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# Educating Service Providers on Factors impacting Customer Reluctance in Choosing the Services Provided: A Case of Hotel Industry in Northern Region of Malaysia

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## ABSTRACT

Nowadays, customer awareness towards hotel element becomes an important factor in order to influence them to purchase or not to purchase the services provided by hotels. Based on the previous study, it indicates that the influencing factors why customer rejects a hotel is customer service, price, facilities and competitor's offer. Thus, this study intended to examine the relationship of independent variables (customer service, price, facilities and competitor's offer) that factors for customer reluctance in choosing the services provided by hotels in Malaysia. A total 100 respondents have been selected for the study. This research has limitation which encompasses only in Northern Region of Malaysia specifying in Sungai Petani area. The respondent were randomly chosen either regular or non-regular hotel customers, as long as they can provide opinions on what factors influence them for not choosing the services provided by hotels in Malaysia. Customer service, price, facilities and competitor's offer was identified as the impacting factors for customer reluctance in choosing the services provided by hotels in Malaysia. It is hoped that the findings from this research will shed some light in the marketing literature and educate the hotel service providers to upgrade their services and lead to better customer satisfaction.

*Keyword*: Educating business owners, customer services, price, facilities and competitor's offer

## Introduction

The rising of hotel industry in Malaysia makes the industry more competitive each day and the expectations of customers on their services become higher. The hotel management need to identify what is the key factor of building differentiation as it will lead to gaining a sustainable competitive advantage on their product of creating customer intention in buying the services. At the same, by gaining competitive advantage, one hotel will be chosen over another and can reduce the number of quotation rejection by customers from the hotel (Beri, 2008).

In order to gain a competitive advantage in their service, the management must always know the current needs of customer towards their product in order to prevent the hotel lost their customer that chose their competitors (James, 2010). Many hotels are unaware of the actual criteria a customer wants. Each group of customer has different interest in something; for example customer from government agencies may be more interested to the facilities provided by hotel, while the personal walk-in customer may demand for low price from the hotel. The aim at this research is to observe the factors for customer reluctance in choosing the services provided by hotel in Malaysia, specifying in Sungai Petani area. The independent variables that have been included in this study are customer service, price,

facilities and competitor's offer. While the dependent variable which means the variable that will be influenced by the independent variables is customer reluctance.

**Problem Statement**

Hotel is place where customers may pay interest to the type of service they would be given. From the hotel's restaurant and everything in between, hotel staff needs to provide the hospitality services to preserve the pleasure and satisfaction of customers. But identifying what customer wants and what leads to customer being reluctance in choosing one hotel over another is a main concern among hotel owners lately. Different customer background may prefer different services provided. It was reported that between the month of January till June 2015, hotel in northern region Malaysia, specifying in Sungai Petani faced a tremendous cancellation of quotations. It was reported that 187 quotations were cancelled which entails only 65% that was confirmed. This is below par level that has been set by hotel management which regulate confirmation must be 90% from the quotations requested. Therefore, this issue creates interest to the researcher to identify what are the actual factors that contribute to customer not choosing the services provide by the hotels in Sungai Petani. By identifying this, it is hoped that hotel owners or the service providers will be enlightened with the needs and wants of customers and reduce the reluctance of customers' choosing a hotel over another. Besides, this research will also identify the factors that lead to the high number of cancellation from the customers. It is also hoped that this research will shed some light in the marketing literature for more improvements to be made in the hotel industry.

**Research Question**

Does customer service, price, facilities and competitor's offer can influence customer reluctance in choosing service provided by hotels in Sungai Petani?

What is dominant factor of the services provided that leads to customer reluctance in choosing service provided by hotels in Sungai Petani?

**Research Objective**

To identify whether customer service, price, facilities and competitor's offer can influence the customer reluctance in choosing services by hotels in Sungai Petani.

To indicate the most dominant factors of the services provided that leads to customer reluctance in choosing hotels in Sungai Petani.

## Literature Review

**Corporate Image**

Corporate image helps users increase a better understanding of the service offered by certain corporations and further diminish their doubt when making purchasing decisions (Robertson and Gatignon, 1986). When customers have to choose from hotel agencies are so various that recommend similar services, company will tend to find the best corporate status. Therefore, Swiss Inn Sungai Petani has to build up its own image in mind to achieve differentiation excellence product. According Berens and van Riel (2004), they advise identified four main factors in assessing corporate brand or corporate reputation that are customer service, price, facilities and competitor's offer. They obviously mention that the strong intention or weak purchase customers affected by the corporate image and customer trust. In addition, William (1997) suggests that service quality has a direct and positive influence on both buyer satisfaction and buy intentions. Therefore, the corporate image linked with trust. By Zaltman (2003), positive corporate reputation has a positive effect on consumer confidence in each other's company. In the United States, brand penetration in the ratio of branded against non-branded properties is more than 70 percent in the hospitality

industry, while in Europe it is less 25 percent (Patricia, 2014). Branding is importance because, if they appeal, clients will buy the service to get personal comfort. The brand also remains assets as long as they are kept in good condition and continues to offer clients the values they need (John, 1988). The major ingredients of a branding are the corporate image itself that drive by, the customer service, the price of service, the facilities and the competitor in same industries status. In the simple way to understand is corporate image can be the first impression of customer toward the service or product based on past experience and the actual customer service that they had from the company.

**Customer Services**

For all organizations, whether governmental or private, positive image is one thing that must be created and maintained at all times. This is because a good image can be a major boost to excellence, and thus profitability of the organization. Organization, department or company that does have an image that builds public support through the benefits and also enjoy the opportunities to thrive and grow (Lee, 2008). It can be said very important things that can impact directly on the image and further an organization's performance. What is more important in customer service is the dealers always offer the product and service sales in excess of customer expectations. Therefore, the scope of the role of the customer service needs across the functional areas within the business organization. That is, the responsibility of the customer service is not only the proportion of sales or marketing who are dealing with customers. Even other parts, such as production, logistics, finance and quality control are not dealing directly with customers, should also be responsible. This is because all the parts are actually involved in the process of producing a product that will be submitted to the client. Nowadays, the social media platform built to connect between customer and management more easily. So, there is no reason to ignore the customer service (Jones and Lockwood, 1998)

**Prices**

Price is the process of determining what will be received by the company in exchange for their products. The price factor is the cost of manufacture, market, competition, market conditions, and the quality of the product (Lynch and Chernatony, 2004). Price is also a major variable in microeconomic theory price allocation. Price is a fundamental aspect of financial modeling and is one of the "four P's" of the marketing mix. Three other aspects are the goods, promotion and place. Price is the only element to generate income in the four P's, the other is a cost center. Price is a process that is performed manually or automatically by using the price to purchase and sales orders, based on factors such as the quantity of rest, a fixed amount, or sales promotion campaigns, the current price of entry, specific vendor quote, delivery or invoice date, or a combination of multiple command line, and many others. Automated system requires more preparation and maintenance, but can avoid price errors. If the user has the willingness and ability to buy the product, the needs of users that can be converted into a request only. Therefore the price is very important in marketing (Jones and Lockwood, 1998). Put our products or services at a high price is a good strategy when our products and services has its own peculiarities and has great competitive compared with competitors. Price premium is good when he can give the impression that the quality is great. By using premium prices, profit margins are higher, and this will add to the profitability of the business and facilitate the promotion develop the business further. Price is often added premium business brand strength. Referring to the strategy laid low prices at the beginning to get a bigger market, and then slowly raise the price. The purpose of putting at low prices is to enliven the customers in the market. If it has a high market share, prices began to move slowly.

**Facilities**

Hotel is one form of accommodation in the area of tourism infrastructures whose role is important in order to support the progress of national development, especially economic sectors facility is a facility that can be delivered through the provision of various asset categories such as space, light for lighting, air-conditioning, chairs, desks, computers and so on. The goal is to have the asset concerned is perfect in enabling the delivery of a service point. According to Atkin and Brooks (2000), Facility Management is an integrated approach to the operation, maintenance, improvement and adaptation of buildings and infrastructure of an organization. Hamer (1998) also explained that the Facility Management is the process of planning, implementation, maintenance and taking into account the suitability of physical space and services for the organization, as well as related cost savings. Based on International Facility Management Association, Facility Management is a profession that encompasses multiple disciplines to ensure the role of the built environment can work through the integration of people, place, process and technology. To ensure the maximum level of facility management, it should be consistent with the goals and objectives of an organization and objectives of the creation of an asset.

**Competitor's Offer**

Competitors are companies that produce or sell goods or services which are identical or similar to the products we offer. Competitor of a company can be categorized strong competitors and competitors weak or there is a close competitor that has the same product or a similar product (Maignan and Ferrell, 2001). Things to note from competitors and we constantly monitor the competitors' products, good quality, packaging, label, or other. We compare the advantages of the products of its competitors following weaknesses with our products. In addition, employers must be able to capture the opportunities available in the market before competitors caught (Martı´nez, P´erez and Rodrı´guez del Bosque, 2013). A businessman is expected to create new opportunities. However, employers should also be alert to any threats that exist now and in the future. Threats competitors are doing can directly attack us or slowly (Anna, 2004). Target competitors such as maximizing profits, increase market share, improve product quality, or possibly even shut down or hinder other competitors. If the goal was to enlarge the market, company need to know whether the growth of market share owned large enough. Usually increase market share can be done with a fairly vigorous campaign to offset the incentive to opening new branches as well (Martı´nez, Montaner and Pina, 2004). Therefore, each company has its own strategy to turn his opponent. Tighter competitions, the more sophisticated strategy. Strategies to shut down or weaken the opponent always do. It is not possible every strategy has similarities. Therefore, companies need to know how to start and finished. Various strategies can be carried out by a competitor (Martı´nez and Rodrı´guez del Bosque, 2012).Completion of company's nearest competitor products compare with the products that company have, both in terms of quantity and advantages of the product itself. The company has a complete product and has certain advantages will be better than the company, at least not for a while. It allows company to cover the weaknesses that they have. Services provided to customers are greatly influenced by the technology owned by a company. When we do not compete, the technology can cause the competitors to become dominant (Mohsin and Ryan, 2004).

**Theoretical Framework**

This framework is to show the relationship between the dependent variables with the independent variables customer service, price, facilities, and competitor's offer.

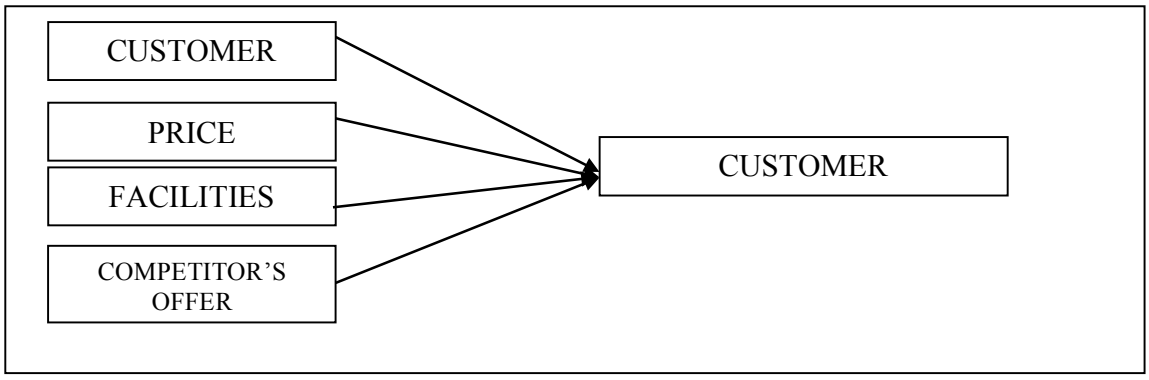


Figure 2.6 Framework between dependent variables and independent variables

**Research Methodology**

**Sample and population**. In this research, sampling technique that been used were self-administered questionnaire. For this sampling technique, 100 set of questionnaire was distributed to respondent who are people who have used hotel services. The samples are chosen base on non-probability sampling technique and sample size are selected by convenience method (Patricia, 2014). According to the Johari (2007), population is the target group of researchers, namely the group to whom the study results will be generalize. The sample is the respondents in this study that were selected to represent the population. Fixing the study population is important because the population will determine how and how many samples would be chosen.

Roscoe's Rule of Thumb

Independent Variables = 4
Dependent Variables = 1
(IV x item x 10 = sample size)

Therefore,

IV 1 x 2 items x 10 = 20 respondents
IV 2 x 1 items x 10 = 10 respondents
IV 3 x 1 items x 10 = 10 respondents
IV 4 x 3 items x 10 = 30 respondents
Roscoe's Rule of Thumb = 70 + 30 (to avoid miss data) = 100 questionnaires

## Result and Analysis

**Profile of the Respondent / Frequencies Analysis**

Result from the demographic section is presented in frequency and percentage number to illustrate demographical data. The demographic table includes gender, age, educational level and tenure of service. The total frequency is 100 respondents in this study. In this study the distribution of gender is female representing 57%. In term of age, majority of respondent are between 31 to 40 years old representing 30%. For race of respondent, Malay race dominate with 53%. Most of them are single representing 52%. In term of family income, majority respondent have RM 6000- RM 9000 that representing 32%. Besides that, most of them work in private sector that representing 49%.

**Correlation Analysis**

From the table below, the relationship between the four independent variables (customer service, price, facilities and competitor's offer) and dependent variable (customer reluctance) is shown. First correlation is between customer service and corporate image, the finding shown that r-value is 0.421** or 42.1 percent at 99 percent confident interval. According to the rule of thumb, this figure represents a strong relationship. Second correlation is between price and corporate image, the finding shown that r-value is 0.589** or 58.9 percent at 99 percent confident interval. According to the rule of thumb, this figure represents a strong relationship. Third correlation is between facilities and corporate image, the finding shown that r-value is 0.145 or 14.5 percent at 99 percent confident interval. According to the rule of thumb, this figure represents a no relationship. Last correlation is between competitor's offer and corporate image, the finding shown that r-value is 0.607** or 60.7 percent at 99 percent confident interval. According to the rule of thumb, this figure represents a strong relationship.

Table 4.1
*Correlation Statistics Result for All Variables in the Research Framework*

| Variable | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Customer Services (IV1) | 1 | | | | |
| Price (IV2) | 0.261** | 1 | | | |
| Facilities (IV3) | 0.023 | 0.129 | 1 | | |
| Competitor's Offer (IV4) | 0.549** | 0.212* | 0.112 | 1 | |
| Reluctance (DV) | 0.421** | 0.589** | 0.145 | 0.607** | 1 |

** Correlation is significant at the .01 level (2-tailed)
* Correlation is significant at the .05 level (2-tailed)
Not significant

**Regression Analysis**

From the result which showed in table 4.2, only facilities significantly associated with customer reluctance where the value is 0.000. Therefore, facilities have significant impact to customer reluctance and hypothesis 3 is accepted. Thus, because the only one independent variable was significant, automatically facilities become the most dominant factor of the services provided that leads to customer reluctance in choosing hotels in Sungai Petani. Thus, hypothesis 6 is accepted. All hypotheses result shown in table 4.3.

**R-Square**

As shown in Table 4.2, R-Square is the proposition of variance in dependent variable which could be predicted from independent variable. This value indicates that 39.6%of the variance in customer reluctance can be predicted from the customer service, price, facilities and competitor's offer. R-Square also called the coefficient of determination.

**Durbin-Watson**

Durbin-Watson result was in acceptable range that showed there was no auto correlation problem with the model with the value 2.286. Durbin-Watson index value is acceptable if it is in range 1.5 to 2.5.

Table 4.2
*Regression Analysis*

| Variable | Beta | Sig |
|---|---|---|
| Customer Services (IV1) | .093 | .342 |
| Price (IV2) | .114 | .176 |
| Facilities (IV3) | .070 | .000 |
| Competitor's Offer (IV4) | .524 | .391 |

$R^2$= 0.396
Durbin-Watson = 2.286

Table 4.3
*Hypotheses Test*

| Hypotheses | Result |
|---|---|
| H1: Customer Service has significant impact to customer reluctance in choosing the services provided by hotels in Sungai Petani. | Rejected |
| H2: Price has significant impact to customer reluctance in choosing the services provided by hotels in Sungai Petani. | Rejected |
| H3: Facilities has significant impact to customer reluctance in choosing the services provided by hotels in Sungai Petani. | Accepted |
| H4: Competitor's offer has significant impact to customer reluctance in choosing the services provided by hotels in Sungai Petani. | Rejected |
| H5: Customer Service is the most dominant factor of the services provided that leads to customer reluctance in choosing hotels in Sungai Petani. | Rejected |
| H6: Price is the most dominant factor of the services provided that leads to customer reluctance in choosing hotels in Sungai Petani. | Rejected |
| H7: Facilities is the most dominant factor of the services provided that leads to customer reluctance in choosing hotels in Sungai Petani. | Accepted |
| H8: Competitor's Offer is the most dominant factor of the services provided that leads to customer reluctance in choosing hotels in Sungai Petani. | Rejected |

## Conclusion

The first objective of this study is to identify the factors that can influence the customer reluctance in choosing services by hotels in Sungai Petani. Thus from the result of the study, it shows that only facilities was accepted and is the only independent variable that influence the customer reluctance in choosing services by hotels in Sungai Petani.

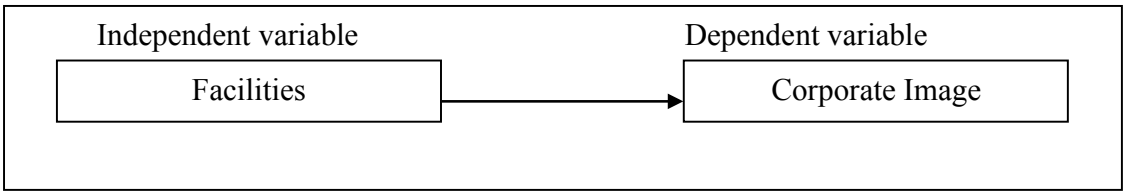


Figure 5.1. Revised theoretical framework

The purpose of this study is to investigate whether customer service, price, facilities and competitor's offer can contribute to factors for customer reluctance in choosing the services provided by hotels in Sungai Petani. The data was gathered from 100 respondents by using questionnaire. Based on the findings of this study, the researcher concludes the following respondents who took part in this study are already mature in age, responsible and reliable. They are also aware of what's happening in the hotel and are deeply concerned about the improvement of the hotel customer service, price, facilities, and competitor's offer result of the present study provide useful implication in term of theoretical and management aspects. The theoretical implication entails important theory generated from the finding of this study with regards to fully understand the mechanisms that contribute to factors for customer reluctance in choosing the services provided by hotels in Sungai Petani. The managerial implication of the present study provides sufficient insight on the awareness towards the management of hotels in northern region Malaysia, specified on Sungai Petani to make a few improvements. The management also are not well aware the right factor why consumers do not choose their services and they can work to overcome that problem. The respondents have given an overall rating of neutral to agree for each of the criteria. Most of the respondents believe that the facilities provided by hotels have a great impact for why they become reluctant in choosing the services provided by hotels in Sungai Petani. This shows that respondents knew the importance of what they are paying for. Hotel owners need to upgrade the services provided by their respective hotels and create a differentiation in order to win customers demand. This will lead to reduction in the cancellation of quotations requested and thus achieved the targeted 90% level. Thus, this research can give clear view to the researcher and hotel management about what is demanded by the consumer most. The management of hotels in Sungai Petani should take advantage from this research to create competitive advantage in hotel industry in Sungai Petani and Malaysia.

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