

# **CHAPTER I**

## **INTRODUCTION**

This is a study of building service quality and efficiency in the staff of small hotels in Phuket. The purpose of this study is to help small hotel entrepreneurs compete with larger hotels and other types of accommodation businesses in Phuket. Therefore, this chapter offers the following topics:

1. Rationale for the study
2. Problem statement
3. Research questions
4. Purposes of the study
5. Scope of the study
6. Basic assumptions
7. Significance of the study
8. Definition of terms

### **Rationale for the study**

Thailand has seriously promoted tourism as the main industry of the country since the National Economic and Social Development Plan No. 3 (1972-1976). The tourism industry in Thailand is likely to grow rapidly. This is not surprising because the service industry is recognized as the most highly competitive industry (Siriratsamee and Sukmuean, 2007, pp. 9-23). As a result, the tourism industry has become the main industry that generates income for Thailand. In 2010, the revenue from tourism accounted for 592,794.09 million Baht and the total number of foreign tourists was 15,936,400 (Department of Tourism, Thailand, 2010). From the Department of Tourism statistics in 2010, the number of tourists, both Thais and foreigners, was 138,458,514 which was an increase from the previous year of 37.65% and the total revenue from tourists was at 995,368.48<sup>2</sup> million Baht which increased 68.22% from the year 2006 (Department of Tourism, Thailand, 2010). In addition, the statistics also indicate that the tourism industry in Thailand has been growing continuously due to the need to facilitate and support the demands of tourists.

In the tourism industry, there are seven main businesses involved which include 1) hotel and other accommodation, 2) travel agents and guides, 3) shopping and souvenirs, 4) food and beverages, 5) communication and transportation, 6) entertainment and recreation and, finally, 7) other services related to tourist activities (Daengroj, 2006, p. 1). Hotels and accommodation are the most important element related to service. There are four types of service products in hotels including 1) room sales, 2) food and beverage sales, 3) sales service (e.g. laundry, tour, and souvenirs), and 4) sales of service standards (Saengpayap, 1998, pp. 13-15). Usually, the hotel industry is highly labor intensive and limited on the use of renewable energy saving work (Kobdet, 1999, p. 4). Thus, hotel and accommodation businesses are important elements to the economy and the society of country. These hotel and accommodation businesses consist of several types and sizes, as well as management processes. Currently, the number of hotels has increased, the hotels tend to be on the large size, and they are being managed by chain hotel systems with management contracts and/or franchise systems to meet international standards and to create competitive advantages. This trend has affected small hotel businesses in local areas.

Baker, Bradley and Huyton (1998, p. 8) defined small hotels as hotels that have fewer than 100 rooms and are managed by an owner-operated system. They have smaller budgets than large hotel businesses and/or chain hotels. Large hotels are usually supported by foreign companies in terms of policy, budget and marketing which directly affects the income of small hotel businesses. The large hotel business at the present time tries to have competitive advantages over its counterparts by emphasizing marketing and service strategies. These strategies have influenced small hotel businesses to change their traditional strategies to new ones in order to develop their service competency and potential and to achieve international standards.

However, the hotel industry in Thailand is being threatened by both external and internal factors such as the world economic recession, epidemics, terrorism, natural disasters, political shifts, and the shutting down of the airport. The statistics from the Office of Tourism Development [OTD] (OTD, 2009) indicate that the number of tourists that arrived in Thailand in 2009 was 923,918. This was a decrease of 21.19% when compared to the number of tourists in 2008. As a result, small hotels



in Phuket have encountered lost profits and have been forced to lay-off staff in order to save costs and survive as a business.

Phuket is the largest island of Thailand, situated off the west coast in the Andaman Sea and the Indian Ocean. The region has an area of approximately 543 sq. km., the island's total length from north to south, is estimated at 48.7 kilometers and the island is approximately 21.3 kilometers wide. Phuket borders the Phang-nga Province to the north, which is connected to the mainland by the Sarasin Bridge and the Thep Krasattri Bridge (Tourism authority of Thailand, 2011).

Taki (2006, p. 14; Kitphanphanich, 2004, unpagged; Dangroj, 2006, unpagged as cited in Krutwayscho, Maneerat and Treesuk, 2010, pp. 26-27) mentioned that the services of hotels include rooms, food and beverages, banquets, laundry, souvenir shops, currency exchange, business information, shuttles, telephones, tours, beauty, fitness, parking, luggage, and first aid. These services are provided by hotels to both their internal and external clients. However, these services depend on the hotels availability and standard level.

Therefore, the service quality management of staff in small hotel industries is important in promoting investment and generating employment in small hotel industries. These small hotels are an important part of the hotel and tourism industry development of the country. The growth of large hotel businesses has negative impacts on small hotel businesses. Small hotel owners have to maintain quality service and efficiency in order to be able to compete with large hotels and other types of accommodation businesses in Phuket. Furthermore, small hotel businesses have to enhance their marketing knowledge in order to compete with large hotels.

Building service quality and efficiency for the staff in small hotels is one of the methods that able to enhance customer satisfaction, increase added value and income to the hotels, and lead to sustainable to tourism in the future. Service quality and efficiency is come from possessing adequate skill, knowledge and attitude for the performance of a duty. Thus, this research is designed to help small hotel entrepreneurs. The results of this research are useful for developing the potential of staff in small hotels on Phuket Island.

## **Problem statement**

Phuket is one of the most important tourism destinations in Thailand. Therefore, both Thai and international investors are very interested in investing in hotel businesses in Phuket. Over the last decade, hotel and accommodation businesses have grown rapidly and faced increasing competition. As a result, there are many types and sizes of hotels and accommodations available in Phuket. The different types and sizes of hotels and accommodations affect the service quality of staff in hotels on Phuket Island.

Meanwhile, the growth of hotel and accommodation businesses in Phuket has affected the service competition between small hotels and large or chain hotels. However, many tourists are still complaining about the service quality, especially in small hotels. Even though small hotels in Phuket try to continuously develop their service quality, they still face a profit loss situation. This may be caused by both internal and external factors that affect their service quality.

Therefore, small hotels need to improve themselves by increasing their staff's service efficiency in order to achieve a higher standard of service quality and to be able to compete with large or chain hotels and other types of accommodation businesses in Phuket.

## **Research questions**

Research questions are as follows:

1. What is current service quality level of small hotels staff in Phuket?
2. What are the staff competencies of small hotels in Phuket?
3. What should an appropriate guideline of service quality and efficiency for small hotels staff be developed?

## **Purpose of the study**

1. To evaluate the service quality level of small hotels staff in Phuket.
2. To study the staff competencies of small hotels in Phuket.
3. To propose an appropriate guideline of service quality and efficiency for small hotels staff in Phuket.

## Scope of the study

The scope of this study is as follows:

### 1. The scope of content

1.1 This research is a study of the service quality levels of small hotels staff in Phuket.

1.2 This research is aimed at studying the staff competencies for small hotels in Phuket.

1.3 This research recommends an appropriate guideline of service quality and efficiency for small hotels staff in Phuket.

### 2. The scope of the population

2.1 Small hotel managers and/or management levels in Phuket that provide fewer than 100 rooms.

2.2 Thai and foreign tourists who stay in small hotels in Phuket.

### 3. The scope of the area

The scope of the area is Phuket province which is divided into 3 districts or administrative areas comprised of: 1) Muang district, 2) Thalang district, and Kathu district.

### 4. The scope of time

October 2011 to May 2012 (8 months)

## Basic assumptions

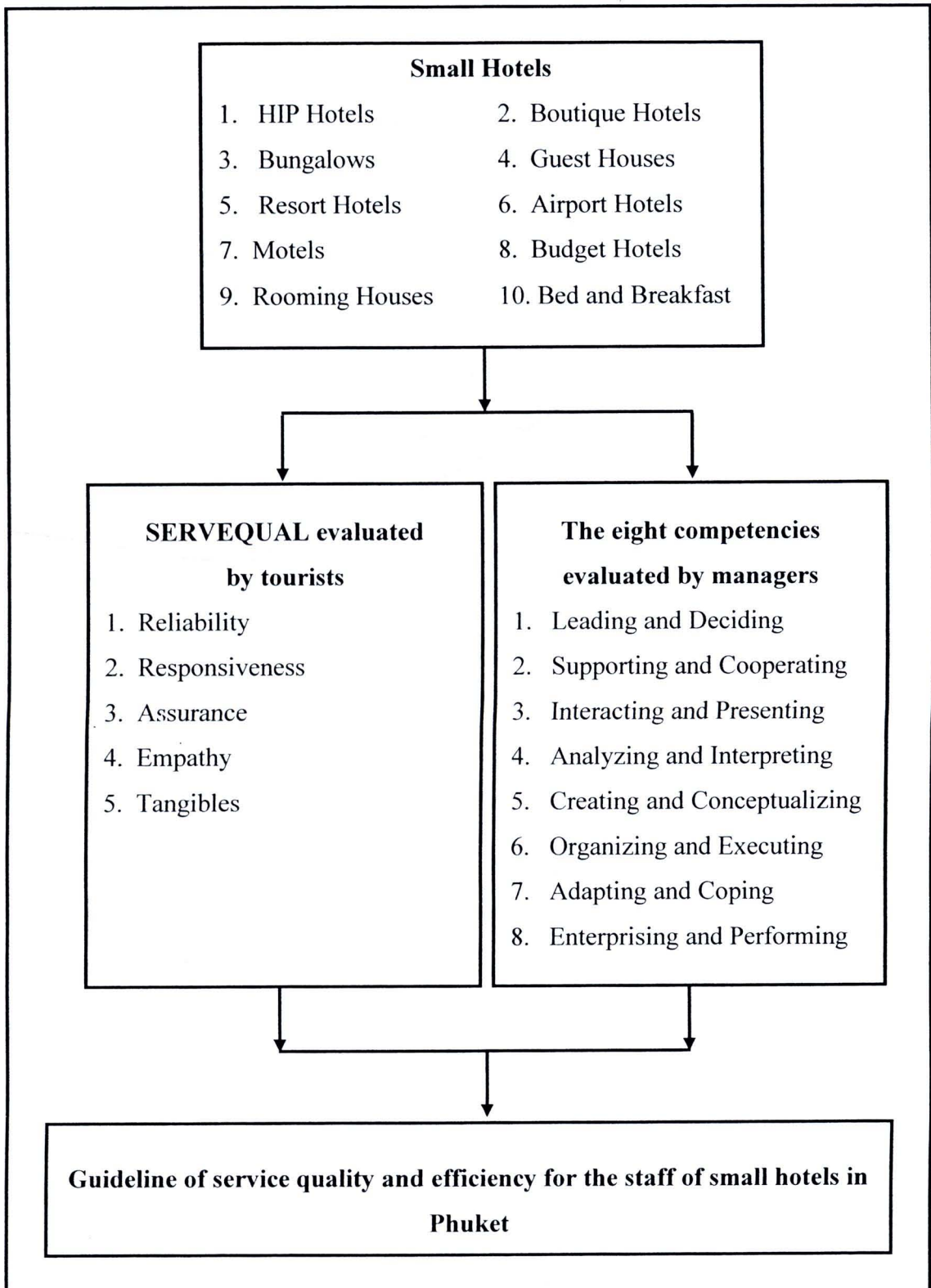
Based on pragmatic concepts and the review of literature, it is obvious that the concept of building service efficiency for the staff of small hotels in Phuket is directly related to the concepts of service quality and staff competency. Earlier researchers have developed a multiple item scale call SERVEQUAL for measuring the five dimensions of service quality—**Reliability**: the ability to perform the promised service dependably and accurately; **Responsiveness**: the willingness to help customers and provide prompt service; **Empathy**: the caring, individualized attention provided to the customer; **Assurances**: the knowledge and courtesy of employees and their ability to convey trust and confidence; and **Tangibles**: the appearance of physical facilities, equipment, personnel, and communication materials (Parasuraman, Berry and Zeithaml, 1991, p. 41; Fitzsimmons and Fitzsimmons, 2006, p. 132; Kandampully,



2007, pp. 88-89; Parasuraman, Zeithaml and Berry, 1985, pp. 41-50; Ieamlaorphakdee, 2005, p. 49; Yotsapornpaiboon, 2008, pp. 30-31).

Regarding competency, there are eight components for developing staff competency. These components are **leading and deciding**: there are two sets of competencies including deciding and initiating action, and leading and supervising; **supporting and cooperating**: there are two sets of competencies including working with people; **interacting and presenting**: there are three sets of competencies including relating and networking, persuading and influencing, and presenting and communicating; **analyzing and interpreting**: there are three sets of competencies including writing and reporting, applying expertise and technology, and analyzing; **creating and conceptualizing**: there are three sets of competencies including learning and researching, creating and innovating, and formulating strategies and concepts; **organizing and executing**: there are three sets of competencies including planning and organizing, delivering results and meeting customer expectations, and following instructions and procedures; **adapting and coping**: there are two sets of competencies including adapting and coping, and coping with pressure and setbacks; as well as **enterprising and performing**: there are two sets of competencies including achieving personal work goals and objectives, and entrepreneurial and commercial thinking (Bartram and SHL Group, 2005, pp. 1185-1203; Kurz and Bartram, 2002, pp. 227-255).

The relationships of these elements are displayed in a research framework in Figure 1.



**Figure 1 Conceptual framework for service quality and efficiency building of small hotels staff in Phuket**

### **Significance of the study**

1. This study will assess the service quality levels of small hotels staff in Phuket in order to provide basic information concerning service efficiency to hotels in Phuket.
2. This study will gain knowledge of staff competencies of small hotels in Phuket.
3. This study will develop an appropriate service quality and efficiency guideline for small hotels staff in Phuket.

### **Definition of terms**

This study uses the following definitions:

#### **1. Small hotels**

Baker, Bradley and Huyton (1998, p. 8) defined small hotels as “hotels that have fewer than 100 rooms.”

#### **2. Efficiency**

A general definition for efficiency is “the quantity or value of production achieved per unit of resource employed” or “a ratio showing the number of units of production generated per unit of resource” (Kay, Edwards and Duffy, 2005, pp. 308-431). Thus, small hotels should develop efficient management of services and products by improving the efficiency or service quality of the staff of small hotels in Phuket.

#### **3. Service**

Service is the interaction between service providers and customers in terms of providing products and services in a hotel. Services are “deeds, processes, and performances” (Zeithaml and Bitner, 1996, p. 5) of an individual or organization that “take place in interactions between customer and service employees and /or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems” (Grönroos, 1990, p. 27). These services are provided in order to enhance satisfaction and respond to the needs of customers. Good service must respond to the needs of and match the expectations of the customers in order to make a good impression.



#### **4. Competency**

Competency is an individual characteristic that combines skills, abilities, attitudes, knowledge and behaviors which lead to good performance of tasks. Staff competency is needed in order to be successful in a role, support the attainment of business objectives, and drive organizational success (McClelland, 1983, pp. 57-83; Bartram, et al., 2002; Phuphatanapong, 2008, unpaged; Kumar, 2009; SHL Group, 2011; The Institution of Engineering and Technology, 2011).

#### **5. Phuket**

Boonyaudomsart (2006) described Phuket as Thailand's largest island, approximately the size of Singapore. The region has an area of approximately 543 sq. km. (excluding small islands) and 590 sq. km. if its 39 other small islands are included. It is situated off the west coast of Thailand in the Andaman Sea and the Indian Ocean. The island's total length, from north to south, is estimated at 48.7 kilometers and the island is approximately 21.3 kilometers wide. Phuket borders the Phang-nga Province to the north. The island is connected to the mainland by the Sarasin Bridge and the Thap Krasatri Bridge. Phuket is divided into three administrative areas, namely Amphoe Muang, Amphoe Thalung, and Amphoe Kathu.

#### **Conclusion**

This study of building the service efficiency of the staff of small hotels in Phuket analyzes the service quality level of the staff in small hotels and the factors or conditions affecting the service efficiency of the staff in small hotels. This analysis is needed to propose a guideline of service efficiency for the staff of small hotels in Phuket. This research examines small hotel owners, managers, entrepreneurs, and tourists in Phuket's three areas: Muang district, Kathu district, and Thalung district.