hotels should be ongoing, elevating the fact that service excellence can lead to customer satisfaction and a premium price. Excellent service levels can include language proficiencies, helpfulness and day to day efficiencies. Services such as a high-end restaurant and porter services can differentiate a luxury hotel from mid-priced hotels. Pricing can vary between market segments and it would be highly resourceful that quality levels be sustained based on guests expectations. Price levels in this study indicate that guest expectancies are room-based at economy based hotels and mostly service-based at the luxury hotels. Hotels that are not prepared to adapt according to their market's needs, run the risk of failure.

In the study on pricing in the modern world, Grewal *et al.* (2014:397-399) focus on how the modern world is influencing prices to change over a period of time and they emphasise price signals and non-price signals. Price signals include price and discounts whilst non-price signals refer to branding, customer ratings and advertising. Customers will often ask the question of how much a product or service costs when considering purchasing thereof. Prices serve as a signal about the quality of the service or products and what it will cost. Hence, from this it is important to establish how customers think about prices. Today, there are many pricing models, which organisations can use to experiment with to test what mechanisms will lead to high rates of purchase amongst customers. However, many organisations adapt their prices when taking into account price levels of competitors, seasons or time of day. Pricing models to determine pricing have been around for many years. The focal point is for the managers of the organisation to increase their profitability; hence they use whichever method is suitable, while customers, on the other hand, are becoming aware of how

prices are determined. With the help of the Internet, they are able to research price levels between competitors and also derive at a value for money. The modern customer holds the power to decide whether to accept price levels or not, therefore, it is not that easy for organisations to apply traditional approaches. Discounts can assist in making the sale. Organisations understand that the customer no longer focuses only on price and when a customer is deciding on a purchasing decision, other signals are used together with the price.

Social purchasing sites, where customers can reference how many previous customers have made a decision to purchase, can also convince customers to positively respond to the proposition (Coulter and Roggeveen, 2012:90).

Kandampully and Suhartanto (2000:346) stress the fact that if hotels wish to gain a market share, they need to understand competitive offerings. Commonly, hotel employees apply two types of strategies to gain a competitive lead:

- Keeping costs low and implementation of discounts.
- Ensuring loyalty is created through offering different and exclusive benefits to the customers.

Kandampully and Suhartanto (200:346) advise that it has been noted that hotels who grow their markets through discounts may risk profits in the medium to long run. This is where service quality rather than pricing results in significant differentiation when compared to other hotels.

2.8 SERVICE

Dedeoğlu and Demirer (2015:130) conducted a study on the differences in service quality perceptions of stakeholders in the hotel industry, which included a study of quality of service as one of the core areas in the hotel industry. This study found that the perceptions of staff, management and hotel guests were different when it came to service quality. In this study, the employees of the hotel industry regarded their service levels at a high level whilst the guests at the hotels found service received on a low

level. Regarded as a gap, different stakeholders in the hotel industry regard quality service to be on different levels. Low levels of service can lead to an absence of loyalty ratings and poor customer service, which ultimately results in an uncompetitive advantage. The quality of service offers many advantages such as positive contribution to the hotels image, high customer satisfaction ratings, loyalty and establishing a competitive advantage.

Torres *et al.* (2013:4) elaborate that research is required from all stakeholders so that feedback across all levels is obtained. According to Ekinici and Dawes (2009:503), organisations that deliver services mostly include interaction between employees and customers. Hence, development of a strong service brand with frontline employees is imperative for success.

Grandey (2000:104) advises that hotel staff who are engaged in emotionally-driven work, such as working with customers, could suffer from exhaustion and this could have an effect on their productivity levels. Improvement of service quality is exceptionally important for the hotel to achieve success and is regarded as one of the main focal points in the hospitality industry.

According to Amin *et al.* (2013:115), the quality of service considerably contributes to estimating customer satisfaction.

In order to satisfy the customer, employees and hotel managers need to achieve internal quality (Chen, 2013:152). Internal quality defines how staff feel about their jobs. This subject has been widely researched in different settings. The findings in the study indicate how important it is to understand how employees and managers think about service quality. There are many measurement scales, which have been developed to measure service quality. These include DINESERV (restaurant business), CASERV (casinos) and HOLSERV and LODGESERV (accommodation). For staff perception purposes INTQUL and INTERSERVQUAL can be used. The following variables are used mostly in researching services when taking measurements from a holistic standpoint:

- Loyalty: This creates two intentions, that of referrals and re-purchasing.
- Price satisfaction: Value for money. All the services and products inclusive. Was the customer satisfied with the offering?
- Reception satisfaction: The ambience in the arrival area, friendliness and willingness of staff to assist.
- Housekeeping: The staff's ability to provide excellent room service and general comfort.
- Overall image and attributes: Atmosphere, location and design of the hotel.
- Food and beverage: Quality and variety of the food and beverage as well as the ambience in the hospitality areas and the restaurant operating hours.

It can be ascertained by these variable that many of these services are related and dependent on hotel staff behaviour. It then becomes apparent how important it is for staff and management of the hotels to consider their performance levels in delivering service quality.

Victorino *et al.* (2005:555-556) found that service innovation is a factor when guests are in the process of selecting a lodging type. Victorino *et al.* (2005:570-571) state that service innovation seems to impact higher upon the economic type style accommodation versus that of the middle to higher end lodging. In addition, guests who were travelling for leisure were influenced more than guests who lodged for business. Customers in the hotel industry are faced with mediocre products and service offerings constantly. From this, many service-orientated hotels strive to supply something new. Customers often crave innovation and a fresh offering. Hence, many organisations specialising in service, endeavor to create different benefits and consider that this would be excellent for business performance. Hotels represent a market that could benefit from adding innovation to their offering. The study indicated a holistic indicated that leisure and business customers regarded something fresh and new as important in the selection of a hotel (Victorino *et al.* 2005:571). Goldstein *et al.* (2002:124) refer to service as an absent core component in service layout studies. The authors propose that the service view includes both “what” and “how” of the layout whilst balancing the strategic plans of the hotel and the customer's needs.

According to Lewis and McCann (2004:6) in their study on service failure and recovery, subject matter regarding this research is quite recent and still developing. Service failure can mean different things for different industries. Due to the nature of the hotel industry, there are a lot of dealings between the staff and customers, which in turn provides much opportunity for service failure. The hotel industry is on duty 24/7 and the long hours could be a contributing factor to high failure rates. Guests who frequent the hotel industry are constantly consuming food and beverages, whether at the check in or check out area, restaurants or room services, so at the point of failure, it may be quite difficult to correct without creating some type of inconvenience for the guest. Further to this, the research on service failure and recovery thereof is relatively limited. Many hotels survey their customers on various variables and many hold substantial amounts of intelligence. Hotels generally ask about the different variables but few seek actual problems and little information or feedback is available to ascertain what has been done to resolve the issues. Many hotels have managed to resolve customer issues.

According to Michel (2001:20), an important aspect in quality service is to understand what service failure and service recovery entails. Service failures are unavoidable and at the core, results in service quality not meeting the guest's expectations.

Service recovery is crucial to apply when service failure occurs. According to Miller *et al.* (2000:388) recovery is an action to counter failure. In doing so, the organisation endeavors to remove negative opinions and retain the customers for future business. Organisations, however, must act with caution because if the customer or guest is let down a second time, this will lead to a lack of credibility and the recovery effort may be in vain. The disappointed guest may in turn spread negative messages to potential customers. The research shows that in order for the recovery of service failure, the organisation must react in a manner that is fair and credible. Hence, the hotel should apologise sincerely, accept fault and action promptly to rectify. The hotel must further consider that any response to failure may have a long term effect on the success of the hotel. This study indicated that guest expectations (3 or 4 star hotels) of service quality are outlined below and both leisure and business travelers were relatively similar.

- Operational bedrooms, which are clean and comfortable
- Quality food and beverages
- Staff posing an efficient and friendly disposition
- Security at the room
- Efficient check in and out services.

According to Miller *et al.* (2000:388) the respondents in this study indicated that the hotel took, on average, two to three times to remedy failure. From the respondents, it came about that 69 percent were given an apology. Both leisure and business guest reactions were relatively balanced. Just over half of the guests were happy with the reaction they received from the hotel in solving their problems. Leisure guests were more satisfied than business guests. The intention of service failure recovery is to ensure that the customer leaves the hotel satisfied that their problems were solved and for this reason they would return to the hotel. The study indicates that guests who left satisfied are more likely to return to the hotel than customers who were dissatisfied. Hotels must also consider that positive word-of-mouth by previous guests is the most cost-effective form of promotion for their hotel. Guests will either recommend or not recommend their stay at the hotel, based on their experience.

2.9 SYNOPSIS

From the beginning of time, information has been a powerful and valuable tool. As time has evolved and markets have developed, we have realised how important information is. In today's competitive business climate, organisations need to ensure that they are always a step ahead, with the ability for flexibility to ever-changing environmental and customer demands. Competition between companies frequently is faced with an assortment of risks, challenges and opportunities. Hence, acquiring information and application thereof is vital for sustainability. It will be the organisations ability to retrieve, understand, categorise and apply information in the right areas, which will open up new opportunities and strengthen business. The drivers such as the customer's mind set, price and service need to be researched and understood, so that customer satisfaction can be achieved.

In Chapter 3, research design, methodology and results of empirical findings are indicated and discussed to test customer satisfaction.

CHAPTER 3

RESEARCH DESIGN, METHODOLOGY, ANALYSIS AND INTERPRETATION OF EMPIRICAL FINDINGS

3.1 INTRODUCTION

Research methodology describes the methods used in research. It also relates to the controllability and replicability of the study, which makes it possible for future use by other researches. The results are presented by way of statistical tests, which were performed on the collected data. Tables, graphs and discussions was used to present the results. This chapter reports on and discusses the findings of the empirical study, which was conducted. The analysis includes the demographics as well as the hotel and frequency orientation, followed by an analysis on the dependent variable, customer satisfaction and the independent variables of general price, price premium and service.

3.2 EMPIRICAL RESEARCH

Empirical research uses evidence to gain levels of knowledge. The results can be very useful in improving upon current ways of doing things and can also be used to make formal recommendations. Depending on whether the research was successful or not, the research design may need to be revised and tested further.

3.3 RESEARCH PLAN

In general, the purpose of research is explained better by gathering scientific or non-scientific knowledge about the subject matter and analysing the data by using different statistical programs. In this study, scientific knowledge was acquired and a quantitative method was utilised to gather the information. Quantitative research highlights measurement and analysis of informal relationships between variables. The aim of this research was to establish which influences the independent variables (price general, price premium and service) have on the dependent variable in this study (customer

satisfaction). A five-point Likert scale was used as answering options to the statements/questions posed.

One on the questionnaire scale represents strongly disagree, whilst five on the scale represents strongly agree. It can be deduced that three would be neutral – neither disagree nor agree.

Welman *et al.* (2005:156) explains that the Likert scale is one of the most popular methods in measuring attitudes. A Likert scale is easy to utilise in that the attitudinal scale is positive on the one side and negative on the other. Hence, from this method it can be deduced easily that many ticks, circles or crosses on the positive side of the scale indicate a positive attitude towards the specific subject. The same is true for many ticks, circles and crosses on the negative side of the scale, which indicate a negative attitude to the subject.

An inferential statistic method was used to analyse collected data from a small group of respondents (102 respondents in this case) to reach conclusions of a larger group.

3.4 RESEARCH DESIGN

A research project requires a research design layout. This is a formal plan utilised to gather and analyse data collected and serves as the official outline on how the project will take place. The research design includes how data is to be collected, the instruments, which will be utilised as well as the methods to be used for analysing data. This study made use of a cross-sectional design. According to Welman *et al.* (2005:95) a cross-sectional design consists of a sample comprising different groups, such as age. This method is cost effective and represents a point in time.

3.5 SAMPLING PROCEDURE

3.5.1 Target population

Malhotra (2010:372) defines a target population as the subjects who hold information, which is required by a researcher for a study.

Concerning this study, a convenience sample was used by utilising employees of an international manufacturing company based in Gauteng, South Africa.

3.5.2 Sampling frame

The sampling frame is a depiction of the subjects in the targeted population (Malhotra, 2010:373). This study targeted a sample employed by an international manufacturing company based in Gauteng.

3.5.3 Sample size

According to Malhotra (2010:374), the sample size includes the number of respondents who will take part in the study.

Specific to this study, the sample was easily accessible, varying in gender, age, last educational qualification, marital status and ethnic group. The intent was to have approximately 100 qualified questionnaires returned (representing 33% of the population). Hence, 110 questionnaires were distributed by hand, of which 102 valid questionnaires were returned and utilised for data.

3.6 DATA COLLECTION METHOD

Data collection includes collecting data from respondents who are in the sample. According to Berndt and Petzer (2011:202), researchers should create a process around the study to regulate the method chosen (observation or survey method).

Shukla (2008:47-48) defines the survey method by drawing up a formal questionnaire with the intention of obtaining information from the survey respondents. Malhotra (2010:230) explains the observation method as observing and gathering behavior information of the desired population. In this study, a survey method of drawing up a questionnaire was used.

3.6.1 Designing the questionnaire (quantitative approach)

According to Maree (2011:145), the quantitative method is formal and objective, utilising numerical information from the sample in order that the findings can be generalised to that of a larger population.

The quantitative design was chosen for this study because the sample is relatively large.

3.6.2 Measuring scale

Welman *et al.* (2005:156) describe the Likert scale or summated scale as one of the most popular types of scales used in research. It is an easy scale to compile and can be used for multi-dimensional approaches. The Likert scale is a measuring scale in a questionnaire, which includes a collection of statements about an object. The respondents are required to indicate to which levels they agree or disagree with the content of the question or statement.

This study comprised a five-point Likert scale questionnaire. The layout of the questionnaire follows in the next paragraph and it is important to note at this stage that the Likert scale used for Section C comprised:

- 1 = Strongly disagree
- 2 = Disagree
- 3 = Neutral

4 = Agree

5 = Strongly agree

3.6.3 Layout of the questionnaire

According to Welman *et al.* (2005:180), layout in a questionnaire is of high importance. The layout of the questionnaire should facilitate the respondent to read the questions and statements clearly, as well as be able to follow the instructions easily.

In this study, an introductory letter was attached to the questionnaire. The introductory letter stipulated the role of the researcher as well as introducing the core of the study. The respondents were advised that participation was voluntary and that the information would be anonymous, to be used for statistical purposes only.

The main questionnaire consisted of three sections. Section A included the demographics such as gender, age group, last educational qualifications, marital status as well as ethnic group. Section B included hotel and frequency orientation. This was to establish whether the respondents stayed at a hotel for leisure, business or both. The frequency of hotel visits was asked. The last question in this section was to establish whether respondents stayed in 1-2 star, 3 star or 4-5 star hotels. Section C was subdivided into three sections. Customer satisfaction as the dependent variable was the first section comprising nine questions. The independent variables followed (price and service), which comprised 11 questions each. Later in the analysis (refer Table 3.18), the factor analysis broke the independent variable into two factors, namely price general and price premium.

3.7 QUESTIONNAIRE ADMINISTRATION

3.7.1 Data preparation

The process of data preparation includes editing, coding and tabulation. These are discussed next.

In this study, once the questionnaires were collected, they were delivered to the North West University, Faculty of Natural Sciences, Statistical Consultation Services in Potchefstroom for editing, coding and tabulation.

3.7.2 Editing (step 1)

According to Shukla (2008:95) editing includes ensuring the data received are correct and complete, conforming to the objectives of the research. Checking for errors and inconsistencies is part of the editing process (Zikmund & Babin, 2010:59).

3.7.3 Coding (step 2)

Coding is the process whereby detailed descriptions are broken into easier meanings by allocating a code, which is normally a number (Bradley, 2007:329). For this study, the following coding method, as suggested by Malhotra (2006:407), was used.

- The questionnaire was drawn up with an alphabetical letter followed by a number, for example A1 represented gender.
- One number for each possible answer was assigned to the questions, for example A1, which represented gender; male was coded as 1 and female as 2.
- Each respondent was allocated an identification number. To protect the privacy of the respondent the number assigned did not identify who the respondent is.

Table 3.1: Coding information

Type of Data	Variable	Question number
Demographic data	A1 to A5	Section A Questions A1 to A5
Hotel and frequency orientation	B1- B4	Section B Questions B1 to B33

Table 3.1: Coding information (continued)

Type of Data	Variable	Question number
Customer satisfaction	C1 – C9	Section C Questions C1 to C9
Price general	C10-C14 C17-C19	Section C Questions C10 to C14 and C17 to C19
Price premium	C15-C16, C20	Section C Questions C15-16 and C20
Service	C21-C31	Section C Questions C21-C31

3.7.4 Tabulation (step 3)

This is the final step. Tabulation involves arranging data collected in a structured manner (Churchill and Iacobucci, 2002:32). According to Struwig and Stead (2001:152), the different types of tabulation include multivariate, bivariate and univariate tabulation. In this study's tabulation process, one response was given for each question.

3.8 STATISTICAL ANALYSIS

3.8.1 Descriptive analysis

According to Malhotra (2010:486), descriptive statistics involve frequency tables, which are used to draw up the data. This ensures that the information is simplified and easier to understand. In this study, the means (measures of location) and standard deviations (measures of variability) were used.

Once all the questionnaires were collected, assistance was requested from the North-West University, Faculty of Natural Sciences, Statistical Consultation Services, Potchefstroom Campus, regarding the analysis required for the study.

3.8.2 Sample description

The sample comprised 102 respondents who are employed by a manufacturing organisation. The respondents included personnel from the procurement, finance, marketing and sales departments.

3.8.3 Measures of location

Welman *et al.* (2005:230) describes the mean as the arithmetic average equal to the total of respondent scores divided by the number of scores.

3.8.4 Measures of variability

The standard deviation determines whether scores indicate an even distribution and whether they group around the mean (Welman *et al.*, 2005:230).

3.8.5 Demographic analysis

The analysis of the data collected in Section A of the questionnaire reveals the following information regarding the respondents.

Table 3.2: Gender

		Frequency	Percent
Valid	Male	53	52.0
	Female	49	48.0
	Total	102	100.0

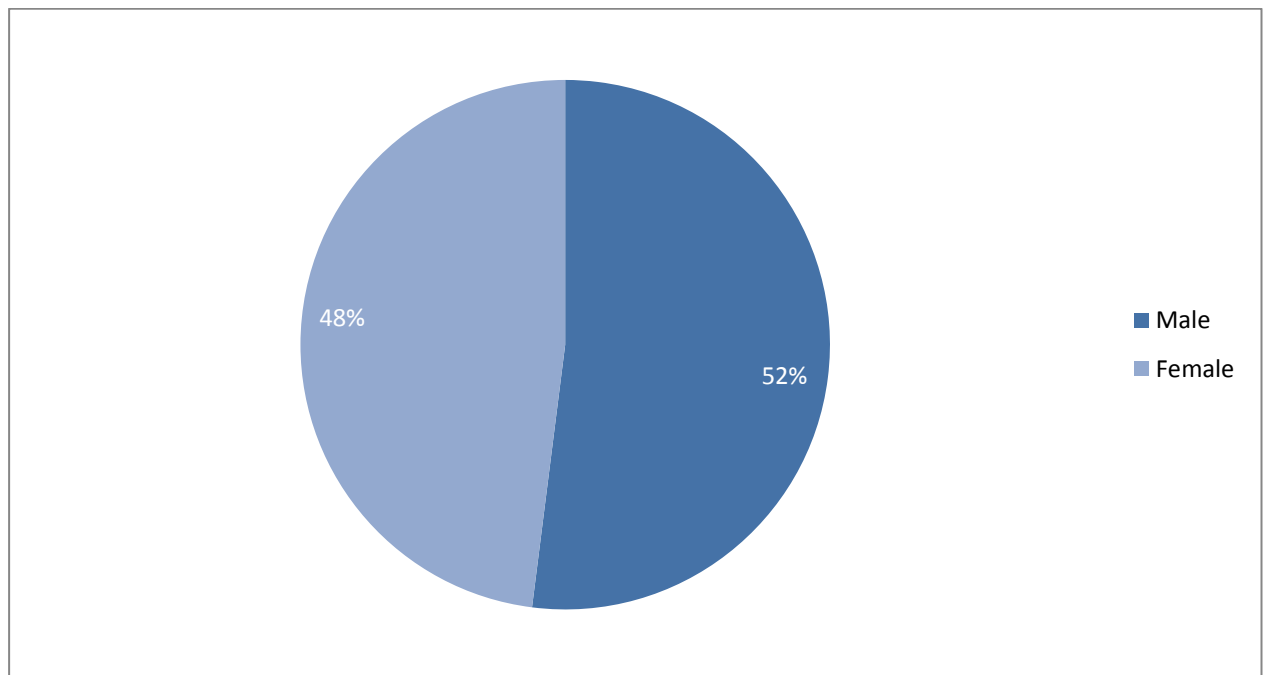


Figure 3.1: Gender distribution of sample group

Figure 3.1 depicts that there were more male respondents, who make up 52 percent of the sample, than female respondents, who make up 48 percent of the respondents.

Table 3.3: Age group

		Frequency	Percent
Valid	20-29	10	9.8
	30-39	27	26.5
	40-49	30	29.4
	50-59	29	28.4
	>60	6	5.9
	Total	102	100.0

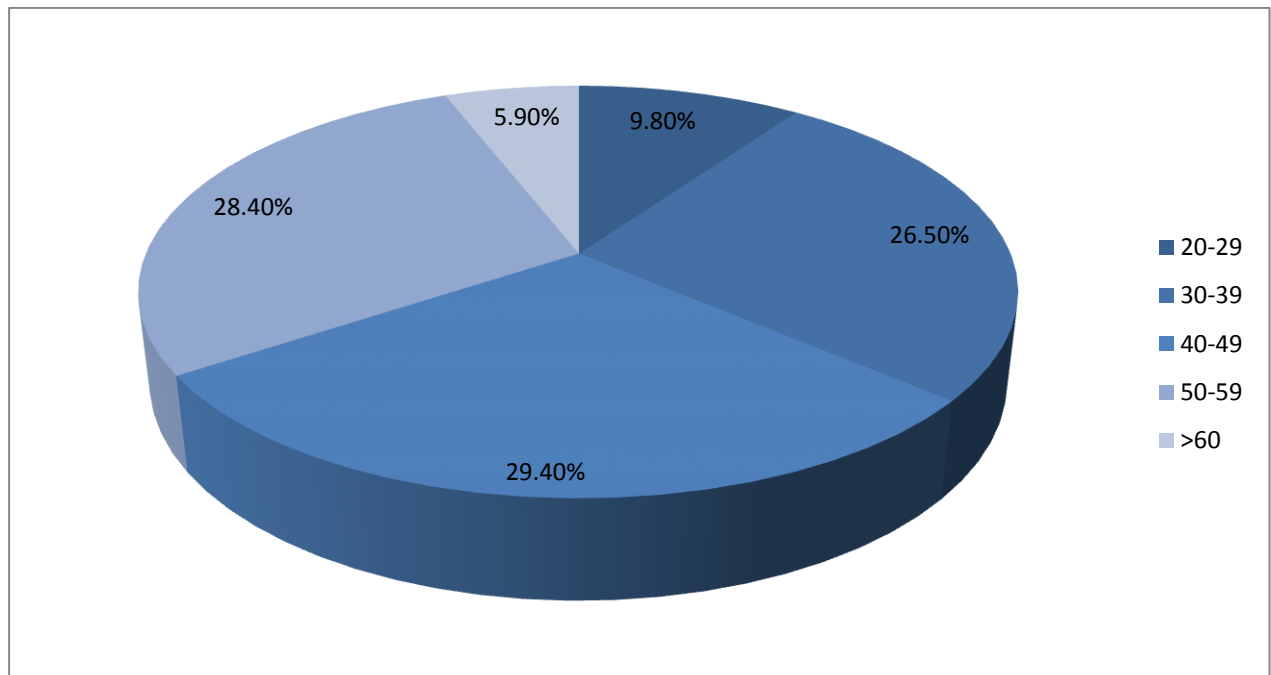


Figure 3.2: Age group distribution of sample group

The highest percentage age group of the respondents represents the age group of 40-49 years (29.4%), closely followed by 50-59 years (28.4%). Collectively these groups represent 57.8 percent of the sample group.

Table 3.4: Last educational qualification

		Frequency	Percent
Valid	PHD	1	1.0
	Master's degree	14	13.7
	Honours degree	12	11.8
	Degree	42	41.2
	Diploma	18	17.6
	Matric	14	13.7
	Other	1	1.0
	Total	102	100.0

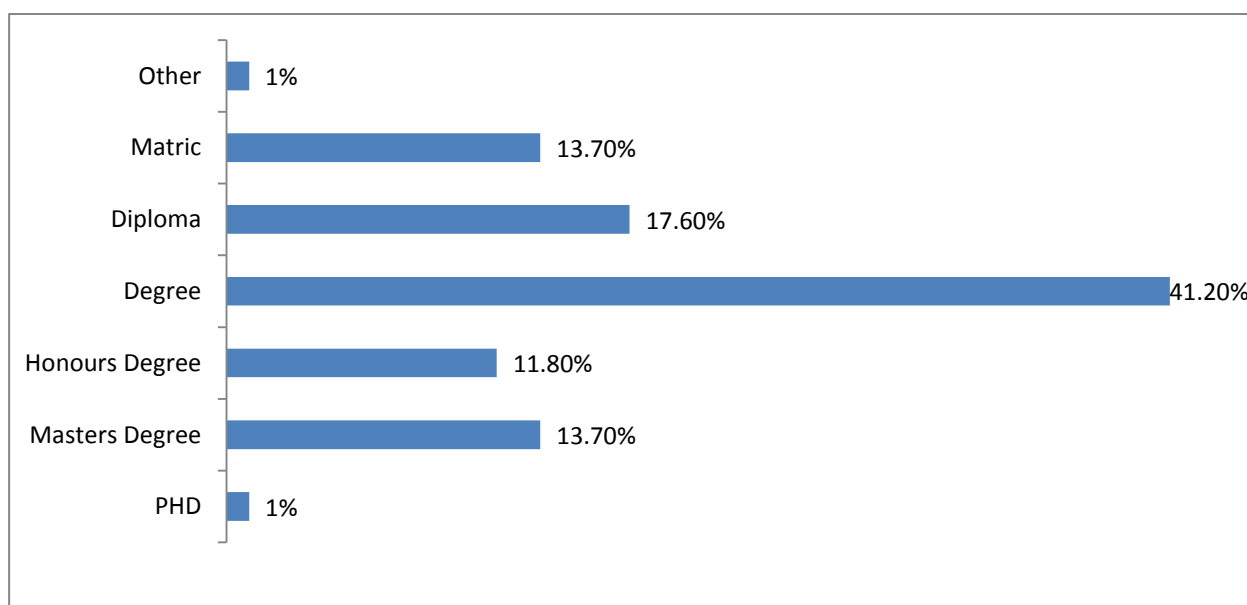


Figure 3.3: Last qualification obtained distribution of sample group

Figure 3.3 indicates that 41.2 percent of the sample group hold degrees followed by 17.6 percent holding diplomas. Together this represents the majority of the sample group at 58.8 percent. Post graduate studies (honours, master's degree and PHD) collectively represent 26.5 percent of the sample group.

Table 3.5: Marital status

		Frequency	Percent
Valid	Single	18	17.6
	Engaged	4	3.9
	Married	64	62.7
	Divorced	16	15.7
	Total	102	100.0

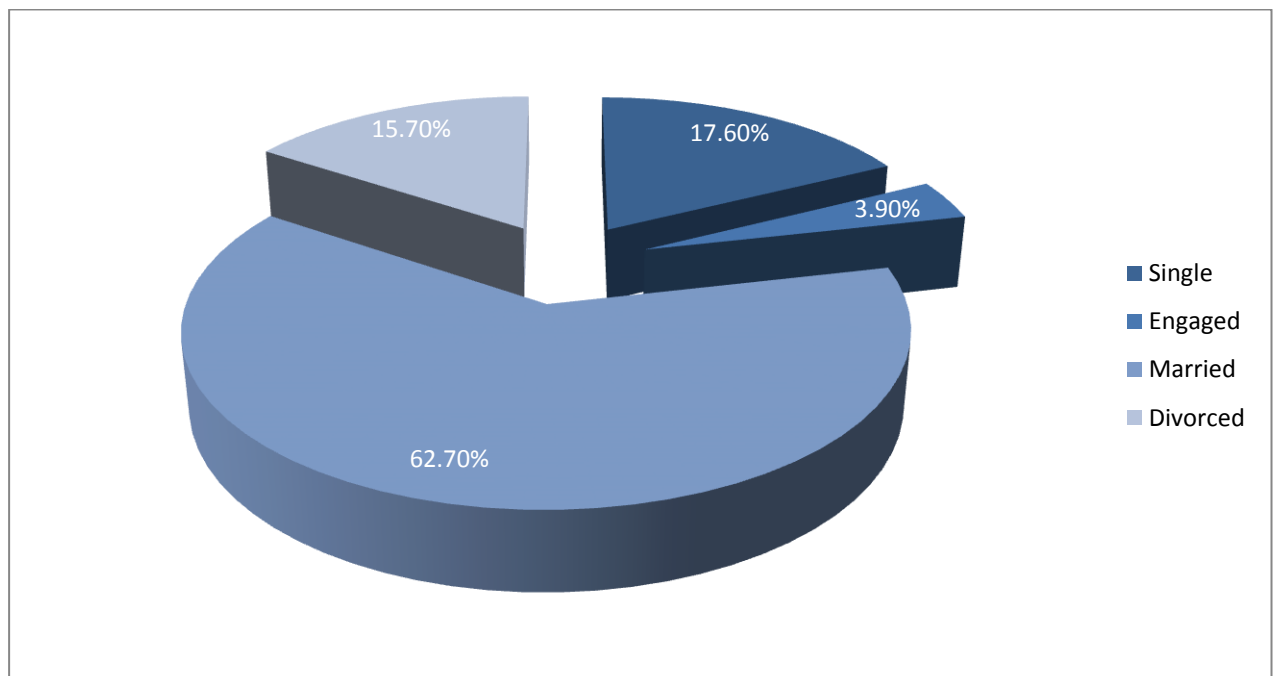


Figure 3.4: Marital status

As Figure 3.4 indicates, married respondents hold the majority representation of 62.7 percent.

Table 3.6: Ethnic group

		Frequency	Percent
Valid	African	33	32.4
	Coloured	1	1.0
	Indian	5	4.9
	White	63	61.8
	Total	102	100.0

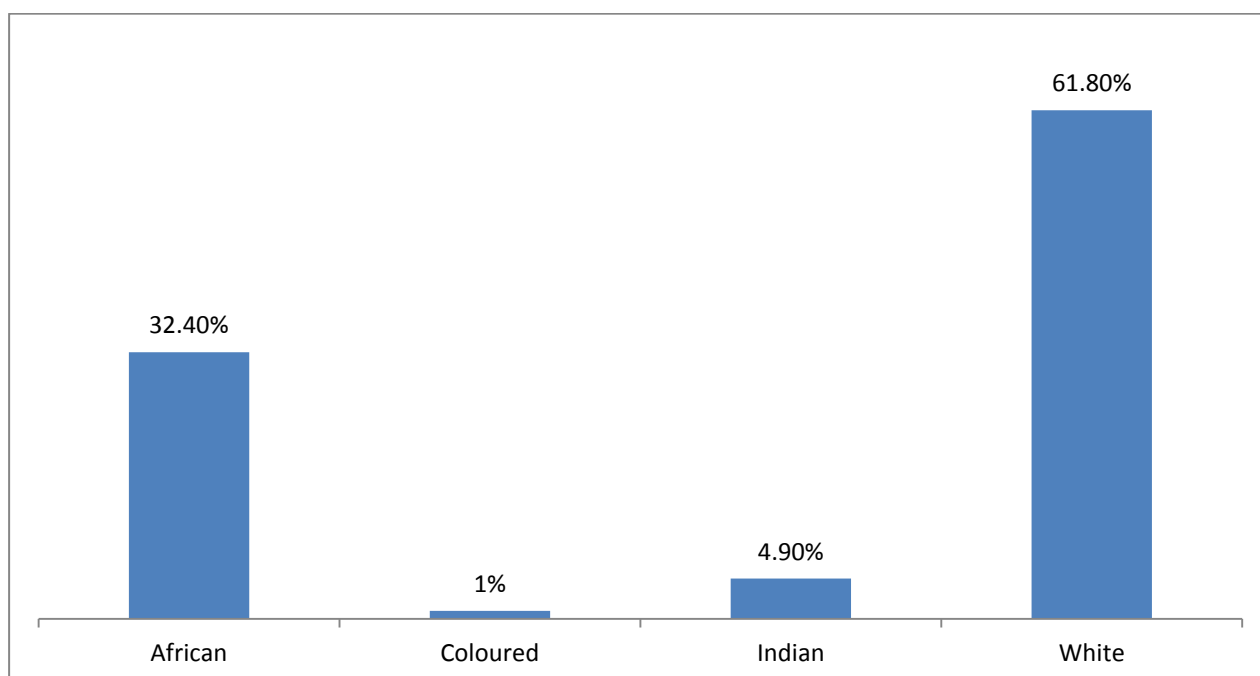


Figure 3.5: Ethnic group distribution of sample group

Most of the respondents in the study are White, which represents 61.8 percent, whilst Africans are 32.0 percent. Coloured and Indian (1% and 4.9% respectively) respondents are very few and, therefore, cannot be used as a solid representation.

3.8.6 Hotel and frequency orientation

The analysis of the data collected in Section B of the questionnaire reveals the following information regarding hotel and frequency orientation by the respondents.

Table 3.7: I stay at a hotel for leisure

		Frequency	Percent
Valid	Leisure	79	77.5
Missing	System	23	22.5
Total		102	100.0

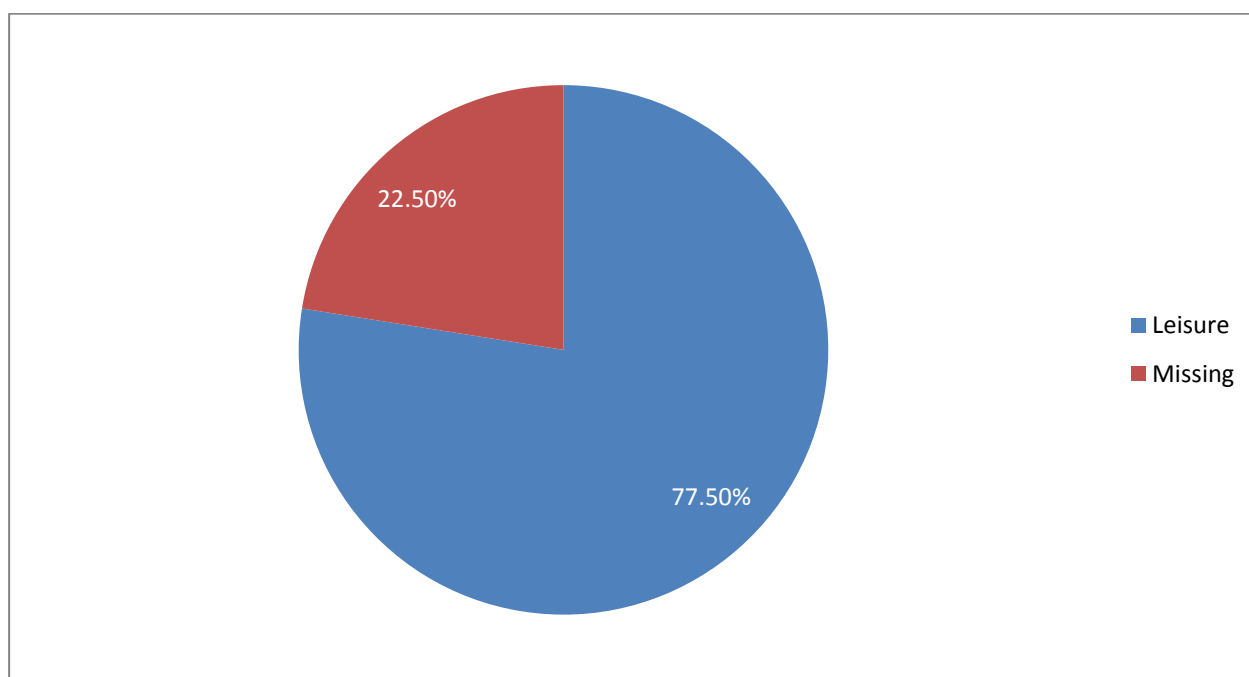


Figure 3.6: Leisure stay distribution of sample group

In Figure 3.6 it is indicated that 77.5% respondents stay at hotels for leisure purposes. The 22.5% which is missing is a result of the question posed “As a visitor to a hotel, the intention of my stay is for leisure, business or both” Hence only the respondents which answered leisure in this instance were noted here.

Table 3.8: I stay at a hotel for business

		Frequency	Percent
Valid	Business	56	54.9
Missing	System	46	45.1
Total		102	100.0

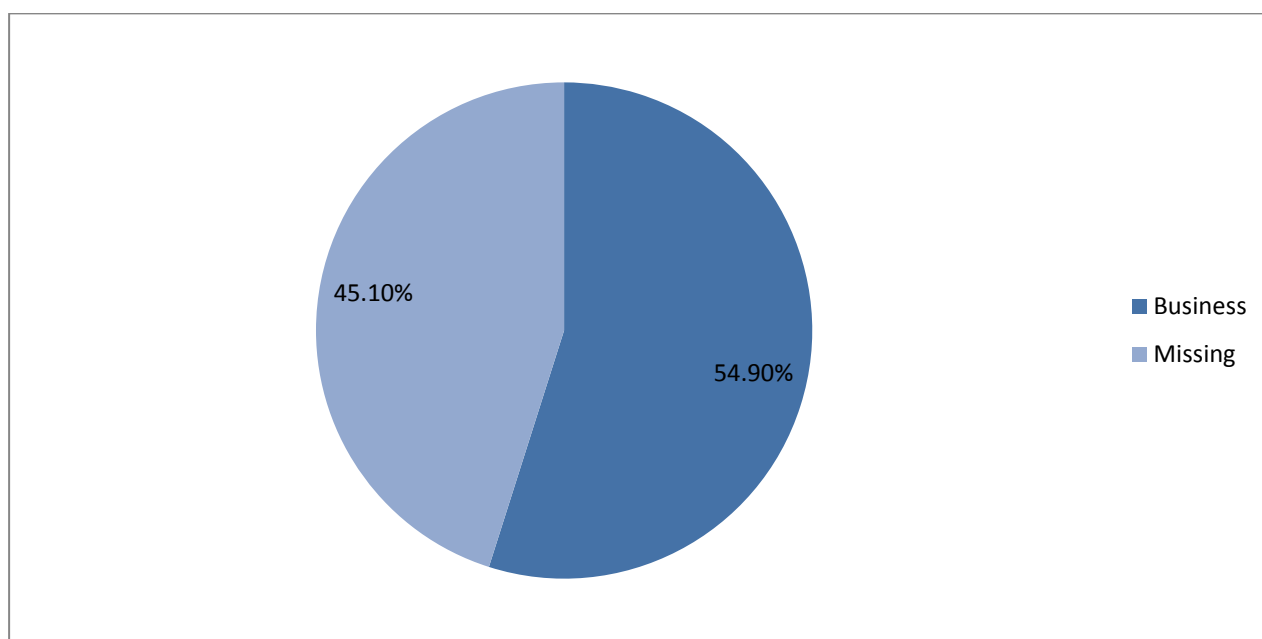


Figure 3.7: Business stay distribution of sample group

In Figure 3.7 it is indicated that 45.1 percent of respondents stay at hotels for business purposes. The 54.9 percent missing is a result of the question posed “As a visitor to a hotel, the intention of my stay is for leisure, business or both”. Hence, only the respondents who answered business in this instance were noted here.

Table 3.9: For leisure, I visited a hotel

		Frequency	Percent
Valid	Once per year	47	46.1
	Twice per year	20	19.6
	Three times per year	7	6.9
	Other	7	6.9
	Total	81	79.4
Missing	System	21	20.6
Total		102	100.0

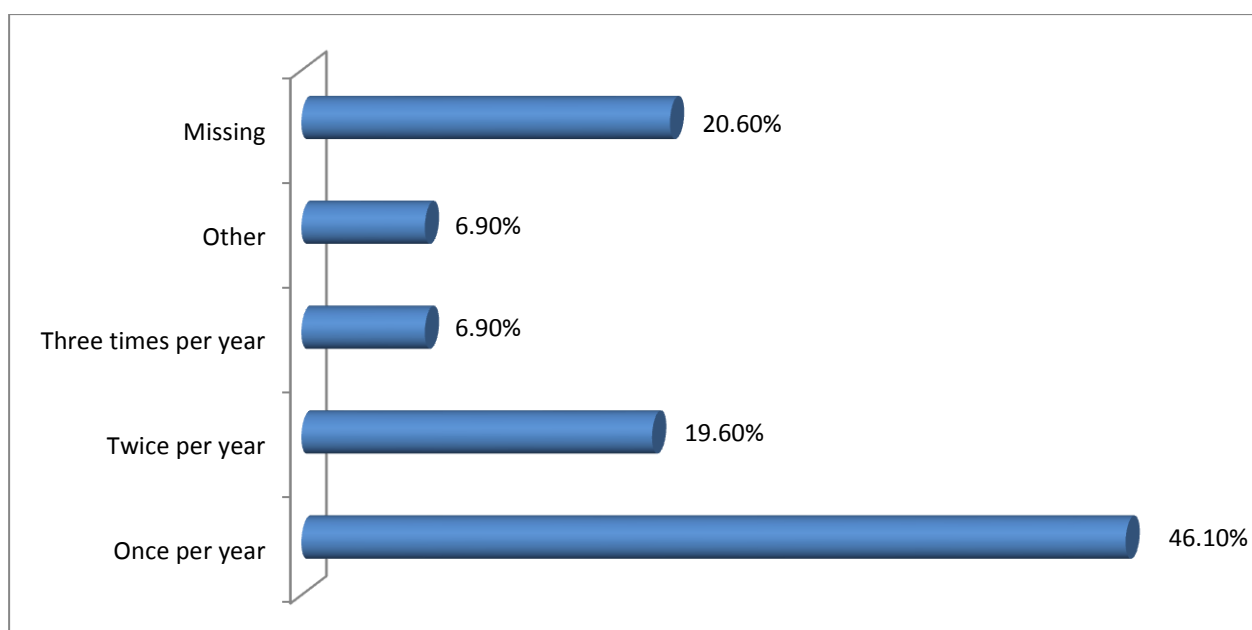


Figure 3.8: Leisure frequency distribution of sample group

Figure 3.8 indicates that the largest frequency of 46.1 percent visit a hotel for leisure by travellers once per year. This is followed by twice per year at 19.6 percent. The missing frequency percentage of 20.6 percent can be attributed to respondents who do not travel for leisure purposes.

Table 3.10: For business, I visited a hotel

		Frequency	Percent
Valid	Once per year	11	10.8
	Twice per year	14	13.7
	Three times per year	22	21.6
	Other	13	12.7
	Total	60	58.8
Missing	System	42	41.2
Total		102	100.0

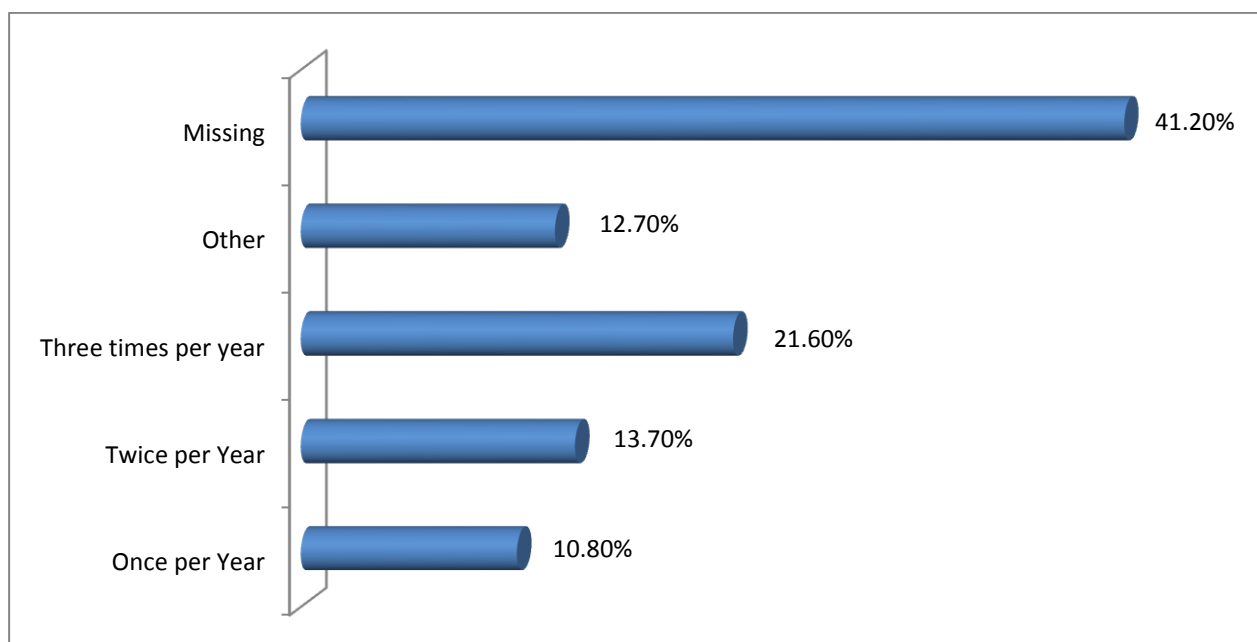


Figure 3.9: Business stay frequency distribution of sample group

Table 3.10 indicates that the largest frequency of 21.6 percent visit a hotel for business purposes three times per year. The missing percentage of 41.2 percent can be attributed to respondents who do not travel for business.

Table 3.11: I stay at the following star hotels

		Frequency	Percent
Valid	1-2 star	3	2.9
	3 star	73	71.6
	4-5 star	19	18.6
	Total	95	93.1
Missing	System	7	6.9
Total		102	100.0

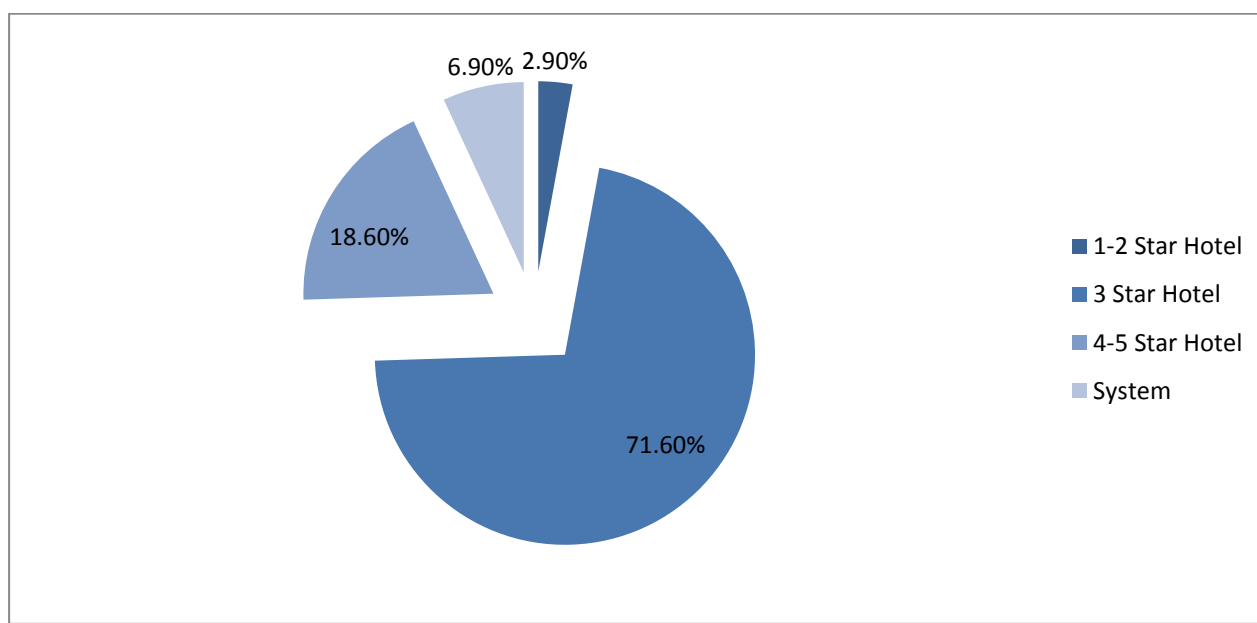


Figure 3.10: Stays at star hotels

Figure 3.10 indicates that only 2.9 percent stay at a 1-2 star hotel. The majority of the sample of 71.6 percent indicated that they stay at 3 star hotels and 18.6 percent at 4-5 star hotels. The 6.9 percent indicated as missing indicated other preferences of accommodation such as holiday flats, guest houses and camping. Therefore, it can be derived from this that the large majority stays at a medium range hotel followed by an upper class star hotel.

3.8.7 Descriptive statistics

The mean and standard deviations are indicated in the tables below. A five-point Likert scale was used in the questionnaire ranging from 1=strongly disagree to 5=strongly agree.

Table 3.12: Customer satisfaction (dependent variable)

	Mean	Standard deviation
C1	4.80	.546
C2	4.52	.754
C3	4.50	.671
C4	4.56	.654
C5	3.77	.900
C6	3.95	.801
C7	4.47	.609
C8	4.61	.632
C9	4.05	.937

From Table 3.12, it can be observed that most responses were recorded at the positive end of the scale of agree to strongly agree. One can denote that C1 and C8 were rated the highest scores). These questions have the highest influence on customer satisfaction. The lowest mean is C5 with the question posed “Personal contact with the staff of the hotel is important to me”, followed closely by C6 “A customer service policy, which is communicated to me, is important”. This indicates that this is the least important when trying to ascertain customer satisfaction.

The amount by which the scores deviate from the mean is the standard deviation. The higher the standard deviation is rated proposes a weaker agreement, whilst a lower deviation proposes a stronger agreement between the respondents. Hence, from Table

3.12 it can be observed the weaker agreement between respondents is question C9 with a score of 0.937. This suggests that there is a weaker agreement between the respondents regarding 'a questionnaire or survey conducted with the respondent by the hotel regarding their visit will add value for the hotel'. A stronger agreement between the respondents is indicated with the standard deviation in question C1, with a score of 0.546. Respondents agree that customer satisfaction is important to them.

Table 3.13: Price general (independent variable)

	Mean	Standard deviation
C10	4.21	.788
C11	4.35	.726
C12	4.22	.698
C13	4.68	.600
C14	4.64	.559
C17	4.30	.793
C18	4.29	.791
C19	3.94	.899

In general price indicated in Table 3.13, it can be observed that most responses were recorded at the positive end of the scale of agree to strongly agree. One can derive from the means that C13 at a score of 4.68 "I feel that I receive value for money if the facilities of the hotel and room are clean" is the strongest value followed by C14 at a score of 4.64 "I feel that I receive value for money for good services provided by the hotel". The two weakest means are C19 at a score of 3.94 "The price of the hotel offering is a deal maker" and C10 at a score of 4.21 "Discounts and special offers are appealing to me when making a purchasing decision".

Hence, from Table 3.13 it can be observed the weaker agreement between respondents is question C19 with a score of 0.899. This suggests that there is a weaker agreement

between the respondents that the price of the hotel offering is a deal maker. A stronger agreement between the respondents is indicated with the standard deviation in question C14, with a score of 0.559. Respondents agree that they receive value for money for good services provided by the hotel.

Table 3.14: Price premium (independent variable)

	Mean	Standard deviation
C15	3.98	.856
C16	3.83	.924
C20	3.78	.875

From the Table 3.14, it can be observed that most responses were recorded at the positive end of the scale of agree. Being prepared to pay a premium for add-ons indicated close mean values. If one compares the price premiums to the general price questions, the price premium questions are regarded in the weakest questions.

Hence, from Table 3.14 it can be observed the weaker agreement between respondents is question C16 with a score of 0.924. This suggests that there is a weaker agreement between the respondents that they would be prepared to pay a price premium for innovation services offered by the hotel. A stronger agreement between the respondents is indicated with the standard deviation in question C15, with a score of 0.856. Respondents agree that from the price premium variable that they would be prepared to pay a price premium if the service levels of the hotel were improved upon.

Table 3.15: Service (independent variable)

	Mean	Standard deviation
C21	4.40	.618
C22	4.25	.655
C23	4.58	.553

Table 3.15: Service (independent variable) (continued)

	Mean	Standard deviation
C24	4.03	.764
C25	4.65	.591
C26	4.47	.640
C27	4.11	.964
C28	4.59	.680
C29	4.67	.586
C30	3.95	.872
C31	4.43	.682

From Table 3.15, it can be observed that most responses were recorded at the positive end of the scale of agree to strongly agree. The strongest question, which has an influence on service levels is C29 at a score of 4.57 “I consider security at the room an important service feature”, closely followed by C28 at a score of 4.59 “The quality of food and beverages provided by the hotel is important to me”. The weaker means are indicated by the values of C30 at a score of 3.95 “Recovery of the service failure by the hotel will ensure I will return to the hotel” and C24 at a score of 4.03 “Innovation in the service offering (something fresh and new) influences my decision making. These have the least influence on service ratings.

Hence, from Table 3.15 it can be observed the weaker agreement between respondents is questions C27 with a score of 0.964. This suggests that there is a weaker agreement between the respondents regarding the process a hotel follows to resolve a complaint is important to them. A stronger agreement between the respondents is indicated with the standard deviation in question C23, with a score of 0.553. Respondents agree that the overall service offering by the hotel is important to them.

3.8.8 Kaiser-Meyer-Olkin (KMO) and Bartlett's test

According to Pallant (2013:190), the Kaiser-Meyer-Olkin and Bartlett's tests are used to test the factor ability of the data. For the factor analysis to be appropriate the results of Bartlett should be $p < 0.05$. The Kaiser-Meyer-Olkin score should be between zero and one. To be considered a good factor analysis, 0.6 should be the minimum value to be considered as a good factor analysis.

Table 3.16: KMO and Bartlett's test of Sphericity

KMO and Bartlett's test		Customer satisfaction	Price	Service
Kaiser-Meyer-Olkin measure of sampling adequacy (KMO)		0.873	0.788	0.861
Bartlett's test of Sphericity	approx. chi-square	328.759	464.064	592.625
	Df	36	55	55
	Sig.	0.000	0.000	0.000

From Table 3.16, one can derive that the Kaiser-Meyer-Olkin values for customer satisfaction, price and service are all above 0.6. The strongest of the three variables is customer satisfaction at 0.873 followed by service at 0.861. The weakest of the three is price, which is rated at 0.788. Bartlett's test of Sphericity significance are all 0.000. Hence, the analysis for all the variables indicates a good factor analysis.

3.8.9 Reliability and validity of the main study

According to Hair *et al.* (2010:165-166), reliability is to predict whether a scale is able to create a similar outcome in recurring trials. The coefficient Cronbach alpha is a tool for evaluating internal consistency of the scale. The coefficient alpha is between zero and

one. A value above 0.60 interprets an acceptable reliability of the scale used, 0.70-0.80 indicates a good reliability and between 0.80 – 0.95 an excellent reliability.

According to Pallant (2013:101), on selecting the scale for a study, it is imperative to find a reliable scale. Cronbach's alpha coefficient is one of the most utilised gauges of internal consistency. The reliability of a scale used in a study largely is reliant on the sample. Pallant (2013:7) describes the validity of the scale to the level to which it determines what is said to be measured. There, however, is no precise indicator of a scale's validity. Validation of the scale includes collecting empirical data regarding its use. There are three main types of validity, namely construct, content and criterion validity.

According to Shukla (2008:82) a scale that indicates perfect validity contains no measurement errors. A scale that has no empirical value is not valid. This is simply because it did not measure what was intended.

The Cronbach alpha coefficient of the scale should be at least 0.7 (ideal is 0.80) (Pallant, 2013:313). The higher the rating, the better the internal consistency reliability of the scale. There are three approaches, namely internal consistency reliability, test retest reliability and alternative form reliability (Babbie, 2013:145). In this study, the internal consistency reliability was applied.

3.8.10 Exploratory factor analysis

According to Pallant (2013:188) there are two types of factor analysis, namely confirmatory and exploratory. Confirmatory analysis is a more advanced technique used at a later stage of the research process to confirm a set hypothesis, which concerns the composition underlying a set of variables. Exploratory factor analysis in contrast is mostly used in the early stages of research gathering information to explore interrelationships amongst a set of variables. Pallant (2013:191-192) states the following steps involved in factor analysis:

Step 1: Assessment of the suitable data, which requires factor analysis

Step 2: Extraction of the factor (Kaiser's criterion, Scree test and parallel analysis).

Step 3: Rotation of factor and interpretation.

Factors analysis is explained as an interdependence method and its core purpose is to describe the fundamental structure amongst the variables in the study (Hair *et al.*, 2010:94).

In this study, the Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) analysis was used. According to Pallant (2013:199), the KMO value should be 0.6 or above and the Bartlett's test of Sphericity should be significant (0.05 or smaller).

According to Pallant (2013:199) those that indicate an eigenvalue of one or more are of interest. KMO is one of the most used methods and it is also referred to as the eigenvalue (Pallant, 2013:191). Another method can be used by way of the scree test. Each of the eigenvalues are plotted and it is recommended that all the factors above the elbow are utilised as these can contribute most to explaining the variance in the data.

Table 3.17: Exploratory factor analysis results: customer satisfaction

Items	Factors
	1
C1	.730
C2	.707
C3	.816
C4	.770
C5	.609

Table 3.17: Exploratory factor analysis results: customer satisfaction (continued)

Items	Factors	
	1	2
C6	.545	
C7	.692	
C8	.658	
C9	.635	
Eigenvalue	4.273	
% of variance	47.479	
Cumulative %	47.479	
Cronbach alpha	0.873%	

The eigenvalue is acceptable because its value of 4.273 is larger than one. The Cronbach alpha being the reliability of the scale is indicated at 0.873 percent. This is considered an excellent reliability.

Table 3.18: Exploratory factor analysis results: price general and price premium

Items	Factors	
	1	2
C11	0.794	

C13	0.770
-----	-------

Table 3.18: Exploratory factor analysis results: price general and price premium (continued)

Items	Factors	
	1	2
C14	0.723	
C12	0.716	
C10	0.707	
C18	0.636	
C17	0.604	
C19	0.425	
C15		0.898
C16		0.889
C20		0.873
Eigenvalue	4.194	2.009
% of variance	38.124	18.262
Cumulative %	38.124	56.386

Cronbach Alpha

0.788

0.788

By using the scree plot method, the price questionnaire was broken down into two factors. The general factors are displayed in column 1 and the price premium questions are depicted in column 2.

The eigenvalue is acceptable for both the general and premium price variables, as the factors are larger than one (4.194 and 2.009 respectively). The Cronbach alpha of 0.788 (each variable) interprets a good reliability scale.

Table 3.19: Exploratory factor analysis results: service

Items	Factors
	1
C26	0.820
C25	0.802
C23	0.800
C31	0.795
C29	0.754
C28	0.740
C21	0.672
C24	0.667
C22	0.655
C27	0.613

Table 3.19: Exploratory factor analysis results: service (continued)

Items	Factors
	1
Eigenvalue	5.696
% of variance	51.785
Cumulative %	51.785
Cronbach Alpha	0.861

The eigenvalue is acceptable because its value of 5.696 is larger than one.

The Cronbach alpha indicated in Table 3.19 is 0.861, which interprets the scale as excellent.

3.8.11 Correlation analysis

According to McDaniel and Gates (2001:448), to establish whether the changing effects of one variable is linked to the changes of another variable, a correlation analysis needs to be conducted.

Pallant (2013:133) describes the correlation analysis as being a method used to explain the direction and strength of two variables (linear relationship). Spearman rho is a good method to use with ranked data and useful when the collected data does not match with the Pearson correlation method. The Pearson method (r) can only take on values from 1 or -1. The sign (no sign indicates a positive whilst a – indicates a negative) indicates whether there is a positive or negative correlation between the variables. The positive correlation pertains to if one variable increases, then so does the other variable. The negative correlation indicates that as a variable increases, the other one decreases.

Pallant (2013:139) states that the interpretation of the relationship strength differs from author to author. Pallant (2013:139) describes strength interpretations as:

- Small = 0.1 - 0.29
- Medium = 0.30 - 0.49
- Large = 0.50 - 1.0

Whether a Pearson or Spearman method is used, the interpretation is the same (Pallant, 2013:138).

In this study, a non-parametric correlation was used to establish correlations, using the Spearman rho method.

Table 3:20: Correlation analysis

	Age Group A2	Last educational qualification A3	Frequency of stays at a leisure hotel B2	Frequency of stays at a leisure hotel B3	I stay at 1-2 star or/and 3 star or/and 4-5 star hotels B4	Satisfaction	Price General	Price Premium	Service
Satisfaction	-.084	.022	-.160	.227	.263**	1.000			
Significance (2-tailed)	.400	.824	.173	.125	.010				
Price general	-.176	-.073	-.138	.040	.237*	.639**	1.000		
Significance (2-tailed)	.076	.464	.240	.791	.021	.000			
Price premium	-.281**	-.226*	.015	-.096	.004	.429**	.371**	1.000	
Significance (2-tailed)	.004	.022	.896	.522	.972	.000	.000		
Service	-.155	-.053	-.285*	.005	.177	.730**	.699**	.583**	1.000
Significance (2-tailed)	.119	.600	.014	.972	.086	.000	.000	.000	

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

* . Correlation is significant at the 0.05 level (2-tailed).

In Table 3.20, all the values indicated by one or two asterisks, correlation is significant at levels of $p < 0.05$ and $p < 0.01$. All the significance 2 tailed values of 0.000 and the following figures not marked with asterisk are also significant because the levels of $p < 0.05$ and $p < 0.01$; satisfaction and the different levels of hotels at .010, price general and different levels of hotels of 0.021, prime premium and age group of 0.004, service

and frequency of stays at a leisure hotel of 0.14. The values that are not marked with an asterisk are not significant. Hence, there is no correlation relationship between the two variables. When referring back to the main objectives of the study to investigate whether the three independent variables of price general, price premium and service have an influence on customer satisfaction, it can be derived from Table 3.20, the correlation between service and customer satisfaction is the strongest at a score of 0.730, followed by price general and customer satisfaction 0.639. The least of the three variables, which has an impact on customer satisfaction is price premium at 0.429. All three independent variables indicate a positive relationship with the dependent variable customer satisfaction.

To re-cap on the effect size of the groups, Pallant (2013:139) describes strength interpretations as:

- Small = 0.1 - 0.29
- Medium = 0.30 - 0.49
- Large = 0.50 - 1.0

3.8.11.1 Customer satisfaction

According to the findings discussed in this paragraph, correlations are all significant at levels of $p < 0.05$ and $p < 0.01$. There is a positive correlation between customer satisfaction and staying at a star-rated hotel. Hence, effect size of 0,263 is rated as a small strength relationship between the two variables. This is the only correlation linked to customer satisfaction, which is significant.

3.8.11.2 Price general

According to the findings discussed in this paragraph, correlations are all significant at levels of $p < 0.05$ and $p < 0.01$. There is a positive correlation between price general and staying at a star-rated hotel. The effect size of 0.237 is rated as a small strength relationship between the two variables. The effect size of 0.639 indicates a positive correlation between price general and satisfaction. This falls within the large category

strength relationship between the two variables. Under the heading of price general, the correlation between price general and satisfaction is the strongest.

3.8.11.3 Price premium

According to the findings discussed in this paragraph, correlations are all significant at levels of $p < 0.05$ and $p < 0.01$. There is a negative correlation between price premium and age. The effect rating is -0.281. This is the weakest relationship category within price premium.

There is a positive correlation between price premium and customer satisfaction. The effect size is 0.429 and hence, indicates a medium strength relationship between the two variables. There is a positive correlation between price premium and general price. The effect size is 0.371 and also falls within a medium strength relationship between the variables. The strongest relationship linked with price premium is customer satisfaction.

3.8.11.4 Service

According to the findings discussed in this paragraph, correlations are all significant at levels of $p < 0.05$ and $p < 0.01$. There is a negative correlation between service and frequency of stays at leisure hotel. The effect size relationship is -0.285. A positive correlation between service and customer satisfaction is indicated, with an effect size rating of 0.730. An effect size rating of 0.699 indicates a large strength rating between service and price general. Price premium is linked with strong strength rating of 0.583. The strongest relationship linked with service is customer satisfaction.

3.8.12 Scatter plots

The correlation coefficient represents a number, which can be represented as a scatter plot (Welman, 2005:224). When an increase in one variable corresponds to the increase of another, it is referred to as a positive correlation. In converse, an increase in one

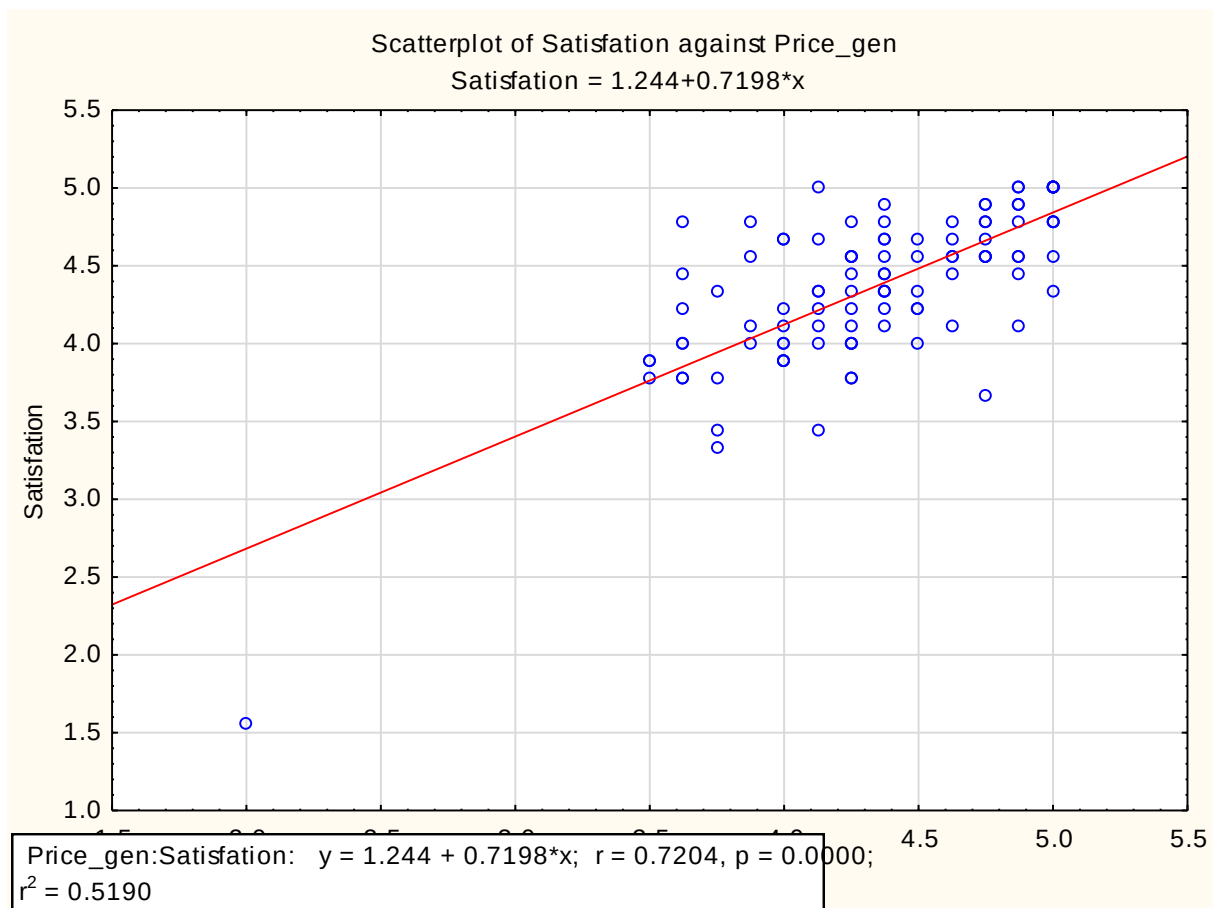
variable leading to a decrease in another variable is referred to as a negative correlation.

According to Pallant (2013:133-135) the correlation of two variables can be depicted as a scatter plot. A scatter plot indicates circled shapes plotted at certain plots. From these plotted circles, one can derive whether there is a positive or negative relationship between two variables. Outliers may occur on the graphs. These are points that are indicated on their own away from the core cluster of circled points. From an outlier one must consider whether these are errors or whether this is a genuine answer from a respondent.

3.8.13 RSquare

According to Pallant (2013:166-167) the RSquare indicates the variance in the dependent variable. Expressed as a percentage (multiply the value by 100) explains the percentage of the variance perceived by the dependent variable. The adjusted RSquare is used when a small sample is used. It corrects the RSquare value by offering an improved estimate of the population.

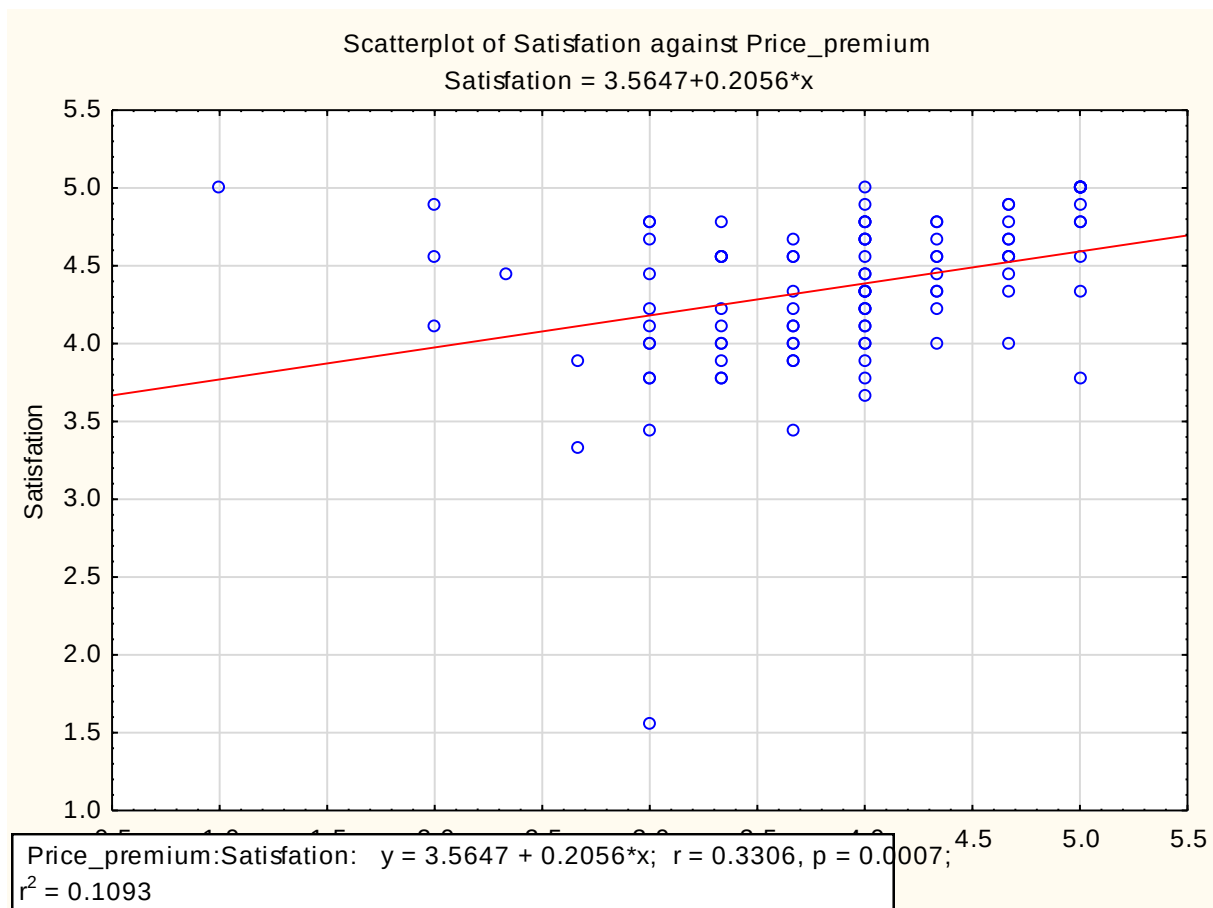
According to Pallant (2013:167) in order to compare how the independent variables supported the prediction of the dependent variable, the beta needs to be established. Standardised indicates the values for each of the variables are adapted to the same scale in order that they can be compared. The notion is to compare the contribution of each independent variable.



Scatter plot 3.1: Customer satisfaction versus price general

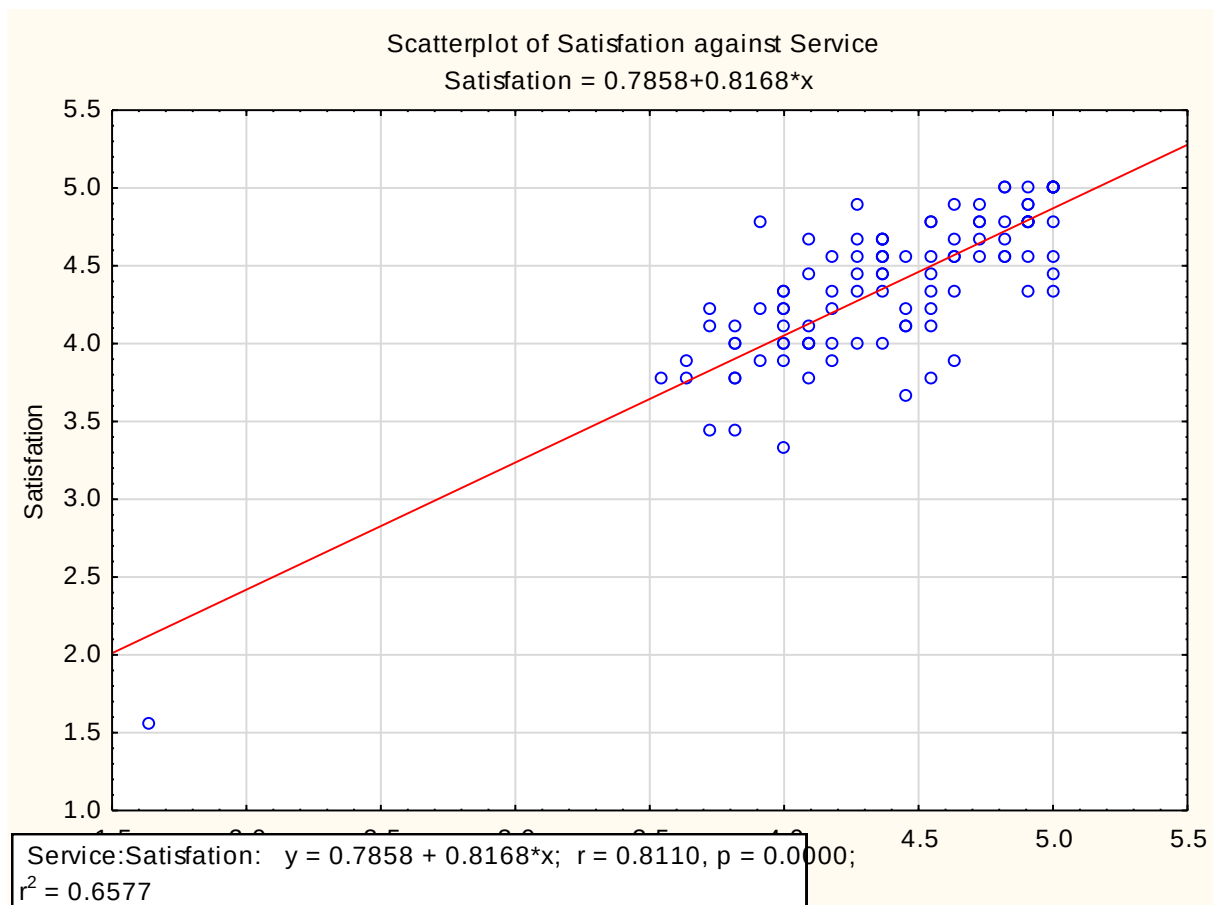
Scatter plot 3.1 indicates a positive relationship between customer satisfaction as the dependent variable and price general as one of the independent variables.

The RSquare of 0.5190 expressed as a percentage of 51.9 explains the variance between the independent variable of price general and the dependent variable of customer satisfaction.



Scatter plot 3.2: Customer satisfaction versus price premium

Scatter plot 3.2 indicates a positive relationship between customer satisfaction as the dependent variable and price premium as one of the independent variables. The RSquare of 0.1093 expressed as a percentage of 10.9 explains the variance between the independent variable of price premium and the dependent variable of customer satisfaction.



Scatter plot 3.3: Customer satisfaction versus service

Scatter plot 3.3 indicates a positive relationship between customer satisfaction as the dependent variable and service as one of the independent variables.

The RSquare of 0.6577 expressed as a percentage of 65.7 explains the variance between the independent variable of service and the dependent variable of customer satisfaction.

3.8.14 Multiple regression

Pallant (2013:154-155) states that the multiple regression can be used to explain a number of different questions. A relationship can be explained between the dependent

variable and independent variables by conducting a multiple regression. A multiple regression could assist with questions such as:

- The set of variables – how well will the specific outcome be projected?
- Which is the best variable predicting the outcome?

3.8.15 Statistical significance (t-test)

According to Welman *et al.* (2005:237), in determining whether two groupings have equal or different mean scores, a t-test is used. The idea that both groupings are samples from a normal distribution is the principle supporting a t-test.

Malhotra (2010:504) states that t-tests are used for drawing a conclusion with reference to the means of the population being studied. The different tests in investigating differences between means include independent sample t-test, paired sample t-test and one sample test.

According to Zikmund and Babin (2010:390,406) an independent sample t-test tests the differences between the mean results between two independent samples from the target population.

According to Shukla (2008:102, 105) a hypothesis is an unconfirmed statement developed to explain a scenario. A hypothesis includes a null hypothesis (H_0) and an alternative hypothesis (H_a). Collecting data from the sample with an appropriate statistical method and significance level, the probability can be linked with the hypothesis.

This study made use of the independent sample t-test.

Table 3:21: Standardised beta, t-value and significance level

	Standardised beta	t-value	Significance level
Price general	0.228	2.513	0.014
Price premium	-0.26	-0.406	0.686
Service	0.646	6.664	0.000
Dependent variable			
Customer satisfaction	0.000	2.189	0.031

3.8.16 Standardised beta

According to Pallant (2013: 167), the standardised refers to the values for each of the different variables converted to a scale, which can be used. It compares the contribution of the independent variable with the dependent variable.

On the standardised beta, it can be derived from table 3.21 that service at 0.646 makes the strongest contribution to explain customer satisfaction, followed by price general.

The significance levels of the study indicate that all the variables with the exception of price premium are significant to the study (smaller than 0.05).

Hence, in terms of the stated main hypothesis in Chapter 1, the results indicate that:

H_{a1}: Service has a statistically significant influence on customer satisfaction.

H_{a2}: General price has a statistically significant influence on customer satisfaction.

H_{a3}: Price premium has a statistically significant influence on customer satisfaction.

3.8.17 Effect size and p-values

Ellis and Steyn (2003:51) state that significance tests have a trend of indicating small p-values (which indicates significance). The sample size is neutral from the size of the

sample and quantifies significance (practical). It can be understood that the effect size, if being measured in practice, would be large enough to be significant. A small p-value of under 0.05 is deemed enough evidence to be statistically significant.

According to Pallant (2013:218), the effect sizes (which can be considered as the strength of association) are as follows:

- Small, if the value indicates .01 or 1 percent (percentage of variance explained)
- Medium, if the value indicates 0.06 or 6 percent (percentage of variance explained)
- Large, if the value indicates .138 or 13.8 percent (percentage of variance explained)

Table 3.22 T-tests – Gender compared with dependent and independent variables

	Gender	N	Mean	Standard deviation	P value	Effect size
Satisfaction	Male	53	4.2411	.57847	0.010	0.43
	Female	49	4.4875	.33779		
Price general	Male	53	4.2170	.53661	0.016	0.43
	Female	49	4.4490	.41136		
Price premium	Male	53	3.9371	.67954	0.353	0.17
	Female	49	3.7891	.89674		
Service	Male	53	4.2779	.56137	0.033	0.36
	Female	49	4.4805	.37206		

From the Table 3.22, one can denote that the effect sizes indicated are all large enough to be considered statistically significant. The p-values, with the exception of price premium, can be considered statistically important (significant) as they are all smaller than 0.05. Hence, gender has no influence on price premium. The highest mean in the group is indicated by females and customer satisfaction. This suggests that females are

more satisfied with the customer satisfaction levels than that of males. The weakest mean in gender is indicated by price premium and females. From this it can be denoted that females do not agree that they need to pay price premiums for enhanced offerings.

Table 3.23 T-tests – Ethnic group compared with dependent and independent variables

	Ethnic group	N	Mean	Standard deviation	P value	Effect size
Satisfaction	African	33	4.4680	.37961	0.066	0.33
	White	63	4.2910	.54045		
Price general	African	33	4.4432	.40031	0.038	0.38
	White	63	4.2401	.52905		
Price premium	African	33	4.1414	.68227	0.008	0.52
	White	63	3.7196	.80368		
Service	African	33	4.5152	.38278	0.021	0.42
	White	63	4.2929	.53095		

From Table 3.23 one can denote that the effect sizes indicated are all large enough to be considered statistical significant. The p-values indicated in Table 3.23 with the exception of satisfaction can be deemed statistically significant. Hence, the ethnic group has no influence on satisfaction. The strongest mean in this group at 4.4680 is between customer satisfaction and African people. This indicates that African people are more satisfied with customer satisfaction than White people. The weakest mean in the group is 3.7196 and is between White people and price premium. This suggests that White people are less likely to pay price premiums for enhanced offerings.

3.9 SYNOPSIS

The objective of this chapter was to report the empirical findings of the study. The findings and interpretations were presented in order that the primary and secondary objectives of the study were achieved.

The results of the study commenced with demographic results explaining the respondent's gender, age, last education qualification, marital status and ethnic group. This was followed by a hotel and frequency orientation. In this section, it was established whether visitors visit a hotel for leisure or business purposes as well as the frequency for each category. Data were collected on the star category hotel the respondents prefer to stay at.

Descriptive analysis was indicated next and the means and standard deviations discussed. In Section 3.16, the Kaiser-Meyer-Olkin and Bartlett's tests are used to test the factor ability of the data collected. By using an exploratory factor analysis, determinant elements were extracted that establish, which questions in the main questionnaire (Section C) are the strongest within the variable. The reliability and validity of the study were discussed.

In Section 3.8.10, the Spearman rho method of correlation analysis was indicated. To test the hypothesis of the study (also stated in the main objective of the study), it can be derived from Table 3.20, the correlation between service and customer satisfaction is the strongest at a score of 0.730, followed by price general and customer satisfaction 0.639. The least of the three variables, which has an impact on customer satisfaction is price premium at 0.429. All three independent variables indicate a positive relationship with the dependent variable, customer satisfaction.

The scatter plots of the comparisons indicating the RSquares (refer Section 3.8.13) were discussed.

On the standardised beta, it can be derived from Table 3.21 that service at 0.646 makes the strongest contribution to explain customer satisfaction, followed by price general. The significance levels of the study indicate that all the variables, with the exception of price premium, are significant to the study (smaller than 0.05).

Hence, in terms of the stated main hypothesis in Chapter 1, the results indicate that:

H_{a1}: Service has a statistically significant influence on customer satisfaction.

H_{a2}: General price has a statistically significant influence on customer satisfaction.

H_{a3}: Price premium has a statistically significant influence on customer satisfaction.

In the last section of the analysis, t-tests were conducted to test the relationships between the variables and gender, ethnic group, staying at a hotel for leisure or business purposes.

In the next chapter, Chapter 4, the recommendations and concluding remarks of the study are discussed.

CHAPTER 4 RECOMMENDATIONS AND CONCLUSION

4.1 INTRODUCTION

Any research conducted would be useless without recommendations on how to solve or improve on scenarios. The meanings and the implications of the statistical data are explained and the main areas to be improved or changed are highlighted. This chapter provides an overview of the study and discusses the main and secondary objectives with their findings. Contributions of the study are important, as this will outline who can benefit from the study. Limitations as well as future research opportunities follows so that an opportunity exists for future research to build on and/or improve on this study. The chapter ends with a conclusion.

4.2 OVERVIEW OF THE STUDY

In order that recommendations can be made based on the study's findings, it is important to include insights of the information gained over the previous four chapters of this study.

Chapter 1 highlighted the background (Section 1.1) to the topic of study as well as the motivation in Section 1.2. This describes the motivation for the study. The problem statement is highlighted in Section 2 and this further identifies the problems, which exist within the hotel industry and motivators for choosing the topic for this study. Section 3 states the main and secondary objectives of the study as well as the hypothesis. The conceptual model is depicted in Figure 1.1. The research method and design is explained briefly in Section 4.

Chapter 2 focuses on a literature review. Valuable insights from other researchers were gained from the literature study and the questions in the empirical study were extracted from this section. The topics, which cover the literature review are:

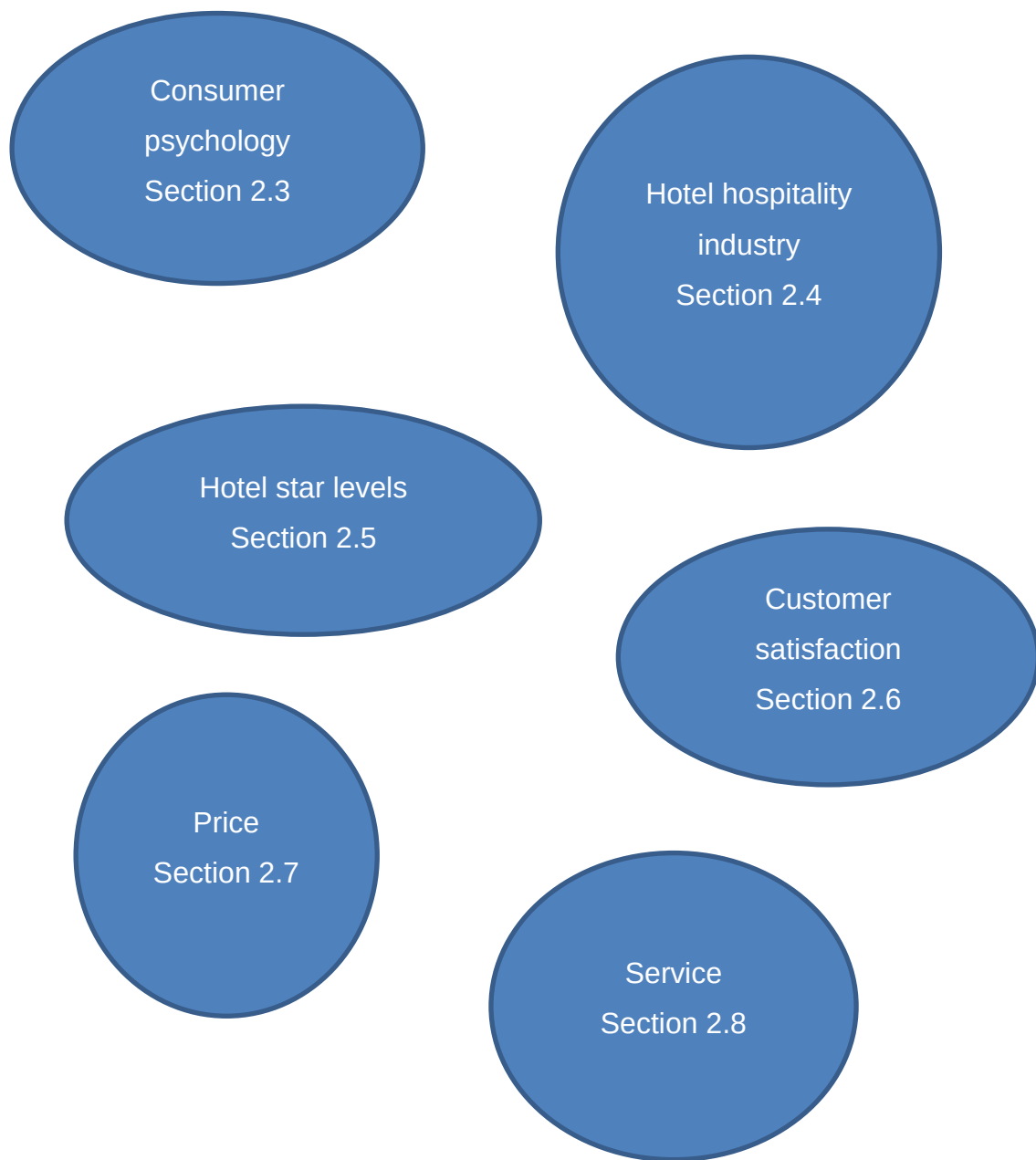


Figure 4.1: Literature study topics (own source)

Chapter 3 reports on the research design, methodology, analysis and interpretation of empirical findings. This chapter comprises a descriptive research design (Section 3.8). The sample frame for the study were employees at a large manufacturing organisation

who earn a monthly income (poses an opportunity for hotel holiday expenditure) and as this is a large corporation, business travel is likely. The targeted sample was 100 employees. 110 questionnaires were hand-distributed and 102 received back and data used for this study. The objective of this chapter was to report the empirical findings of the study. The findings and interpretations were presented in order that the primary and secondary objectives of the study were achieved.

The results of the study started with demographic results explaining the respondent's gender, age, last education qualification, marital status and ethnic group. This was followed by a hotel and frequency orientation. In this section, it was established whether visitors visit a hotel for leisure or business purposes as well as the frequency for each category. Data were collected on the star category hotel the respondents prefer to stay at. Descriptive analysis was indicated next and the means and standard deviations discussed. In Section 3.16, the Kaiser-Meyer-Olkin and Bartlett's tests are used to test the factor ability of the data collected. By using an exploratory factor analysis, determinant elements were extracted that establish which questions in the main questionnaire (Section C) are the strongest within the variable. The reliability and validity of the study were discussed. In Section 3.8.10, the Spearman rho method of correlation analysis was indicated. To test the hypotheses of the study (also stated in the main objective of the study), it can be derived from Table 3.20 that the correlation between service and customer satisfaction is the strongest at a score of 0.730, followed by price general and customer satisfaction 0.639. The least of the three variables, which has an impact on customer satisfaction is price premium at 0.429. All three independent variables indicate a positive relationship with the dependent variable customer satisfaction.

The scatter plots of the comparisons indicating the RSquare (refer Section 3.8.13) were discussed.

On the standardised beta it can be derived from Table 3.21 that service at 0.646 makes the strongest contribution to explain customer satisfaction, followed by price general.

The significance levels of the study indicate that all the variables, with the exception of price premium, are significant to the study (smaller than 0.05).

Hence, in terms of the stated main hypotheses in Chapter 1, the results indicate that:

H_{a1}: Service has a statistically significant influence on customer satisfaction.

H_{a2}: General price has a statistically significant influence on customer satisfaction.

H_{a3}: Price premium has a statistically significant influence on customer satisfaction.

In the last section of the analysis, t-tests were conducted to test the relationships between the variables and gender, ethnic group, staying at a hotel for leisure or business purposes.

Chapter 4 reports on the recommendations and precedes this section.

4.2.1 Primary objective

The main objective of this research was to investigate whether the two independent variables of price and service have an influence on customer satisfaction.

4.2.2 Secondary objectives

The secondary objectives outline intricacies, which hotel managers need to consider when taking marketing strategies into account. This study aimed:

- To determine whether travellers visit hotels for leisure or business purposes
- To determine the frequency travellers stay at leisure and/or business hotels
- To determine whether travellers prefer to stay at lower star-rating (1-2 star) hotels, middle star-rated (3 star) or upper-star rated (4-5 star) hotels
- To determine whether gender has an influence on customer satisfaction, price general, price premium and service
- To determine whether ethnic group has an influence on customer satisfaction, price general, price premium and service.

4.3 MAIN FINDINGS OF THE STUDY

In conjunction with the empirical study, which was conducted for the primary objectives of this study, the main findings of the study are discussed next.

4.3.1 Service does or does not have a statistically significant influence on customer satisfaction

This objective was achieved in Chapter 3 under the correlation analysis (Section 3.8.10). The results indicate that service has a statistically significant influence on customer satisfaction (Table 3.20). The correlation between service and customer satisfaction is the strongest of all variables at a score of 0.730. In Table 3.20 it is advised that findings discussed, for correlations to be considered significant, they should indicate levels of $p < 0.05$ and $p < 0.01$. This actual score is noted as 0.000 and is hence significant. Scatter plot 3.3 indicates a positive relationship between customer satisfaction as the dependent variable and service as one of the independent variables.

4.3.2. General price does or does not have a statistically significant influence on customer satisfaction

The results indicate that price general has a statistically significant influence on customer satisfaction (Table 3.20). The correlation between price general and customer satisfaction is the second strongest of all variables at a score of 0.639. In Table 3.20 it is advised that findings discussed for correlations to be considered significant should indicate levels of $p < 0.05$ and $p < 0.01$. This actual score is noted as 0.000 and is hence significant. Scatter plot 3.1 indicates a positive relationship between customer satisfaction as the dependent variable and service as one of the independent variables.

4.3.3 Prime premium does or does not have a statistically significant influence on customer satisfaction

The results indicate that price premium has a statistically significant influence on customer satisfaction (Table 3.20). The correlation between price premium and customer satisfaction is the weakest variable at a score of 0.4.29. In Table 3.20 it is advised that findings discussed, for correlations to be considered significant, they should indicate levels of $p < 0.05$ and $p < 0.01$. This actual score is noted as 0.000 and is hence significant. Scatter plot 3.2 indicates a positive relationship between customer satisfaction as the dependent variable and service as one of the independent variables.

Table 4.1 Summary and outcome of hypothesis

		Results
H _{a1} :	Service has a statistically significant influence on customer satisfaction.	Accepted
H ₀₁ :	Service does not have a statistically significant influence on customer satisfaction.	Rejected
H _{a2} :	General price has a statistically significant influence on customer satisfaction.	Accepted
H ₀₂ :	General price does not have a statistically significant influence on customer satisfaction.	Rejected
H _{a3} :	Price premium has a statistically significant influence on customer satisfaction.	Accepted
H ₀₃ :	Price premium does not have a statistically significant influence on customer satisfaction.	Rejected

4.4 SECONDARY FINDINGS OF THE STUDY

In conjunction with the empirical study, which was conducted for the secondary objectives of this study, the findings are discussed next.

4.4.1 To determine whether travelers visit hotels for leisure or business purposes

From Chapter 3, Section 3.7 and 3.8, 77.5 percent of the respondents visit hotels for leisure purposes whilst 54.9 percent visit for business purposes. These values do not add up to 100 percent because respondents were given an option to indicate whether they visit either and or both leisure and business.

4.4.2 To determine the frequency travelers stay at leisure and/or business hotels

Table 3.9 indicates that the largest frequency of 46.1 percent visit a hotel for leisure by travellers once per year. This is followed by twice per year at 19.6 percent. The missing frequency percentage of 20.6 percent can be attributed to respondents who do not travel for leisure purposes. Table 3.10 indicates that the largest frequency of 21.6 percent visit a hotel for business purposes three times per year. The missing percentage of 41.2 percent can be attributed to respondents who do not travel for business.

4.4.3 To determine whether travelers prefer to stay at lower star rating (1-2 star) hotels, middle-rated (3 star) or upper star-rated (4-5 star) hotels

Table 3.11 indicates that 71.6 percent of the respondents visit 3 star hotels. This is a medium range hotel, which offers a comfortable stay. The second largest category included the 4-5 star hotels at 18.6 percent (upper class hotels) and a small percentage of 2.9 percent visited 1-2 star hotels (lower end class hotels).

4.4.4 Whether gender has an influence on customer satisfaction, price general, price premium and service

Table 3.22 indicates by way of the mean that females require higher levels of customer satisfaction, price general and service than that of their male counterparts. Males received a higher mean with price premium.

4.4.5 Whether ethnic group has an influence on customer satisfaction, price general, price premium and service

Table 3.23 indicates by way of the mean that Africans require higher levels of customer satisfaction, price general, price premium and service than that of their White counterparts.

4.5 RECOMMENDATIONS

4.5.1 Service has a statistically significant influence on customer satisfaction

Whilst this study indicates that the independent variable of service has a higher impact on customer satisfaction than the other independent variables of price general and price premium, companies must consider that if high service levels are not maintained, they too will soon be lost. Dedeoğlu and Demirer (2015:130) find that employees regard their service levels at a high level whilst guests found to the contrary. This can be regarded as a gap and cautions hotel managers to embark on continuous training programs for their staff. On-the-job training as well as formal training programs ensure innovative ideas and enhancing what the employee may already know. The goal for business is to retain loyal customers and attract new ones. As the nature of the hotel industry is to provide a comfortable and pampering experience for the guest, it is imperative that the employees are trained in their specialised areas. The recommendation to ensure frontline employees are brand strong is also important as this is often the first line of contact between the hotel and their guests. The study by Grandey (2000:14) indicates that often employees who are involved with customer service could lead to exhaustion

and this could have an effect on their service levels. It, therefore, is recommended that these employees are trained in stress-relieving skills and the hotel could also consider frontline employees operating on a rotational basis. Quality programs should be implemented whereby employees and managers are trained to achieve internal quality. This includes how staff feel about their work. An industrial psychologist could be contracted to draw up fun programs, which allow staff to vent their concerns and find a solution. Often employees react better to solutions when they have been part of the exercise. Role-playing could form part of the training program; people tend to learn faster when they are having fun.

4.5.2. General price has a statistically significant influence on customer satisfaction

In these recessive times, the guest wants to know that they are receiving value for money. Whilst this independent variable played an important part of this study, the study indicated that service is more important. It can, therefore, be derived that the traveler is prepared to pay a price if value is received. From the empirical study, it can be derived that the most important issues for the traveler are value for money (C13) at a mean score of 4.68 and C14 at a mean score of 4.64 that the guest feels they do receive value for money. From this, hotel managers should gain insight into what truly defines value for money and enhance the value offering where possible.

The literature study conducted in this study poses different attributes such as location, room cleanliness, food and beverage influence price. However, it is recommended that this subject be further researched to gain scientific data as to the influencers and implement a program from there. A last recommendation is that hotels should ensure that their website is effective and efficient. It should also ensure that the offering linked with price is competitive. The study has shown that it is very easy for travelers to check on the websites, which is the best value offering. Whilst price is not the strongest independent variable, when it comes down to comparing prices, if the hotels website is not solid, this could lead to lost business.

4.5.3 Prime premium has a statistically significant influence on customer satisfaction

In slow economic times, the customer wants to receive value for money. If the customer is prepared to pay a price premium then the offering needs to be of a high standard. Price premium has the weakest influence of the three independent variables. Question C15 has the strongest mean with a score of 3.98 "I would be prepared to pay a price premium if the service levels of the hotel were improved upon". The lowest mean was recorded at 3.83 linked to question C16 "I would be prepared to pay a price premium for innovative (something fresh and new) service offered by the hotel.

From the study by Zhang *et al.* (2011:976-978) employee training within hotels should be ongoing, elevating the fact that service excellence can lead to customer satisfaction and a premium price. This reinforces the recommendations made in 4.5.1, where it is stated that ongoing training of staff must prevail. The more the customer believes their needs have been met, the more likely they are to be willing to pay a price premium.

The more the hotels understand how the customer thinks and regards an offering, which is worth a price premium, the better this strategy can be applied. The hotel should undergo a scientific study to understand what the customer is prepared to pay a price premium for.

4.6 CONTRIBUTIONS OF THE STUDY

The findings in this study could assist hotel managers to understand which independent variables have the largest influence on customer satisfaction. Hotel managers can use the data to understand what they are doing right and what they need to maintain, as well as what they are doing wrong and need to change. From this study they will also identify that customer satisfaction is not an exact principle, for example gender and ethnic groups could play a role in obtaining results.

This research could also assist future researchers performing similar studies. It will afford them the opportunity to extract information and widen the scope on similar subjects.

4.7 LIMITATIONS AND FUTURE RESEARCH OPPORTUNITIES

Most academic research studies have their own limitations. The findings, which were presented in this research could suggest a direction for future studies. Also, in this study, the empirical study was not linked to a hotel in a specific country. Researching hotels in other African countries may produce different results. Regions within a country, for example in South Africa, KwaZulu-Natal and Western Cape could also present different results. Hence, these could be identified as limitations to this study and future research opportunities could consider area-specific research, which would be beneficial to marketing strategies for hotels in the given area.

4.8 CONCLUDING REMARKS

Hotels that are effectively structured and that are pro-active in identifying customer's needs, whilst minimising risk, make good business sense. Hotel management must be aware of competitive intelligence – what do their competitors do and how do they do it? Hotels must ensure sustainability and, therefore, need to understand what they are doing right and which areas need attention. Insight from this can be gathered from the literature study as well as the empirical findings from the study. Without a happy customer, a hotel has no return loyalty and one of the most powerful advertising forms, namely word-of-mouth, could prove very harmful. Hotels that are not prepared to adapt according to their customer's needs, run the risk of a declining business, or even failure.

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Annexure 1

Consumer psychology in the hotel hospitality industry: The impact of price and service on customer satisfaction

Dear Respondent,

My name is Lara Neves and I am registered with the North West University for a MBA (Masters in Business Administration) Degree. I am busy with my third year of study and working towards my dissertation.

The purpose of my study is to determine how the consumer thinks as to whether price and service has an impact on customer satisfaction in the hotel hospitality sector.

Please take a few minutes to assist me in completing the attached questionnaire. Participation in the study is voluntary and all responses will remain anonymous in my feedback to the University. The data will assist in outlining statistical information in the analysis.

Please follow the instructions in the preceding sections and I thank you in advance for your important contribution to this study.

Lara Neves

SECTION A (DEMOGRAPHICS)

Please indicate your response by indicating a 'x' or a tick next to the applicable box in the tables below.

A1	Gender	Male	
		Female	

A2	Age Group	20-29	
		30-39	
		40-49	
		50-59	
		>60	

A3	My last educational qualification	PHD	
		Master's Degree	
		Honours Degree	
		BCom, BSc, B.Eng, BA Degree	
		Diploma	
		Matric	
		Other	

A4	Marital Status	Single	
		Engaged	
		Married	
		Divorced	
		Widow/er	

A5	Ethnic Group	African	
		Coloured	
		Indian	
		White	

SECTION B – HOTEL AND FREQUENCY ORIENTATION

Please indicate your response by indicating a 'x' or a tick next to the applicable box in the tables below.

		Leisure	Business
B1	As a visitor to a hotel, the intention of my stay is for leisure, business or both		

If you have ticked **leisure in question B1**, please respond to this question

		Once per year	Twice per year	Three times per year	Other (specify)
B2	For leisure , how frequently do you visit hotels?				

If you have ticked **business in question B1**, please answer this question

		Once per year	Twice per year	Three times per year	Other (specify)
B3	For business , how frequently do you visit hotels?				

		1-2 Star	3 Star	4-5 Star
B4	I stay at a 1-2 star hotel, 3 star hotel or 4-5 star hotel			

SECTION C

The below table is a 5 point Likert scale. Please indicate your response by indicating a 'x' or a tick next to the applicable box in the tables below.

1 = Strongly disagree

2 = Disagree

3 = Neutral

4 = Agree

5 = Strongly agree

Customer Satisfaction

		1	2	3	4	5
C1	Customer satisfaction is important to me.					
C2	Customer satisfaction ensures I remain brand loyal.					
C3	Effective communication from the hotel contributes towards customer satisfaction.					
C4	If I am satisfied, I will recommend the hotel to others.					
C5	Personal contact with the staff of the hotel is important to me.					
C6	A customer service policy which is communicated to me is important.					
C7	The ambience in the hotel ensures my relaxation and hence my satisfaction.					
C8	If I am a satisfied customer, I will return to the same hotel.					
C9	A questionnaire or survey conducted with me by the hotel regarding my visit will add value for the hotel.					

Price

		1	2	3	4	5
C10	Discounts and special offers are appealing to me when making a purchasing decision.					
C11	I feel that I receive value for money if the location of the hotel is good.					
C12	I feel that I receive value for money for the design and facilities of the room.					
C13	I feel that I receive value for money if the facilities of the hotel and room are clean.					
C14	I feel that I receive value for money for good services provided by the hotel.					
C15	I would be prepared to pay a price premium if the service levels of the hotel were improved upon.					
C16	I would be prepared to pay a price premium for innovative (something fresh and new) services offered by the hotel.					
C17	Quality of the room is the most important feature in paying for a room.					
C18	I compare value for money between different hotel establishments.					
C19	The price of the hotel offering is a deal maker.					
C20	I would be prepared to pay a price premium if employees of the hotel are well trained.					

Service

		1	2	3	4	5
C21	The hotel employees have a positive attitude and provide prompt service.					
C22	If the employees of the hotel provide individual attention to me, it makes me feel important as the guest.					
C23	The overall service offering by the hotel is important to me.					
C24	Innovation in the service offering (something fresh and new) influences my decision making.					
C25	When I receive excellent service, I am happy.					
C26	The time the hotel takes to resolve a complaint is important to me.					
C27	The process the hotel follows to resolve a complaint is important to me.					
C28	The quality of food and beverage provided by the hotel is important to me.					
C29	I consider security at the room an important service feature.					
C30	Recovery of the service failure by the hotel will ensure I will return to the hotel.					
C31	Efficient check-in and check-out services are important to me.					

Thank you.