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Bridge the Gap: A Modified Gronroos Model Approach to Guests' Satisfaction and Service Quality Perception in Small and Medium-Sized Hotels (SMSH)

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ABSTRACT

The study assessed and investigated the impact of perceived service quality on guest satisfaction in chosen small and medium-sized hotels using the Gronroos model. The purpose of the research is to assist hotel owners and managers in measuring guests' satisfaction and service quality perception along with the following dimensions: Tangibility, Reliability, Responsiveness, Assurance, Empathy, Image, and Guest Satisfaction. The Gronroos model is composed of 39 attributes, it was utilized in the formulation of the questionnaires. In the efforts to explore the multivariate relationship among the variables, structural equation modeling (SEM) using JAMOVI version 2.3.21 software was used to analyze the data from hundred (100) customers. The study used a descriptive correlational method to identify the relationship between the independent and dependent variables of the study by determining the guest's satisfaction and service quality perception. The study included the results on the demographic profile of respondents by which the majority were aged 21-25 years old (n=40), most of them were single (n=71), female (n=53) and most of them were students (n=47). The findings showed that the overall weighted GRONROOS score has a negative value which shows that the guest's satisfaction is higher than their perception of it. The findings revealed that there is a significant relationship between service quality perception and guest satisfaction ($\beta=0.530$), guest satisfaction and image ($\beta=0.588$), and service quality perception and image ($\beta=0.406$).

INTRODUCTION

The hotel sector is considered one of the economic drivers in the hospitality industry, thus, efforts are primarily focused on their guests' needs and desires to meet their expectations. In this highly competitive world of today, this should be given attention specifically with the adaptation to the new normal brought about by the pandemic. Numerous research efforts have focused on the premise that service quality has a significant impact on guests' satisfaction and loyalty. The provision of quality service results in decreased expenses, increased profitability, improved organizational performance, and, as a result, gives good feedback and reviews. The issue is critical to hotel businesses since the industry product offerings are intangible goods that cannot be evaluated before consumption with high-risk purchases that were mostly seasonal and perishable with the fact that the market is highly competitive. The challenge for small and medium-sized hotels has been higher in order to survive the competition.

Growth in the hospitality market is expected at a compound annual growth rate of 15.1%, from \$3,953.87 billion in the year 2021 to \$4,548.42 billion in the year 2022, as per Hospitality Global Market Report 2022. According to Condor Ferries, Hotel Industry Statistics 2020-2021, there are roughly 700,000 hotels and resorts around the world and 16.4 million hotel rooms available in the global hotel market. Around 148 million travel bookings are made yearly according to Dean (2022).

In the 2009 Annual Survey of Philippine Business and Industry (ASPBI), a total of 4,998 Hotel and Restaurant establishments were recorded nationwide. Hotels and such contributed Php 43,945.9 million pesos. Or 21.2% of the total revenue earned in 2009 for the Hotels and Restaurants sector, according to the Philippine Statistics Authority (PSA, 2012). This hard data provided shows that since there are many hotels available in the tourism and hospitality industry, then the demand for hotels may be small or medium-sized is high. Looking at how high the numbers of each hotel are in the Philippines alone, hotels and businesses in line within this industry must compete in terms of providing positive consumer satisfaction toward their guests in order to ensure that they have the probability to build and create a good relationship with hotels. Thus, determining service quality factors is a very important matter that hotels must look for and create in order to stand out among many hotels available in the market today.

Many studies have found that there a significant relationship lies in guest satisfaction and the services provided by small-medium-sized hotels. In fact, according to Ali *et al.*, (2021), the five service quality dimensions which are empathy, responsiveness, assurance, reliability, and tangible have a positive significant relationship towards customer satisfaction. This may mean that a guest is satisfied positively when hotels are responsive in a way where they are approachable, easy to call, and flexible whenever guests have requested. Apart from that,

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it can be seen in the results that empathy such as making the guests feel comfortable in the space, and the hotel's assurance and it being tangible is also a factor towards guest satisfaction. Several studies have also found the same findings stating that responsiveness, empathy, and assurance are influential to customer satisfaction. Not only that but the price of service and digitalization of taxation services also promotes positive guest satisfaction. One of the gaps is the limited literature on measuring guest satisfaction based on their perceived service quality in Small and Medium-Sized Hotels (SMSH) using the Gronroos model since most studies use ServQual, DineServ, and others. The Grönroos' Perceived Service Quality model became one of the very first conceptualizations in 1984, and it paved the way for many other models. To evaluate service quality, three major components have been identified: technical, functional, and image (Seth *et al.*, 2004). The technical dimension refers to the service provider's actual delivery to the customer. The functional component is concerned with how the service is provided. "Corporate/brand image" is the third component of Grönroos' Perceived Service Quality model. Image is crucial in the service industry, and it is heavily reliant on technical and functional quality. The convenience of the internet provided a wide array of research and studies involving anything about the tourism and hotel industry. Most of them were guest satisfaction regarding the services and features of a specific establishment in the hotel and tourism industry.

However, although there are different research and studies available in terms of determining this problem, most of them are repetitive and only focus mostly on Servqual and Dineserv models. Through this research, the researchers will be able to study guest satisfaction from the perspective of the Gronroos model. This research would provide a different approach that hotels might be able to use in determining the extent of their guest's satisfaction.

The main purpose of this research is to determine and investigate the impact of perceived service quality on guest satisfaction in selected small and medium-sized hotels from the perspective of the Gronroos model. As previously mentioned, this will help hoteliers, especially those belonging to Small and Medium-sized Hotels (SMSH) to develop a framework that may be the best approach in determining the satisfaction of their guests towards their services.

Research Model and Hypotheses

The study aimed to empirically assessed the service quality of select local restaurants in the province of Oriental Mindoro, Philippines. The level of guests' satisfaction and service quality perception among small and medium-sized hotels will be evaluated using the Modified Gronroos Model. In this context, the study intended to use Structural Equation Modeling following the research model in Figure 1.

The study proposed three (3) hypotheses which serve

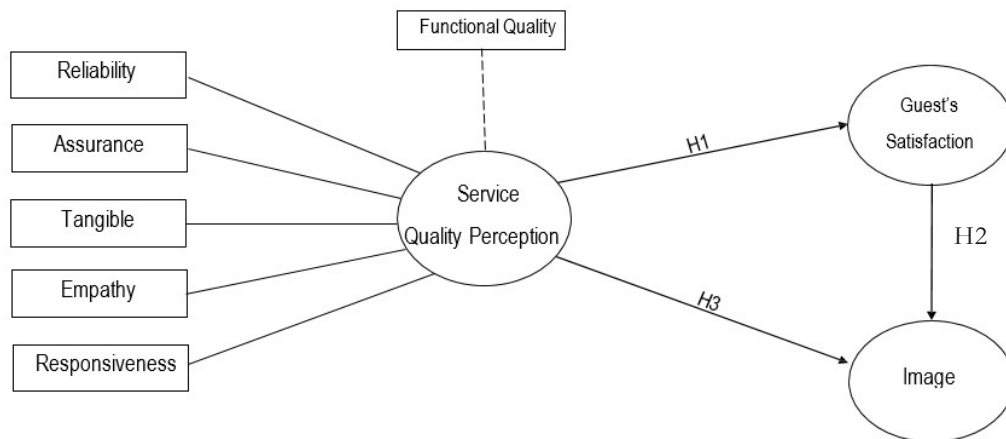


Figure 1: Research Model

as the study's research questions. Structural Equation Modeling is used to determine the results of the significant relationship between guest satisfaction and perceived service quality.

The research hypotheses for the study include:

H1: Service Quality Perception has a positive and significant impact on Guest's Satisfaction.

H2: Guest's Satisfaction has a positive and significant impact on Image.

H3: Service Quality Perception has a positive and significant impact on Image.

LITERATURE REVIEW

Guest Satisfaction in the Hospitality Industry

This literature analysis underlines the significance of assessing how well a company's service meets consumer needs. It is clear from the hotel industry that customer happiness is strongly influenced by the caliber of services offered by the business. Additionally, customer happiness is directly correlated with the five dimensions of service quality (responsiveness, tangibility, assurance, reliability, and empathy). The reliability dimension is the most crucial in determining customer happiness among the five

dimensions. Customer satisfaction has developed into a crucial component of the hotel sector, according to Jana & Chandra (2016). The hotel industry grows because of client retention, unlike other sectors. A hotel can only keep its guests by providing them with a positive experience. In general, a hotel's ability to retain guests depends on the caliber of services it provides. Additionally, the hotel sector has seen a surge of investors that are prepared to accommodate all their client's expectations. Customers will thus seek out better services elsewhere if they are not content with the hotel services they obtain (Jana & Chandra, 2016). Customer loyalty is a factor that, in the hotel sector, represents the commitment of management and all stakeholders. A customer-centric management approach can increase the hotel's competitiveness (Tsiotsou & Goldsmith, 2012). Customer satisfaction, according to Elvira & Shpehm (2016), can be impacted by a variety of factors, including service features, consumer emotions, customer perceptions, and relationships with coworkers, friends, and family. According to Hapsari *et al.* (2017), an organization's level of customer service and the price it charges for such services have a significant impact on how satisfied customers are. Rita *et al.* (2019), Fida *et al.* (2020), and Al-Karim & Chowdhury (2014) all listed various characteristics that affect customer satisfaction. Numerous industries and sub-sectors in the tourism business cater to the demands of travelers. The relationship between the visitors and the various service providers reflects important factors like value, quality, and happiness in the tourism consumption process. When a user evaluates a particular service to determine whether it meets expectations at the desired level, this is referred to as service quality (Taylan Dortyol *et al.*, 2014).

The consumer experience characteristics and frameworks for measuring customer satisfaction require increased focus in the technology-driven business environments of tourism and hospitality (Wu *et al.*, 2014). The consumption process in tourism and hospitality has evolved to be more experimental than transactional as a result of being a part of the service industry (Cehn *et al.*). The consumer experience dimensions and frameworks for measuring customer satisfaction require more focus in the technology-driven business environments of tourism and hospitality. Customer satisfaction with service quality has a mediating role between customer experience and customer loyalty (Hsieh *et al.*, 2015; Lemy *et al.*, 2019; Priporas *et al.*, 2017). Innovation was found to be a major latent construct of customer satisfaction (Truong *et al.*, 2020). Customer satisfaction with service quality has a mediating role between customer experience and customer loyalty (Hsieh *et al.*, 2015; Lemy *et al.*, 2019; Priporas *et al.*, 2017). Innovation was found to be a major latent construct of customer satisfaction (Truong *et al.*, 2020). Relationship between destination attributes, quality of perceived service experience, and loyalty results in destination preference (Oriade & Schofield, 2019; Owusu-Frimpong *et al.*, 2013; Schlesinger *et al.*, 2020). Recent research on service quality and customer satisfaction

has linked them to the service quality perception of stakeholders (Dedeoğlu & Demirel, 2015; Lim & Lee, 2020). To sum up, the past few decades have seen an increase in research on service quality and customer satisfaction within the tourism and hospitality sector that focused on the role of cognitive and psychological factors in tourist satisfaction, tourism supply chain, destination attributes, service quality of hospitality units, visitor experience, stakeholder view and employee experience and so on. As mentioned earlier, the main purpose of this study is to analyze emerging themes and future directions in Service Quality and Customer Satisfaction (SQCS) research in tourism and hospitality. The study involves performance analysis, science mapping, and examining the thematic evolution of subtopics, citation preferences, co-citation patterns, impactful sources, and growth trends in SQCS in tourism and hospitality research.

Service Quality Perception on Hotels

Service quality is an idea that can be characterized as evasive and unclear, according to Abdullah & Afshar's (2019) research. Since products and services have different qualities, it is crucial to distinguish between the two. While the latter is an intangible, actual performance, the former is more concrete as an object (Abdullah & Rahman, 2015). Being a process rather than a physical object is one of the most important and unmatched qualities of services. As a result, service businesses don't produce anything, but they do have interactive processes. Since services are invisible, it is challenging for the provider to disclose them to customers and for them to be measured (Ali *et al.* 2021). It should focus on the management of people because the delivery of services in the hotel business always involves people. Specifically on the interactions, also known as service encounters, between the client and the staff. The combined effect of service interactions in which customers actively participate determines the success or failure of the hospitality industry (Abdullah, 2018). Several significant service quality definitions have been put out by different scholars. Various researchers have presented several significant definitions of service quality. The gap between a client's expectations of the service provider and their evaluation of the services is the definition of service quality (Saleh *et al.* 2021). Another definition put forth by (Othman & Abdullah, 2016) suggested that service quality is a difference between the expectations of consumers for service execution before the service encounter and their observations of the rendered services. The last definition is that of Gefan (2002), which was quoted in (Abdullah & Othman, 2016), who defined service quality as a specific consumer evaluation.

Gronroos Model Approach

One of the earliest scholars to advocate for conceptual models of service quality to better comprehend the term is Gronroos (1984:36; 1988:10). He thinks that these models would demonstrate how clients see the quality of services. He contends that if the service provider is

aware of how customers will assess the services, it will be possible for them to manage those evaluations in the future. Furthermore, Ravindran (2022) stated that according to Gronroos (1984), service quality is comprised of three main dimensions: the technical quality of the product, the corporate image of the organization, and the functional quality of interactions between the service provider and the consumer. In Gronroos model, there are six factors are identified which are (1) professionalism and skills, (2) attitudes and behavior, (3) accessibility and flexibility, (4) reliability and trustworthiness, (5) recovery, and (6) reputation and credibility (Polyakova & Mirza, 2015). The nordic model is based on the disconfirmation paradigm by comparing perceived performance and expected service. This was the first attempt to measure the quality of service (Ghotbabadi, 2012)

According to Gronroos in 1990, people develop service quality perception in hospitality service specialties in hotels with a focus on customer satisfaction, which is crucial. Organizations offer and hire people to work in the hospitality industry. Organizations thus directly affect how customers perceive the quality of their services (Mirvisi, 2011). In research conducted by Zaribaf *et al.* (2012) about the effects of the Gronroos model or approach on the consumer satisfaction of hotel guests in the industry, it has been revealed that Image and perceived quality are positively and significantly impacted by functional quality. Additionally, the image has a favorable and large influence on perceived quality, which in turn has a favorable and considerable influence on customer satisfaction. Technical quality, image, and perceived quality do not, however, correlate significantly. Functional and technological attributes also don't significantly affect consumer happiness. Meanwhile, another research that was conducted by Ibrahim *et al.* (2015) also showed that three factors of service quality—responsiveness, tangibles, and reliability—were found by this study's findings to have a positive and substantial influence on customer satisfaction. The study shows that Assurance and Empathy have little effect on customer retention or satisfaction. Thus, this means that the service quality that companies in the hotel industry provide to their customers concerning aspects of the service quality is significant and also affects the customer satisfaction of guests. Managers of businesses in the tourism industry should give careful consideration to factors like accessibility, accommodations, venues, and their components since these factors directly affect how satisfied visitors are, how likely they are to return, and how the tourism industry develops in a given area (Hagkkah, 2015)

Even though many researchers have already proven the effectiveness of the model created by Gronroos, the conflict that arises is that the majority of the research was studied only in the past. Many research studies are focused on the SERVQUAL model in general specifically in the hospitality industry (Puri, 2018; Johnson & Karley, 2018). In fact, according to Zinzinohou (2016), the model does not explain how to gauge functional and

technical excellence. Only five of the 11 criteria are satisfied by the model. According to Seň *et al.* (2004), the model is not appropriate for creating a connection for measuring customer satisfaction and does not offer appropriate metrics to raise the standard of service.

One of the underlying models used to develop new sets of updated service quality models is the Grönroos model, which is also known as the GAP model and SERVQUAL model (Ghotbabadi *et al.*, 2012; Yarimoglu, 2014). However, it may be the basis and foundation of most service quality being used in the business, the fact that it is outdated creates a gap that this research would want to address. Although much research has already created and proved how effective is the Gronroos Model Approach in service quality, much of this research are already created almost ten years ago. This research aims to create a modified Gronroos Model approach to be used in determining the guest satisfaction of small-medium-sized hotels in the chosen locale of the researchers. The following related literature would provide a context and foundation of what Gronroos' model lacks and what needs to be improved.

MATERIALS AND METHODS

This research study used a correlational design using a structural equation model (SEM). According to Ullman, J. B., & Bentler, P. M. (2012), Structural Equation Modeling (SEM) is a group of statistical methods that can be used to investigate an interrelation that involves one or more independent variables (IVs) and one or more dependent variables (DVs), which can be continuous or discrete. This design was chosen because it helps in determining the relationship between guests' satisfaction and service quality perception in small and medium-sized hotels (SMSH). The respondents of the study were hundred (100) guests from different local hotels in the province of Oriental Mindoro. The respondents were chosen through a simple random sampling method pre-surveyed local hotel. The study employed a standardized questionnaire adapted from the SERVQUAL instrument (Parasuraman, Zeithamel, and Berry, 1985). The instrument is consisting of 21 items of service quality standards and falls into five dimensions: reliability, responsiveness, assurance, empathy, and tangibles that fit in the restaurant industry (Stevens *et al.*, 1995). There are four (4) items represented reliability; four (4) items for responsiveness; four (4) items for assurance; five (5) items for empathy; and four (4) items for tangibles that determined the guests' view on service quality of Small and Medium-sized hotels (SMSH) in terms of guest's satisfaction and perception. The study used a Seven-point Likert scale where Strongly Disagree (1), Disagree (2), Somewhat Disagree (3), Neither Agree nor Disagree (4), Somewhat Agree (5), Agree (6), Strongly Agree (7). The Likert scale was developed by Rensis Likert, an American Social Psychologist (1932), in order to measure people's level of agreement on opinions or attitudes. Statements in the questionnaire were categorized into four (4) main domains as follows: (1) the

first part was the demographic profile of the respondents; (2) the second part (21 items) was on the view of the guest's satisfaction and perceptions of hotel service quality which are grouped into five dimensions; (3) the third part (10 items) was on the view guest's satisfaction and perceptions of the hotel's image; and (4) the last part (8 items) was on the view of guest satisfaction.

The data were collected among customers of pre-surveyed different small and medium-sized hotels in the province. The respondents were given a printed survey questionnaire, which was distributed to them before they left the premises.

The computer program Jamovi version 2.3 (2022) was used as a statistical tool in the study, which provides a full range of studies for correlation and regression, parametric tests, contingency tables, reliability, and factor analysis. Structural equation modeling (SEM) as a statistical model employs a wide range of statistical methods, including analysis of variance, covariance, multiple regression, factor analysis, and route analysis (Bowen & Guo, 2012). Prior to the study, full consent will be obtained from the participants. In addition, respondents' confidentiality and anonymity are of utmost importance in accordance with RA 10173, also known as the Data Privacy Act. The respondents' voluntary engagement in this study is crucial. Moreover, they have the right to withdraw from the study at any stage if they wish to do so. Respondents should give their full consent to participate. In full compliance with voluntary participation, researchers must provide participants with enough information and assurance regarding their participation so they may understand the potential consequences and freely decide whether or not to participate.

RESULTS AND DISCUSSION

Demographic Profile of Respondents

The study revealed as shown in Table 1, that 40% of the respondents who checked in at small and medium-sized

hotels in Calapan City were aged 21-25 (n=40) and 21% were aged 15-20 (n=21) categorized on the theory of eight stages of development (Erik Erikson's 1950). The guest also prefers to stay near tourist attractions having convenience stores and food courts nearby, Tussyadiah (2020) as it helps them for purchasing any necessary items without spending on transportation, Rhee and Yang (2015). In addition, the selection of a good location saves a lot of time for the guest which he/she can utilize for leisure purposes.

The result of the study showed that 53% of the respondents were female (n=53) and 1% among the respondents was Transgender (n=1). This result is in accordance with Arif *et al.* (2014) indicated that the age groups had significant differences in perception of service quality, Rubenstein *et al.* (2016) found a significant relationship between gender and service quality dimensions, Kim *et al.* (2004) and Serenko *et al.* (2006) showed that demographic variables created differences in the service perception and customers' satisfaction and retention. Some amenities are widely and most desirable for many types of guests which include large spaces inside the room, quieter rooms, complimentary amenities, *etc.* Ekinci *et al.*

The result of the study showed that 71% of the respondents' marital status was single (n=71), while 29% were married (n=29). Solo travelers are more concerned about sleep quality which is directly linked to room comfort (Yang *et al.*, 2018) Room amenities and comfort are some of the desired attributes that guests want while making hotel booking decisions, Yang *et al.* (2018).

On the other hand, most of the respondents were students (n=47) more than other categories of employment status. Cetin and Dincer (2014) found the same findings as this study, none of the demographic factor groups (age, gender, marital status, education, nationality, and income) showed significant differences in scores of expectations and perception by hotel customers.

Table 1: Demographic profile of respondents

Age	F*	Gender	F*	Marital Status	F*	Employment Status	F*
14 years old	1	Male	46	Single	71	Student	47
15-20 years old	21	Female	53	Married	29	Business Owner	14
21-25 years old	40	Transgender	1	Divorced	0	Self-Employed	29
26-35 years old	20	Prefer not to say	0	Widowed	0	Non-Employed	8
36-40 years old	11	Others	0	Others	0	Retired	0
41 above	7					Others	2

N= 100 *F for frequency

Average Value of Guests' Satisfaction and Service Quality Perception

An arithmetic average value was determined for each question-related attribute that is based on customers' satisfaction and perceptions of service quality at five (5) small and medium-sized hotels. Gap analysis is used to determine the key attributes and their correlation to customers' expectations

and perceptions- according to the SERVQUAL method used in the study of Saneva & Kortoseva (2018). The significance of satisfaction and perceived service quality on individual attributes is determined using the standard deviation. The standard deviation measures the degree of variation in satisfaction and perceived service quality for a given set of individual attributes.

Table 2 shows the average value for respondents' satisfaction and perceptions of service quality, as well as the gap score for each attribute (GRONROOS SCORE) and the average value of the score of the guest's perception, ranging from 6.07 – 6.58 with a total mean of 6.44 and the average values for the guest's satisfaction, ranges from 6.37 – 6.82 with a total mean of 6.64 on the scale from 1 to 7. The attributes of EMP 3 “Has the guest's best interest at heart” and GS 6. I feel good about my decision to avail this service.”, this has the highest values for guests' perception of service quality. Identifying accurately the specific expectations of customers, the dimensions of the service quality around which customers make their quality evaluations, and their relative importance for customers carries vital importance in quality improvement efforts (Asubonteng *et al.*, 1996) as cited by Akbaba (2006). The attribute RES 3. “Has the willingness to help guests.” has the highest value for guests' satisfaction with service quality. Conversely, the results affirm the findings of Fick *et al.* (1995) that service quality impacts guest satisfaction through providing service and performance. Guest satisfaction has many advantages, such as creating a strong relationship between the hotel and guests and creating guest loyalty (Anwar & Balcioglu, 2016). The attribute REL 4 “Maintains error-free records.”, has the lowest value in terms of guest perception and guest satisfaction. This is in connection with the study

of Barsky and Labagh (1992); LeBlanc (1992); Stevens *et al.*, (1995); Legoharel (1998) that providing high-quality service and enhancing customer satisfaction are widely recognized as important factors leading to the success of companies in the hotel, catering, and tourism industries. It is believed that customers, when experienced with the services they have had, are more likely to establish loyalty, Cronin and Taylor (1992), resulting in repeat purchases, Fornell (1992) and favorable word-of-mouth, Halstead and Page (1992). The upshot is that a hotel with good service quality will ultimately improve the company's market share and profitability, Oh & Parks (1997). The attribute REL 2. Is dependable in handling guest's services.”, REL 4. Maintains error-free records.”, RES 1. “Keeps the guests informed about when services will be performed.” and attribute IMG 6. The hotel is sincere to the guests.” has the biggest negative gap, -0.3. This suggests that guests' satisfaction with hotel service quality for these attributes is higher than their perception. All attributes have a negative GRONROOS score, and the overall average GRONROOS score is -0.20, which means that guest satisfaction is greater than the service quality perception in small and medium-sized hotels. This is in accordance with the findings of Dusica & Kortoseva (2018) that a negative total weighted score shows total service quality is below the customers' satisfaction and there are opportunities for improvement specifically for those attributes with established significant statistical differences.

Table 2: The average value of customers' expectations and perceptions

Modified Gronroos Attributes	Mean Perception	Standard Deviation	Interpretation	Mean Perception	Standard Deviation	Interpretation	Gronroos Score
Part I: Service Quality Perception							
REL 1. Provides service as promised.	6.29	0.71	Agree	6.49	0.63	Agree	0.20
REL 2. Is dependable in handling guest's services.	6.29	0.62	Agree	6.59	0.59	Strongly Agree	0.30
REL 3. Performs the services right the first time.	6.33	0.60	Agree	6.62	0.56	Strongly Agree	0.29
REL 4. Maintains error-free records.	6.07	0.83	Agree	6.37	0.90	agree	0.30
RES 1. Keeps the guests informed about when services will be performed.	6.42	0.55	Agree	6.72	0.55	Strongly Agree	0.30
RES 2. Has prompt service to guests.	6.35	0.67	Agree	6.61	0.67	Strongly Agree	0.26
RES 3. Has willingness to help guests.	6.54	0.52	Strongly Agree	6.82	0.39	Strongly Agree	0.28
RES 4. Responds to guests' requests on time.	6.5	0.58	Strongly Agree	6.70	0.52	Strongly Agree	0.20
ASSU 1. Has employees who instill confidence in guests.	6.39	0.58	Agree	6.61	0.55	Strongly Agree	0.22
ASSU 2. Makes guests feel safe in their transaction.	6.49	0.54	Agree	6.65	0.56	Strongly Agree	0.16
ASSU 3. Has employees who are consistently courteous.	6.42	0.65	Agree	6.56	0.70	Strongly Agree	0.14

ASSU 4. Has knowledgeable employees to answer customer questions.	6.48	0.59	Agree	6.63	0.61	Strongly Agree	0.15
EMP 1. Gives guests individual attention.	6.46	0.61	Agree	6.56	0.59	Strongly Agree	0.10
EMP 2. Has employees who deal with guests in a caring fashion.	6.5	0.56	Strongly Agree	6.70	0.56	Strongly Agree	0.20
EMP 3. Has the guest's best interest at heart.	6.58	0.50	Strongly Agree	6.69	0.51	Strongly Agree	0.11
EMP 4. Has employees who understand the needs of their guests.	6.52	0.54	Strongly Agree	6.74	0.44	Strongly Agree	0.22
EMP 5. Provides convenient business hour.	6.36	0.70	Agree	6.42	0.70	agree	0.06
TAN 1. Possesses modern equipment.	6.54	0.56	Strongly Agree	6.73	0.53	Strongly Agree	0.19
TAN 2. Has visually appealing facilities.	6.49	0.66	Agree	6.69	0.56	Strongly Agree	0.20
TAN 3. Has employees who have a neat, professional appearance.	6.53	0.61	Strongly Agree	6.68	0.55	Strongly Agree	0.15
TAN 4. Has visually appealing materials associated with the service.	6.5	0.59	Strongly Agree	6.67	0.59	Strongly Agree	0.17
Part II: Image							
IMG 1. The hotel is a reliable company.	6.27	0.62	Agree	6.46	0.61	Agree	0.19
IMG 2. The hotel provides an excellent service to guests.	6.46	0.59	Agree	6.66	0.57	Strongly Agree	0.20
IMG 3. The hotel is a successful company.	6.35	0.63	Agree	6.56	0.61	Strongly Agree	0.21
IMG 4. The hotel makes a lot of contribution to the society.	6.26	0.73	Agree	6.47	0.64	Agree	0.21
IMG 5. The hotel has a superior technology in cellphone service.	6.45	0.59	Agree	6.61	0.57	Strongly Agree	0.16
IMG 6. The hotel is sincere to the guests.	6.42	0.61	Agree	6.72	0.49	Strongly Agree	0.30
IMG 7. The hotel has a good reputation.	6.35	0.59	Agree	6.58	0.57	Strongly Agree	0.23
IMG 8. The hotel is a large-scale company.	6.37	0.68	Agree	6.56	0.59	Strongly Agree	0.19
IMG 9. The hotel is familiar to the guests.	6.47	0.59	Agree	6.61	0.58	Strongly Agree	0.14
IMG 10. The hotel is honest.	6.53	0.56	Strongly Agree	6.72	0.47	Strongly Agree	0.19
Part III: Guests' Satisfaction						Strongly Agree	
GS 1. The services worked out as well as I thought it would.	6.44	0.62	Agree	6.70	0.48	Strongly Agree	0.26
GS 2. I am satisfied with my decision to avail this service.	6.55	0.56	Strongly Agree	6.67	0.55	Strongly Agree	0.12
GS 3. I have mixed feelings about revisiting the hotel.	6.52	0.54	Strongly Agree	6.67	0.51	Strongly Agree	0.15
GS 4. I believe that availing this service was a wise one.	6.6	0.59	Strongly Agree	6.71	0.48	Strongly Agree	0.11
GS 5. If I could do it over again, I'd choose the same hotel.	6.5	0.61	Strongly Agree	6.63	0.56	Strongly Agree	0.13
GS 6. I feel good about my decision to avail this service.	6.58	0.55	Strongly Agree	6.71	0.46	Strongly Agree	0.13
GS 7. I am happy that I availed this service.	6.56	0.54	Strongly Agree	6.73	0.45	Strongly Agree	0.17
GS 8. Staying at this hotel has been a good experience.	6.57	0.59	Strongly Agree	6.78	0.42	Strongly Agree	0.21
Overall Mean	6.44	0.61		6.64	0.56		0.19

Research Model Fit Indices

The fit of indices as shown in Table 3 refers to a variety of techniques for determining how well-observed data fits a specific probability distribution. The values

of an index of fit are typically normalized (i.e., units of measurement are removed) and range from 0 to 1. These values provide a numerical indication of how well your data fits a specific distribution and were commonly

referred to as “Goodness of Fit”, Hooper *et. al* (2008). As revealed in the table, the Standardized Root Mean Square Residual (SRMR) which calculates the difference between the residuals of the sample covariance matrix and the covariance model that is hypothesized is a notch higher than zero (SRMR=0.093), thus, the research model used in the study is “good enough” fit for the distribution. This is supported by the interpretation of Diamantopoulos and Siguaw (2000) that an SRMR of zero is a perfect fit.

Moreover, as recommended by Browne and Cudeck (1990) that the Root Mean Squared Error of Approximation (RMSEA) that is ≤ 0.05 is a close fit, and as suggested by Hu and Bentler (1999) that the $RMSEA \leq 0.001$ indicate a good fit, the computed RMSEA in the study ($p < 0.126$) implies that the research model is a good fit ($RMSEA p = < 0.001$) thus, the Gronroos model is a reliable tool to gauge how well services are perceived and how guests are satisfied.

Table 3: Fit indices of the Research Model

		95% Confidence Intervals		
SRMR	RMSEA	Lower	Upper	RMSEA p
0.093	0.126	0.119	0.133	< .001

Parameter Estimates of Endogenous and Exogenous Variable

As shown in Table 4 the parameters estimate the summarized p-value of the Endogenous and Exogenous variables. A p-value measures the probability of obtaining the observed results, assuming that the null hypothesis

is true. The lower p-value, the greater the statistical significance of the observed difference. A p-value of 0.05 or lower is generally considered statistically significant, Beers (2022). If the p- value is less than 0.05, it can be concluded that the observed differences are statistically significant and relevant.

Table 4: Parameters estimates

				95% Confidence Intervals				
Endogenous Variable	Exogenous Variable	Estimate	SE	Lower	Upper	β	z	p
Guests’ Satisfaction	Service Quality Perception	0.489	0.1045	0.284	0.694	0.530	4.68	< .001
Image	Guests’ Satisfaction	0.489	0.0837	0.325	0.654	0.588	5.85	< .001
Image	Service Quality Perception	0.311	0.0749	0.165	0.458	0.406	4.16	< .001

H1: Service Quality Perception Have a Positive and Significant Impact on Image

The result of the study exhibits that Service Quality Perception have a positive and significant impact on image ($p < 0.001$). This is in accordance with the findings of Andreassen & Lindstad (1998) that the perception of service quality was an important factor in influencing image when services were difficult to evaluate as cited by Malik (2011) in his study.

Perception has a positive and significant impact on Guest’s Satisfaction ($p < 0.001$). This is in relation to the findings of Apostol, De Guzman and Mañibo (2023) that emphasizes the broader concept that a positive customer experience, driven by both service quality and satisfaction, is essential for business growth..

H2: Guest’s Satisfaction Have a Positive and Significant Impact on Image

The result of the study shows that Guest’s Satisfaction has a positive and significant relationship with Image ($p < 0.001$). This is in consonance with the study of Borut, Boris, and Aleksandra (2009) that image and perceived quality are the predecessors of perceived value and satisfaction is one of its consequences.

Measurement Model

The correlation among latent and observed variables based on literature of Kang and Anh (2021) that the value of the Squared of Multiple correlation (SMC) Beta Coefficient of values at least 0.3 and greater than 0.5 are interpreted as good, while values greater than 0.7 are interpreted as very good. Therefore, as shown in Table 5, almost all the correlations are very good except for EMP 1, EMP 3 to EMP 5 ($\beta = 0.625, 0.640, 0.559, 0.438$), ASSU 1 & ASSU 2 ($\beta = 0.622, 0.502$), ASSU 4 ($\beta = 0.556$), RES 1 ($\beta = 0.647$), RES 3 & RES 4 ($\beta = 0.505, 0.561$) and GS 3 ($\beta = 0.641$) that are good. This is in accordance with the findings of Kim *et al* (2015), who found that the validity of the measurement model is essential to logically assess the relationship between variables.

H3: Service Quality Perception Have a Positive and Significant Impact on Guest’s Satisfaction

The result of the study revealed that Service Quality

Table 5: Measurement Model

Latent	Observed	Estimate	SE*	95% Confidence Intervals		β	z	p
				Lower	Upper			
Service Quality Perception	TAN 4	1.000	0.0000	1.000	1.000	0.653		
	TAN 3	1.139	0.1760	0.794	1.484	0.724	6.47	<.001
	TAN 2	1.281	0.1913	0.907	1.656	0.755	6.70	<.001
	TAN 1	0.984	0.1595	0.672	1.297	0.685	6.17	<.001
	EMP 5	1.160	0.1993	0.769	1.551	0.640	5.82	<.001
	EMP 4	0.779	0.1508	0.483	1.074	0.559	5.16	<.001
	EMP 3	0.559	0.1356	0.293	0.825	0.438	4.12	<.001
	EMP 2	0.937	0.1588	0.626	1.248	0.650	5.90	<.001
	EMP 1	0.998	0.1726	0.660	1.336	0.635	5.78	<.001
	ASSU 4	0.850	0.1656	0.525	1.175	0.556	5.13	<.001
	ASSU 3	1.191	0.1879	0.823	1.559	0.707	6.34	<.001
	ASSU 2	0.700	0.1494	0.407	0.992	0.502	4.68	<.001
	ASSU 1	0.935	0.1649	0.612	1.258	0.622	5.67	<.001
	RES 4	0.834	0.1611	0.518	1.150	0.561	5.18	<.001
	RES 3	0.677	0.1439	0.395	0.959	0.505	4.71	<.001
	RES 2	1.147	0.1913	0.772	1.522	0.662	6.00	<.001
	RES 1	0.922	0.1570	0.614	1.230	0.647	5.87	<.001
	REL 4	1.518	0.2390	1.049	1.986	0.709	6.35	<.001
REL 3	1.148	0.1746	0.806	1.491	0.738	6.58	<.001	
REL 2	1.224	0.1815	0.869	1.580	0.762	6.75	<.001	
REL 1	1.498	0.2103	1.085	1.910	0.814	7.12	<.001	
Image	IMG 10	1.000	0.0000	1.000	1.000	0.677		
	IMG 9	1.201	0.1850	0.838	1.563	0.701	6.49	<.001
	IMG 8	1.305	0.2014	0.911	1.700	0.700	6.48	<.001
	IMG 7	1.370	0.1819	1.013	1.726	0.827	7.53	<.001
	IMG 6	1.173	0.1681	0.843	1.502	0.759	6.98	<.001
	IMG 5	1.315	0.1836	0.955	1.675	0.782	7.16	<.001
	IMG 4	1.490	0.2273	1.045	1.936	0.709	6.56	<.001
	IMG 3	1.348	0.1941	0.968	1.729	0.755	6.95	<.001
	IMG 2	1.307	0.1809	0.952	1.661	0.789	7.22	<.001
	IMG 1	1.294	0.1930	0.916	1.672	0.727	6.71	<.001
Guests' Satisfaction	GS 8	1.000	0.0000	1.000	1.000	0.900		
	GS 7	0.802	0.0868	0.632	0.973	0.735	9.25	<.001
	GS 6	0.997	0.0829	0.834	1.159	0.846	12.02	<.001
	GS 5	0.915	0.1186	0.683	1.148	0.655	7.72	<.001
	GS 4	1.054	0.0834	0.891	1.218	0.865	12.64	<.001
	GS 3	0.781	0.1043	0.576	0.985	0.641	7.49	<.001
	GS 2	1.041	0.0868	0.871	1.211	0.845	12.00	<.001
	GS 1	0.854	0.1083	0.642	1.066	0.664	7.88	<.001

*Standard Error

Variations and Covariations

The variations and covariations presented in Table 6 signify the correlation of variables. According to Hall (2021), variance is the spread of a data set around its mean value, whereas covariance is the measure of the directional

relationship between two random variables. Based on literature of Kang & Anh (2021) that the value of the Squared of Multiple correlation (SMC) Beta Coefficient of values at least 0.3 and greater than 0.5 are interpreted as good, while values greater than 0.7 are interpreted

as very good. Table 6. exhibits, all correlations of the service quality five dimensions are good except for RES 3 ($\beta=0.745$), RES 4 ($\beta=0.685$), ASSU 2 ($\beta=0.748$), ASSU 4 ($\beta=0.691$), EMP 3 ($\beta=0.808$) and EMP 4 ($\beta=0.687$)

which are very good. All correlations of Image are good. Almost all the correlations of Guest's Satisfaction are good except GS 4 ($\beta=0.652$) which is very good.

Table 6: Variances and Covariances

Variable	Estimate	SE	95% Confidence Intervals		β	z	p
			Lower	Upper			
Service Quality Perception	0.1493	0.04142	0.06814	0.2305	1.000	3.61	<.001
Image	0.0209	0.00626	0.00859	0.0331	0.237	3.33	<.001
Guests' Satisfaction	0.0913	0.01644	0.05913	0.1236	0.719	5.56	<.001

Path Diagram Result Summary

Figure 2. showed the path diagram to determine the relationship of guest's satisfaction and service quality perception in small and medium-sized hotels. The correlation among latent and observed variables based on

literature of Kang and Anh (2021) that the value of the Squared of Multiple correlation (SMC) Beta Coefficient of values at least 0.3 and greater than 0.5 are interpreted as good, while values greater than 0.7 are interpreted as very good.

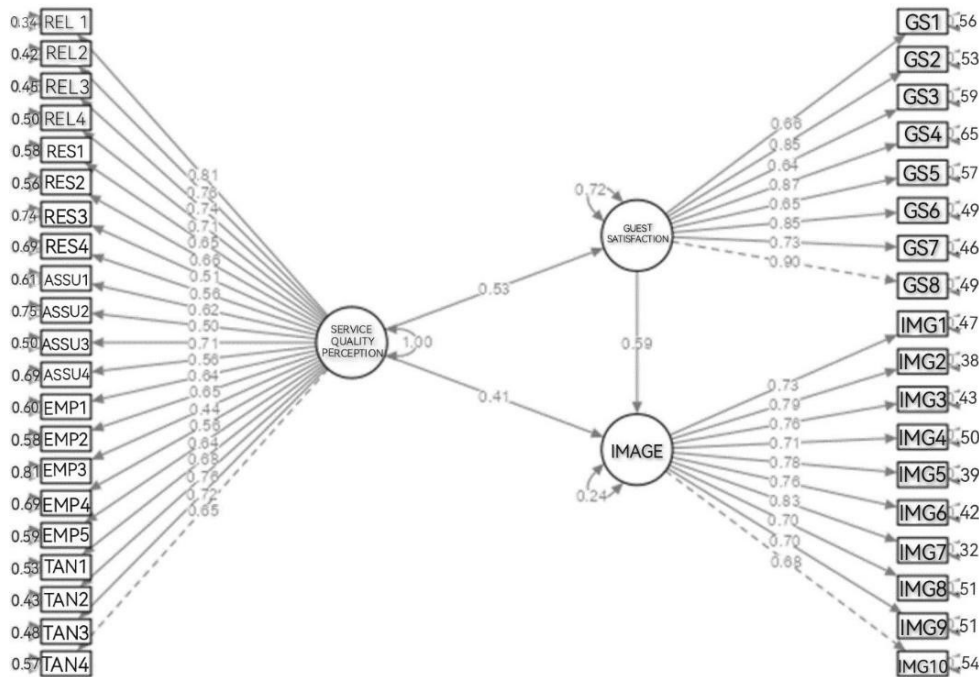


Figure 2: Path Diagrams

As shown on Figure 2, all three hypotheses have significant relationship.

H1: Service Quality Perception Has a Positive and Significant Impact on Image

PDR1: Service Quality Perception have positive and significant impact to image because the value of β was interpreted as good ($\beta=0.530$).

H2: Guest's Satisfaction Has a Positive and Significant Impact on Image

PDR2: Guest's Satisfaction has positive and significant impact on Image because the value of β was good ($\beta=0.530$).

H3: Service Quality Perception Has a Positive and Significant Impact on Guest's Satisfaction

PDR3: Service Quality Perception have positive and significant impact to Guest's Satisfaction with a good β -value ($\beta=0.406$).

CONCLUSION

The result of the study revealed that the majority of the respondents who checked in selected small and medium-sized hotels ranged from 21-25 years old, and most of the respondents were female, the majority were single, and most of them were students. It can be concluded that when hotel staff have the guests' best interest at heart, gained the highest value for guests' perception of service quality.

In terms of guest' satisfaction, hotel staff who are willing to help guests get the highest value on service quality. The research model is a good fit; thus, the Gronroos model is a reliable tool to gauge how well services are perceived and how guests are satisfied;. Moreover, parameter estimates of Gronroos five dimensions have a significant relationship with the service quality of small and medium-sized hotels. In the measurement model, all correlations of the observed variables in service quality perception are very good, except for Empathy, which is good. As a result of variance and covariances, most of the correlations of the service quality perception five dimensions are good, and some were very good, while all correlations of image and guests' satisfaction are good. The researchers therefore recommend that the hotel managers go above and beyond to close these gaps by having their staff trained and then treating them as the guests so that they understand and appreciate how the hotel operates because happy and motivated employees lead to happy customers. Also, obtaining guest's feedback, suggestions, and recommendations before leaving the premises would be a great aid in the continuous and harmonious hotel operations. For future researchers, there are other influencing elements on appearance and perceived quality that were not examined in this study that can be the subject of future research. This study can also be carried out abroad or in other service-related companies and industries. Future studies could also look at the impact of perceived quality on satisfaction from the viewpoint of the workforce. They can also further study the technical quality since this study does noof the technical quality.

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