A STUDY ON SERVICE QUALITY AND TOURIST LOYALTY: CASE STUDY OF THE SARAWAK TOURISM BOARD, MALAYSIA.

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Abstract

The primary objectives of this study are to examine the relationship between service quality and service loyalty in the hotel industry by using SERVQUAL and 4 battery of service loyalty. Towards that end, a questionnaire methodology was chosen for this study.

Overall, the results of the study seem to indicate that service quality perception is positively related to service loyalty. In other words tourists that perceive service quality as high are more likely to be loyal. A further examination on the individual level concludes that the entire service dimensions are positively related to overall service loyalty. The overall service quality are also significantly related in a positive way with the individual 4 items of loyalty. Meanwhile the 5 dimension is proven to be positively related to the 4 items of loyalty.
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CHAPTER 1

1.1 INTRODUCTION

Overview of tourism sector development

In Malaysia, the tourism sector ranks second as a generator of foreign exchange after oil and gas production. This industry has been growing rapidly in the country over the past few years. For example, Malaysia has shown a significant increase of tourist arrivals from countries in Asia, government has announced that RM1 billion will be allocated to tourism infrastructure and development for 2006, which will be managed by the Small and Medium Enterprise Development Bank (SME).

Ecotourism in Malaysia

Ecotourism is becoming the fastest growing form of tourism in Malaysia, currently making up about 10 per cent of the country’s tourism revenue. Many government and tourist agencies have adapted their organizations to offering services that are related to ecotourism activities. A high fiscal commitment is also contributed by the Ministry for its development. For instance, a total of RM1, 009 billion was allocated for the development of the tourism industry during the Eighth Malaysia Plan [8 MP] (Eighth Malaysia Plan, 2001).

Malaysia has a wide range of natural assets that makes ecotourism a highly beneficial, sustainable and long-term form of tourism. This includes lakes, mangroves, limestone caves, mountains, waterfalls, islands, wildlife and many others. Despite this fact, there are enormous concerns for the future of ecotourism, as many of the famous ecotourism sites in Malaysia are now so over-used. Some of the examples are Wang Kelian in Perlis (limestone, caves and forests), Kenyir Catchments in Terengganu (lake, boating, trekking and fishing), Pulau
Kukup in Johor (mangroves, wildlife, and seafood), Lower Kinabatangan River in Sabah (proboscis monkeys and wildlife), Pulau Redang in Terengganu (fish, coral reefs and an attractive marine environment), Pulau Sipadan in Sabah (fish, coral reefs and an attractive marine environment), and many others. One of the best ecotourism practices have been displayed in the Matang Mangroves Forest in Perak. However, there is still a lack of best ecotourism practices displayed in any of the marine parks in Malaysia.

The positive viewpoint of ecotourism

The United Nations and the World Trade Organization (WTO) have predicted that ecotourism will become the world's biggest industry in the future. Thus, if properly implemented, it can provide employment opportunities for locals in the long term. Tourism, being the world's largest employer, has already generated almost 200 million jobs or some 10 per cent of jobs globally (Halpenny and Elizabeth, 2002). In Malaysia, this sector provides jobs to many people employed in the hotel, resort and transportation industries, as well as those in restaurant and other tourist-related business (WWF Malaysia, 2005).

In Sarawak particularly, the government must be ready in term of accommodation when the number of tourist become bigger and bigger. As quote by Tan Sri Tiing Pek King “There is a need for more hotel rooms in Kuching to support the tourism industry,” he said at the soft launch of Four Points by Sheraton Kuching hotel at Jalan Lapangan Terbang Baru.

He said the very much recognized shortage of hotel rooms in the city had led to very few extended stays by tourists, with big tour groups choosing Kuala Lumpur or Kota Kinabalu over Kuching.

To alleviate the shortage, Ting said Global Upline had invested about RM290 million to build Four Points by Sheraton Kuching Hotel and had completed the construction in 11 months.
“With this hotel in operation, tour operators bringing in big groups of tourists need not undergo trouble to accommodate them.

1.1 Background of the Study

Sarawak, the largest state in Malaysia situated in the Borneo Island, is blessed with an abundance and diversity of products ranging from eco-tourism, culture, festival, nature, heritage, medical and educational products, among others. Sarawakians are proud to have the world’s oldest tropical rainforest manifestation of our efficient sustainable forest management as valuable tourism asset. We are well-known among local and international visitors primarily because of the amazing natural wonders of our national parks including Gunung Mulu, the Niah Caves, and Bako.

The tourism industry plays an essential part in contributing towards Sarawak economic prosperity. Due to this, the Government has been investing a large amount of money in promoting Sarawak as a tourist destination (Sarawak Tourism Board annual report 2002). However, researcher feels that creating awareness is not the only method of bringing tourist to Sarawak. He does feel that creating high visitors loyalty will also play a big part in achieving high level of visitation.

The tourism industry is a service driven industry. It is shaped by various organizations providing various services. Hotel and Motel providing accommodation service, tour operator coordinate the activities, theme park, cultural places providing experience, airline, train provide transportation etc. These organizations are working together in ensuring the tourism industry is operational. Since most of the industry player in the tourism setting is providing service as their main product, service quality is surely the main concern here.
Since Sarawak is not the only state in this world promoting tourism, it would be wise to focus on the service quality of these tourism firms. Service quality can be a key to differentiate among other states or country. It may be the key to a winning competitive strategy (Parasuraman, Zeithaml and Berry 1985). Service quality also had been proven to be positively related to profitability (Philips, Chang and Buzzel 1983).

It is important to measure the level of this firm’s service quality. Are their performances live up to visitor’s expectation? By knowing this, they will know on what to improve. They might have wasted their resources on unimportant service dimension. The result may be useful in developing a service framework for every service provider working in a tourism setting.

Meanwhile the creation of a loyal customer has always been overlook. Most of the short thinking managers are only concern on short-term profitability without thinking of the implication of disgruntled or satisfied customer. A study conducted by Zeithaml et al reveal that a loyal customer will benefits the service provider in many ways such as the spreading of positive words of mouth, repurchase, positive complaining behavior and insensitive to higher price. A disgruntles customer can be said to possess the opposite of the above criteria.

There had been various study showing benefits of Service Quality. One of it had been the effect it has in creating customer loyalty. It had been proven that service loyalty benefits the service provider in many ways such as the spreading of positive words of mouth, repurchase, positive complaining behavior and insensitive to higher price.

Therefore, researcher had decided to study the significance of Service Quality in creating tourist loyalty. Researcher believes his research on service quality and tourist loyalty will
benefit many parties. By knowing the specific relationship, manager will be able to tailor their service offering to benefit their customer and directly themselves.

For the purpose of this project, the researcher has selected Sarawak Tourism Board (STB) as a case study.

1.2 Problem Statement

Various study had been made by researcher to study the relationship between service quality and service loyalty. Zeithaml et al studied the link between service quality and the behavioral consequences while Josee et al studied the link at the individual dimension level under various industry setting. However there is no established study of this on hotels. The finding in the study conducted by Josee et al may be different to the finding in the hotel industry.

There is still a question on what are the consequences of service quality in hotels industry. Does it significantly related in creating a loyal customer. Furthermore there is no clear published source of reference on the relationship between the 5 dimension of service with service loyalty and also the individual 4 items of loyalty.
1.3 Objectives of the study

It was not the objective of researcher to test existing theory or modify the SERVQUAL model and the service loyalty items which had been done extensively by other researcher but rather to examine the relationship of Service Quality derived from SERVQUAL model and Service Loyalty derived from the model proposed by Josee et al and Zeithaml et al.

The main objectives of researcher study are to:

1) To examine the relationship between service quality perception and service loyalty
2) To examine the relationship between the service quality dimension and overall service loyalty
3) To examine the relationship between the overall service quality and the items of service loyalty
4) To examine the relationship between the service quality dimensions and the service loyalty items

1.4 Significance of the study

The tourism industry plays a major part in Sarawak economic development. By utilizing the nature and wonder of Sarawak, we were able to bring a lot of revenue from abroad. The main benefit or of this is the industry player and also the people of Sarawak as a whole.

Tourism revenue is 2 2009 or 2008. One of the main issues in Sarawak tourism industry is creating a loyal tourist. This is because a loyal tourist will spread a positive words of mouth, revisit, insensitive to price hike and
positive complaining behavior. The best way of creating loyal customer is by ensuring the service providers perform superiorly above expectation.

Therefore the finding of this study will benefit the assessed service provider. It will show their strength and weaknesses. By knowing what area did they under-performed, they can start to overcome those weaknesses. As being stated by Zeithaml et al, service quality can be a way of differentiation and source of competitive advantage.

This will benefit Sarawak tourism as a whole, whereby we will be able to project Sarawak image as a tourist destination not only because of its nature but also in term of service quality. The data can also be a starting point for every researcher interested in Sarawak tourism to produce a more representative data.

As from researcher point of view, he was very interested at the prospect of using his knowledge in Marketing Research to conduct a research. This research will be his training ground for further research in future. As a student, we are always being exposed to different area of marketing, but only theoretically. This would be a chance to practice the knowledge.

Furthermore, researcher will be able to generate a comprehensive knowledge in the tourism and service industry. As we know, service industry is gaining popularity in today's competitive world. A comprehensive knowledge in the service driven industry can enhance my own marketability in the working world.

It is shown here that this study will not only benefit one party (researcher), but also the assessed firms, Sarawak tourism industry or even towards Sarawak as a whole.
1.5 Statement of Hypothesis

The following hypotheses are formulated based on the objectives of this study.

1) H1: There is a significant positive relationship between service quality perception and service loyalty

2) H2: There is a significant positive relationship between the 5 service quality dimensions and service loyalty

3) H3: There is a significant positive relationship between service quality and the 4 service loyalty dimensions

4) H4: There is a significant positive relationship between the 5 service quality perception and 4 service loyalty dimensions
1.6 Limitations

There are several limitations that may affect the findings of this study. Of particular concern to the researchers are the following:

- Apart from the cost and time constraint, the sample size may not big enough to cover scope of the study. This study is only conducted in Kuching area, which may not represent the whole picture.
- Communication problem is also a main factor here whereby researcher was not able to collect data from non-English speaking tourist such as tourist from Japan, Italy etc.
- The SERVQUAL model and service loyalty dimensions used in this study may have to be modified to suit the industry setting.
- Lack of cooperation from respondents who may not be willing to answer the questionnaires might affect data collection.
1.7 Definitions of terms

Below are the definitions of terms/concept used in this research:

i) Service - Intangible goods offered by a firm to its customer

ii) Quality – conformance to requirement

iii) Service Quality – The quality of a service based on customer perception

iv) Service Loyalty – A degree of which a customer exhibits repeat purchasing behavior from service provider, possesses a positive attitude disposition towards the provider and consider using only this provider when a need for this service arise.

v) SERVQUAL – A method to measure service quality created by Parasuraman, Zeithaml and Berry

vi) RATER – An initial to represent the five dimensions of service quality which is reliability, assurance, tangibility, empathy and responsiveness

vii) SQ – An initial to represent service quality

viii) SL – An initial to represent service loyalty
1.8 Chapter Outline

This study will cover five chapters as follows:

Chapter One begins with the introduction of the study, problem statement, objectives of the study, significance of the study, statement of hypothesis, limitations and definitions of terms. This gives the readers some indication of the overall direction of the study.

Chapter Two is the core chapter where literature review is presented in detail.

Chapter Three discusses the research methodology used in the study whereby explanation regarding research's objectives and research process is attempted.

The actual research survey is described in Chapter Four. Included in this chapter are the survey's findings and analysis concerning the scope and issues of the study.

Chapter Five contains the concluding remarks and recommendations made based on the research study.
CHAPTER 2
LITERATURE REVIEW

2.0 Introduction

This chapter contains the location of Sarawak, definition of service, quality, service quality, servqual, service loyalty, service loyalty, service quality and service loyalty as well as tourism to give the picture of the study.

2.1 Background of Sarawak

Sarawak (pronounced /səˈraːwək/) is one of two Malaysian states on the island of Borneo. Known as Bumi Kenyalang ("Land of the Hornbills"), it is situated on the north-west of the island. It is the largest state in Malaysia; the second largest, Sabah, lies to the northeast.

The administrative capital is Kuching which has a population of 579,900 (2006 census; Kuching City South - 143,500; Kuching City North - 133,600; Padawan- 3rd Mile/ 7th Mile/ 10th Mile - 302,800). Major cities and towns also include Sibu (pop. 254,000), Miri (pop. 263,000) and Bintulu (pop. 176,800). As of last census (December 31, 2006), the state population was 2,357,500.

Sarawak is currently divided into eleven Administrative Divisions: Kuching Division, Samarahan Division, Sri Aman Division, Betong Division, Sarakei Division, Sibu Division, Mukah Division, Kapit Division, Bintulu Division, Miri Division and Limbang Division.
Sarawak has more than 40 sub-ethnic groups, each with its own distinct language, culture and lifestyle. Cities and larger towns are populated predominantly by Malays, Melanau, Chinese, and a smaller percentage of Ibans and Bidayuhs who have migrated from their home-villages for employment reasons. Sarawak is rather distinctive from the rest of Malaysia in that there is only a small community of Indians living in the state.

Location of Sarawak

Source: www.mudtour.sarawak.gov.my
2.2 Service

Hotels, Motels and Resort main product are intangible goods. They provide accommodation, experience, place, etc. Due to this, the industry is quite unique. Service marketing is very different compared to durable goods marketing in many ways. To explain this, Lovelock describe service as any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything (Lovelock 2001). This means, customers are buying either an experience or a performance.

While Philip Kotler, Kevin Lane Keller, Swee Hoon Ang, Siew Meng Leong and Chin Tiong Tan (2009) define a service as follow:

“A service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. It production may or may not be tied to a physical product”.

Services have major characteristics that shape their uniqueness in term of how they are produced, consumed and evaluated (Zeithaml et al., 1990).

- First, service is basically intangible (Zeithaml et al., 1990). Service cannot be seen, tasted, felt, heard, or smelled before they are bought. Patron at XYZ Hotel cannot feel the experience before they stay in the Hotel. They also can’t feel the outcome of the experience before their actual stay. Unlike physical product such as shoes, we can actually touch the shoes even before we buy it.
• Secondly, service is heterogeneous (Zeithaml et al., 1990). This means the performance will vary from producer to producer, customer to customer and from day to day. It would be hard for the service provider to ensure consistent performance in providing the service. For example, two Bell Boy working for the same hotel will perform differently.

• Third, production and consumption of many services are inseparable (Zeithaml et al., 1990). Service are produced and consumed simultaneously. Unlike physical goods, service does not goes through the stages where the product is manufactured, stored, distributed and later being consumed.

• Fourth, services are variability. Because they depend on who provide them and when and where they are provided, services are highly variable. For instance, some doctors have an excellent bedside manner; others are less patient with their patients.

• Other characteristic of service is perishable. It means services cannot be stored. Perishability is not a problem when a demand is steady.

2.3 Quality

There had been various definition of quality by various scholars. According to Crosby, quality is conformance to requirement (Crosby, 1979, 1986). This means a product should be built according to formally stated specifications and that quality is achieved when a product is produced the way it supposed to be.
Quality can be divided into 3 dimensions, which are the input quality, process quality and output quality (Johnson et al., 1995).

- Input quality can be described as consumer’s evaluation of physical elements and other production element, both tangible and intangible.
- Process quality is the quality of interaction between service provider and consumer or how the service is produce.
- Meanwhile output quality is the quality of what is produced as a result of providing the service, such as tangibles output and intangible benefits.

2.4 Service Quality

Due to its uniqueness, the quality of a service is difficult to evaluate. According to Zeithaml et al., there are 3 main issues in service quality.

- The first is service quality is more difficult for customer to evaluate than good quality (Zeithaml et al., 1990). The criterion to evaluate quality on physical goods is easier considering we can easily assume that a product is of high quality when it conforms to the specification. We can easily evaluate the quality of a car based on its durability, power, etc.

- The second issue is evaluation of service quality is not based solely on the outcome of the service (Zeithaml et al., 1990). We are not only concern on how our hair cut looks like but we will also consider how friendly the hair stylist is.