

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **About Tourism and the Accommodation Sector**

The important elements of the tourism industry consist of many subsectors including attractions, activities, accommodation, facilities, and services. Those elements will be joined up to provide visitors and tourists with special experiences. Due to these tourism components, the most fundamental to any tourism destination are the hospitality services and accommodation which are provided. Currently, the accommodation sector continues to expand in the global tourism industry in terms of employment and revenue. There is variety of accommodation and types of target groups which base on the market demand (University of Hawaii Manoa, 2011).

The accommodation market is increasing considerably and is highly competitive. As it can be seen, consumers' demand is growing and the supply of accommodation is also increasing at a faster rate as a variety of accommodation providers, hotels, motels, serviced apartments and condominium enter the market. In addition, the service providers try to add more facilities, types of rooms and develop the format of room into new styles and making them unique in order to satisfy customers' needs. Moreover, location and price can be important advantage of the company which may attract the high number of customers as well (O'Conneor, et al., 2011).

For these reasons, many entrepreneurs are focusing on the provision of increased customer service as a way of adding advantage and differentiating themselves from their competitors as cited in Francese and Renaghan, (1990). According to O'Connor, et al. (2011) noted that an important element of service strategy is the provision of personalized service-knowing and satisfying the customer needs and desires which based on pattern of stay and spending, activities at the property, and use of amenities.

## **Serviced Apartment Definitions**

Accordingly, the accommodation sector is considered of major importance in the tourism industry, which provides residences or accommodation to visitors and travelers while away from home (O'Connor, et al., 2011). Serviced apartments might be a good alternative accommodation for travelers or people who have to be away from home for long periods and they choose to stay during their travels whether for vacation, business, or official purposes.

In the past travelers and visitors who had to be away from home for prolonged periods, they spent their time for vacation, official, or business, preferring to stay in hotels. Presently, those visitors or travelers are looking for residences where they can stay and feel homely and can enjoy their privacy. Serviced apartments might be a good alternative accommodation for those people with all homely facilities and amenities. As the following, serviced apartment is defined into a various definition;

“An apartment or flat is a self-contained housing unit that occupies only part of a building. Apartments might be owned by an owner-occupier or rented by tenant” (Wordiq, 2010).

“A serviced apartment is the modern alternative to staying in a hotel, apart hotel or renting an apartment. All apartments come fully furnished and include a kitchen diner, lounge area, towels, and linen. Serviced apartments are booked on a ‘per room’ basis rather than ‘per person’ so not only do they offer up to three times the size of a hotel bedroom but are better value and offer a ‘home from home’” (Morethanjustable, 2011).

"Corporate housing" refers to apartment units in residential apartment buildings that have been furnished and offer a wide range of a la carte furnishing and service options. Guests have the comforts of home in a private residential setting, typically with a one-month minimum stay. "Serviced apartments" operate more like a hotel, with onsite hospitality staff, a 24 hour front desk, daily maid service, and accommodations for both daily and long stays. (Secure.oakwood, 2011)

me furnished and equipped apartment with a convenient housekeeping service. This service may be available on a daily basis or week basis. When coming to the size serviced apartments are usually twice the size of a hotel room and will provide with a

living space, separate bed room and fully equipped kitchen. Also serviced apartments may also have a broadband connection and satellite TV” (Zonttle Systems, 2010).

Furthermore, serviced apartments are categorized into difference type by grading. Due to the Colliers International Thailand has identified serviced apartments based on various criteria as the following;

**Grade A**

Providing luxury or upper scale amenities and recreation facilities and full furnished to a high standard. They are situated in prime location and luxury residential areas. Manage by a top international branded operator or comparable local brand.

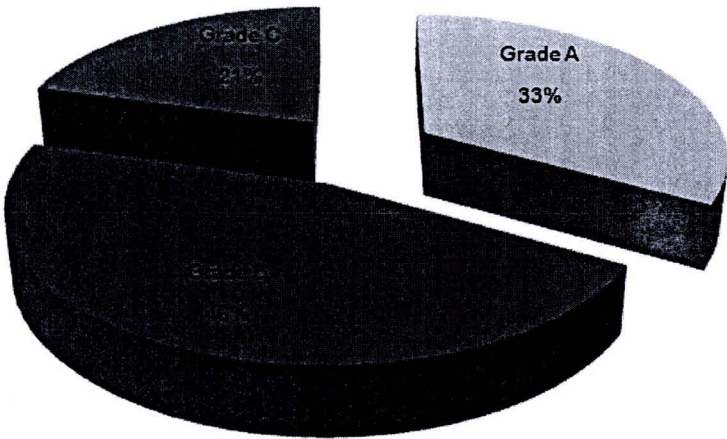
**Grade B**

Generally it will be located in less prime location and in the centre locations, Offering high standard recreation facilities and amenities, also providing an upper or mid scale hotel services. The apartment will be managed by domestic operator or a lower-end international.

**Grade C**

Most of furniture is good standard and comfortable. Fewer provisions of amenities, similar to Mid-scale or Economy hotel. Mostly, is located in secondary locations.

The below is percentage of supply by grade



**Figure 2 Percentage of supply by grade**

**Source:** Colliers international, 2010



In additional, in Bangkok serviced apartments are separated into five areas by zoning as the below;

**1. Central CBD**

This area including Silom, Sathorn, Si Phraya and Rama 4 Road as well as soi Saladaeng, Soi convent and Soi Pipat.

**2. Central Lumpini Area**

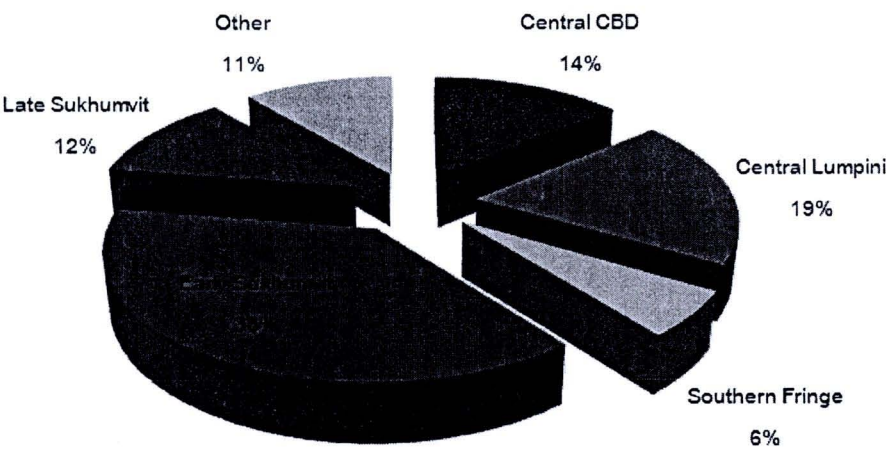
The Central Lumpini covers the areas along Rama I, Rajadamri, Wireless, Pleonchit, Langsuan, Phayathai and Phetchaburi Roads, as well as other sois in between, such as Soi Langsuan and Soi Raumrudee.

**3. Early Sukhumvit Area**

This is the section of Sukhumvit Road between Soi 1 and Soi 35 to the north and Soi 2 and Soi 24 to the south.

**4. Other Areas**

Most of the remaining Grade B&C serviced apartments are scattered across the city including Phayathai, Phetchaburi, Ratchadapisek, Mitmaitri, Srinakarin Bangna and Ramkhamhaeng Road.



**Figure 2: Percentage of supply by location**

**Source:** Colliers international, 2010

There are various option of serviced apartments which classified by grading and zoning in Bangkok and offering facilities and amenities with different stand accordance each serviced apartment level. This research mention to grade B serviced apartments which is the largest suppliers due to the figure of the percentage of supply by grade.

### **Customer Service Definition**

Customer service is more than a function of productive selling; it is about direct communication with either face-to-face, or by electronic communications or automated processes. This function created the performance and communication method in order to achieve operational efficiency and customer satisfaction.

Handling customer service functions effectively involves two aspects of interaction between customers and staff. These are person-in-person and telecommunication. However, in setting customer service standard, the firms should pay attention to what customers expect from each perceived point of service delivery process of dealing with organizations (Lovelock, 2007).

Customer service staff in serviced apartment is considered to be the function which needs to interact directly with customers either face to face, telephone or e-mail in order to satisfy customer needs. Therefore this function should be intentioned by organization in order to improve and develop for generating higher income and use as the marketing key to success in higher competition in the business. Moreover, the importance of customer service has noted by Claridy (2009) is that the main function of customer service is generating satisfied customer, besides that, dealing with customer's complaint or problem, respond customer's needs could be routine tasks which always bring many impact to the company in both positive and negative ways. Furthermore, customer service helps establish customer royalty, import new customer to the firms, thus this function is considered the center of achievement of the organization.

As a result, most satisfied customers are receiving worthwhile support from customer service staff who understand and respond to customer needs appropriately. Satisfaction is provided when the customer feels that the service providers have recognized their needs. If customers are satisfied, then there are many advantages that

will result later such as customer loyalty, good reputation in the marketplace and increased numbers of returning customers. Therefore, service providers have to know what satisfaction is and how to create customer satisfaction in the organization.

### **The Standard Customer Service Performances**

Service providers have to consider the importance of customer service performance in order to develop and maintenance service in the organization. Nicholas (2010) noted that organizations might recognize the performance standard for customer service based on the needs and feedback of the customer because these will influence the organization's reputation.

The performance standard for customer service representatives involves factors;

#### **1. Response Time**

The customer service representative should not leave the customers waiting long time, when they want supporting, but should respond immediately to the customers with every comment by polite manner and also inform clearly to the customers about the job limitation that the customer service could do. Then the customer service staff need to satisfy the customer requests as soon as possible.

#### **2. Communication Skills**

Communication is considered to first skill that the organization should mention on employees recruitment, especially who work on customer service position. Due to the customer service function must to contact directly with the customers, since the employees should interact with customers and listen to the customers clearly. Because of it might affects customer confident and feeling.

#### **3. Leadership and Performance Management**

Leadership skill is important skill that customer service officer should have because It might influence on development operation, contribute to working environment and maintain open communication. Moreover, leadership also foster a team work atmosphere that affects effective cooperation between staff to solve customer problems and satisfy customers.





Performance management is the method that might encourages customer service look after their personal target and character such as professional develop and metrics.

#### **4. Problem-Solving and Decision Making**

Customer service staff should have good solving problem skills because of customer service department is the function that to face many problems of customers. Since, the firms need employees who could classify and solve customer problems as quickly as possible. Furthermore, making decision is important ability that customer service staff should have making decision with factual and suitable support and also can identify each characteristic of problems. Due to customers might expect their problem to be solved seriously, since customer service representative need to identify problem solution as soon as possible.

#### **5. Adaptability**

Customer service staff should be flexible in various problems and able to generate the solutions for variety customer problems, also understanding about the differences of each customers and able to adept for many customer's styles as well.

Obviously, the five dimensions of customer service performance are the necessary characteristics of service staff because of it would influence customer perception to service providing and create customer experiences by interaction with customer service as well. Therefore, organizations have to critical considered about customer service performance in order to generate satisfied customer and benefits to the organization.

#### **Customer service attributes**

According to Voltaire (2003, pp.3-4) service characteristics are difference from other product because of service is intangible, perishable, and is a function of perception, therefore service delivery need to timely, accurate, with concern, and with contest.

In additional, there are six characteristics, are the most basic practices of customer service staff and without them truly services might be exited of any kind. However, it depends on basic skills for instance interpersonal skills, empowerment, communication, knowledge, sensitivity, understanding, and some kind of external



behavior. The below stated the six service characteristics that customer service staff should have;

### **1. Observant**

Dealing with the service and the customers are not only pay attention to direct communication, but also body language and mannerism, moreover it is importantly listen to what the customer is not communicating. Therefore, observation is considered a crucial tool for generating more satisfied customers.

### **2. Mindful**

The customer service staff need to recognize the sensitivity, urgency, uniqueness, expectations, and influence that the customer has in order to reach to customer's needs and successful in satisfying them.

### **3. Friendly**

It is importantly that customer service staff has to provide guidance and information and show the customer that you are always there to help. Moreover it would be more impressed to express some feedback and trustful to the customers.

### **4. Obliging**

There are several times that the customer might not know what they need; mostly they build up in their mind as they go along. Customer service staff has to serving the outline for their decision. When accommodating the customer, do not hesitate to educate the customer as well.

### **5. Responsible**

Typically, customers are looking to customer service staff to provide the appropriate solution and information in clear, concise, and easy to understand manner. The customer service staff should try to achieve and develop the relationship of how your expertise can indeed help the customer.

### **6. Tactful**

Normally, when the service provider delivery services to customer, sometime they will face a various customer problem, since customer services staff pay attention to satisfy the customer. Tactfulness is the important performance which is careful to identify and analyze the problems and solve them with appropriate solutions without upsetting the customer.



In addition, being tactful means customer service staff need to be willing to listen patiently without interruption during customer expresses their needs or problems. Also thinking before speaking is a necessary character which presents professionalism of customer service staff.

## **SERVQUAL**

This research seeks to investigate customer service staff performance dimensions that affect customer satisfaction in the serviced apartment sector. According to Buttle (1995, p.9) as cited from Parasuraman et al defined that the SERVQUAL is conceptualized as the gap between customer anticipates SQ from service providers, and evaluate service staff performance. SQ is identified in to ten dimensions namely Reliability, Responsiveness, Competence, Access, Courtesy, Communication, Credibility, Security, Understanding/ Knowing the customer and Tangible. These ten SQ dimensions were collapsed into five components as the detail below;

“Reliability:	the ability to perform the promised dependably and accurately.
Assurance:	the knowledge and courtesy of employees and their ability to convey trust and confidence.
Tangibles:	the appearance of physical facilities, equipment, personnel, and communication material.
Empathy:	the provision of caring, individualized attention to customers.
Responsiveness:	the willingness to help customers and to provide prompt service.”

### **Model of Service Quality Gaps**

According to Shahin (2012) cited Brown and Bond (1995) presented that “the gaps model is one of the best received and most heuristically valuable contributions to the service literature.” The model is identified into 7 discrepancy gaps which relating perceptions of service quality management and tasks associated with service delivery to customers. The first six gaps (Gap 1, Gap 2, Gap 3, Gap 4, Gap 6 and Gap 7) are identified as functions of the way in which service is delivered, whereas Gap 5 relate to the customer and as such is considered to be the true measure of service quality. All 7 gaps are described as following;

**Gap1:** The difference between management perceptions of what customers expect and what customers really do expect.

**Gap2:** The difference between management perceptions and service quality specifications the standard gap.

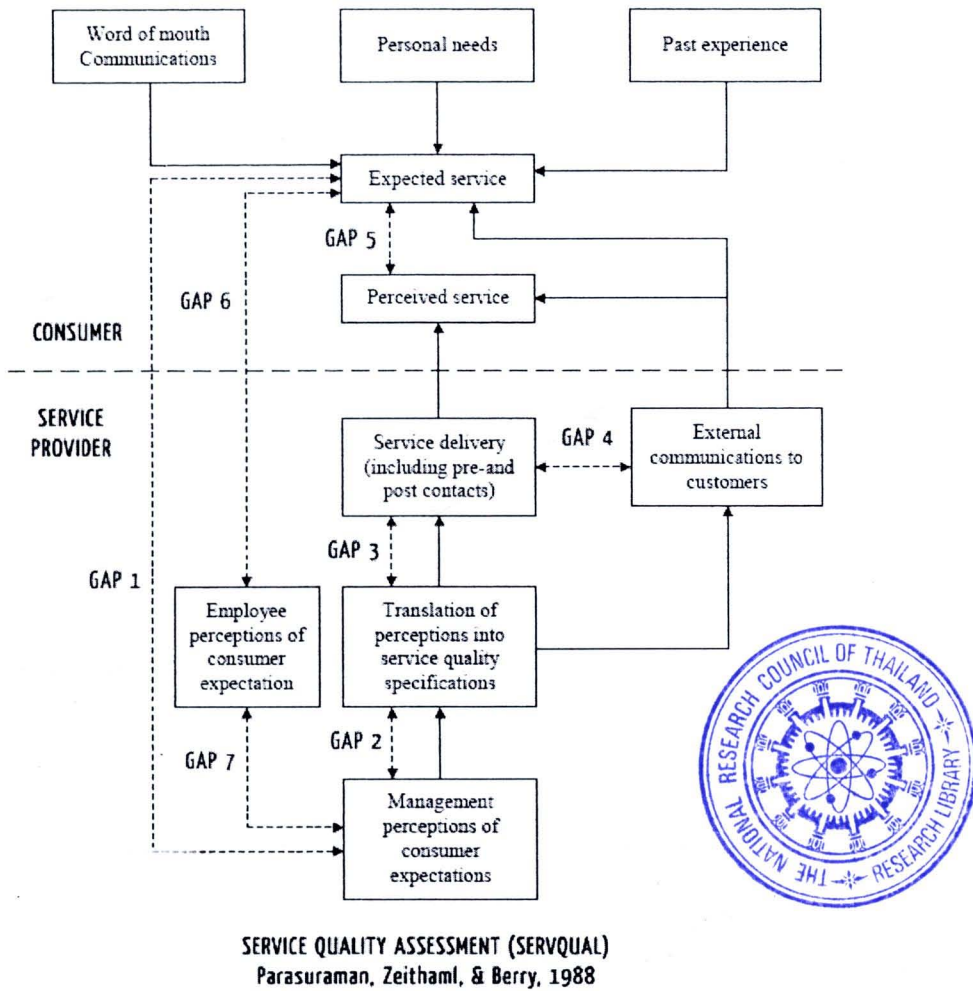
**Gap3:** The difference between service quality specifications and actual service delivery are standards consistently met?

**Gap4:** The difference between service delivery and what is communicated externally are promises made consistently fulfilled?

**Gap5:** The difference between what customers expect of service and what they actually receive.

**Gap6:** The discrepancy between customer expectations and employees' perceptions as a result of the difference in the understanding of customer expectations by front-line service providers.

**Gap7:** The discrepancy between employee's perceptions and management perceptions as a result of the differences in the understanding of customer expectations between managers and service providers.



**Figure 4 Service Quality Assessment**

**Source:** Parasuraman and Berry, 1988



## Service Definition

Lovelock, et al. (2009, p.19) noted that, “Services are economic activities offered by one party to another. Often, time based performances are used to bring about desired results in recipients themselves or in objects or other assets for which purchasers have responsibility. In exchange for their money, time, or effort, customers expect to obtain value from access to goods, labor, professional skills, facilities, networks, and systems. However, they do not normally take ownership of any physical element involved”. Another definition is;

“Service is any act, performance, or experience that one party can offer to another and that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product” (Lovelock, et al., 2007). Due to this definition could refer to the customer service performance which refer to the product as intangible product (services) touch or see only experience. Therefore the customer service performance divided the crucial factor which directly affects customer experiences.

Service product does not depend on only physical factors like advance technology or product package, but also on interaction between the product and customer. Moreover, the service providers need to always improve and develop the core product as part of maintenance of the quality of services (Lovelock, 1992). Owing to services is the product which the customer could not see or touch before purchasing, it all about the direct interaction between service providers and customers. Therefore, quality of service and service performance are very important factor for service provider because of it always impact on customer satisfaction in both positive and negative way.

In serviced apartment customer service department performs as the important function of the organization. This function has to work in correlation with another department for solving any customer problem and deal directly with customers, also create customer satisfaction during their stay. As the following is the conceptual of three rings of service model (Clammer, 1990).

The characteristics of product/service “**three rings conceptual model**” as follows:

**First ring**      basic service (core service) related to product/service value

**Second ring**    service support surrounding the core product

**Third ring**      enhanced service that is adding more personal care and warranty      product.

These service steps would generate customer satisfaction by step to customer loyalty.

Service performance is a crucial factor which extremely impacts customer perception and service experience, hence understanding in terms of service performance characteristics is important for investigating how customer service performance affects customer satisfaction. As the following topics are about the essential information that present the relationship between customer service performance and customer satisfaction.

### **Service Performance Definition**

Han, et al. (2011) applied the definition of service performance from Shostack (1985). They noted that “service encounter includes every aspect of the service firm which its consumers interact (e.g., its personal, physical attributes and other tangible/intangible elements). Due to this definition, the researcher particularly mentioned an active interaction between a customer and a provider.

Furthermore, in the accommodation business, it is noted that “service performance combines two specific kinds of performance. These are first, the core of service performance such as comfortable and clean accommodation, efficient check in/out, secondary, encounter performance such as efficient service, extra attention, and reach to the customer needs” (Han, et al., 2011).

In serviced apartment customer service considered an encounter performance which has to interact with many customers daily, in addition this function has to provide more attention and service in order to achieve customer needs and generate satisfied customers in the organization.



### **Satisfaction Definition**

Baig and Khan (2010, p.62) noted that “customer satisfaction based on the service they receive within the hospitality industry is of prime importance.” According to the statement can see that the quality of service is importance factor in organization because of it will affect customer satisfaction and profit of organization. In hospitality industry, it is crucial that the managers focus on increase the level of customer satisfaction, brand loyalty, and good reputation to the organization. Emotion satisfaction element which considered the important component that influence customer satisfaction in both positive and negative experience in hospitality environment.

The study is concerned to understand customer satisfaction in serviced apartment that could be generated from not only suitable rooms or good facilities, but also service performance. Moreover it will reflect to the length of stay of residents as well. Therefore, satisfaction of residents is too important to service providers and their income not to be taken seriously. Therefore, the service provider should pay attention to how to build satisfied customers in the organization.

Lovelock, et al. (2007) noted that “Satisfaction is consumer’s post-purchase evaluation of the overall service experience (process and outcome). It is an affective (emotion) state or feeling reaction in which the consumer’s needs, desires, and expectation during the course of the service experience have been met or exceeded.”

Besides that, “satisfaction may be transaction specific or cumulative. Transaction specific satisfaction refers to a customer’s evaluation of a particular service experience or encounter, such as restaurant or banking transaction encounter. Customers evaluate each transaction that is “Cumulative satisfaction could refer to customer’s overall satisfaction (dissatisfaction) evaluation over multiple experiences” (Lovelock, et al., 2007).

“Satisfaction is defined as a “judgment” that a product or service feature, or the product, or service itself, provides pleasurable level of consumption-related fulfillment, or as an overall evaluation of purchase” (IAPAS, et al., 2010, pp.373-387).

From the above satisfaction definition, when analysis of customer satisfaction was undertaken, it was found there were many aspects that influence customer



satisfaction such as expectation, service experiences, evaluation, and judgment. In addition the overall of satisfaction could be another factor which should be taken for more understanding about customer satisfaction, because it would show how satisfaction is existed.

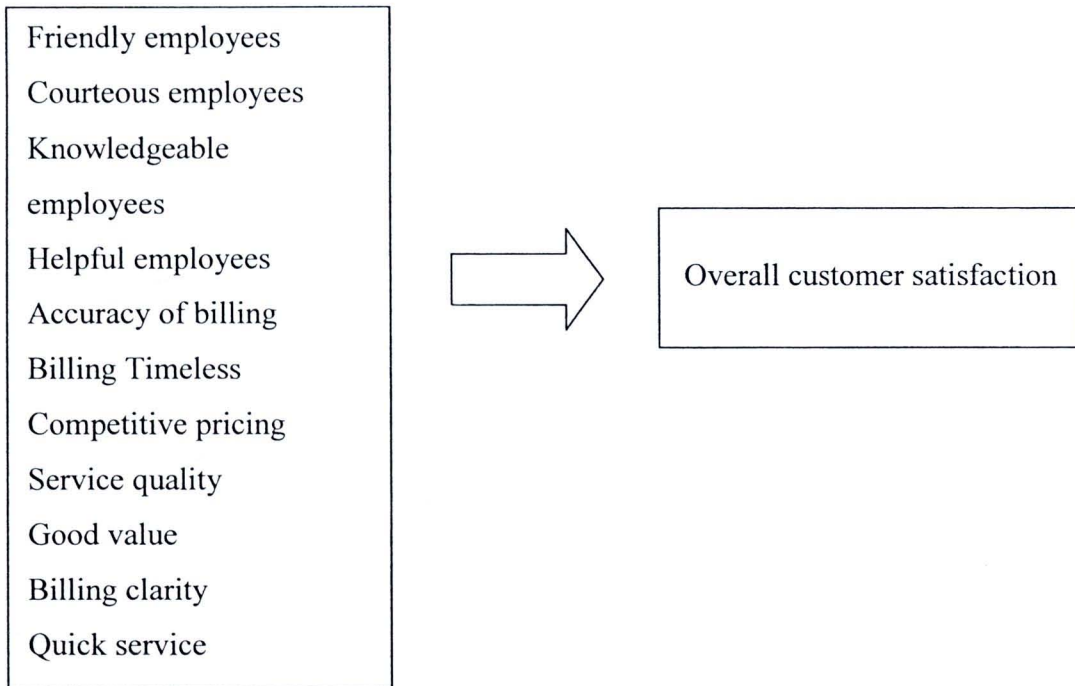
### **Customer Satisfaction**

According to Singh (2006, pp.1-2) as cited in Hansemark and Albinsson (2004), “Satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers expect and what they receive, regarding the fulfillment of some need, goal or desire”.

Singh (2006, pp.1-2) cited in Kotler noted that satisfaction “a person’s feeling of pleasure or disappointment resulting from comparing a product’s perceived performance (or outcome) in relation to his or her experiences”. And another satisfaction definition cited in Hoyer et al said that “satisfaction can be associated with feelings of acceptance, happiness, relief, excitement, and delight”.

Due to above definition, there are many influencing factors which affect customer satisfaction as Singh (2006, pp.1-2) cited in Hokanson (1995) noted these important factors in the figure below;





**Figure 5 Factors that affect customer satisfaction**

**Source:** Singh Harkiranpal, 2006

In addition, the organization must focus on the ability to satisfy the customer's needs and desires cited from La Barbera, et al. (1983) in order to achieve customer satisfaction. Singh as cited in Kotler (2000) stated that "the form taken by human needs as they are shaped by culture and individual personality"

### **Overall satisfaction**

The factors that influence customer satisfaction can be divided into 3 stages as follows:

**First:** Satisfaction may be experienced at the process level of service delivery and could refer to customers' experience of positive feelings or satisfaction from specific characteristics of service.

**Secondary:** The satisfaction may be influenced by the outcome; that means the feeling of well being which existed after customer takes the service.

**Third:** The customer may evaluate overall satisfaction by comparing between service deliver and the result with their overall experiences (Howat and Crilley, 2007, pp.168-195).

Studying these factors will show that the overall satisfaction can occur within three steps whereby each step has different factor which influence on customer satisfaction such as customer experiences, the feeling after take services and comparing between old experience and current experience. Therefore, customers' experience could affect properly to customer feeling after they take services.

### **Customer Experiences**

Since service products are different from manufacturing products, understanding customer behavior is an essential factor that the service providers need to pay attention to. Christopher Lovelock noted that the service firms should know and understand what requirement is important to create and present meaningful value and serve a quality of service, also relation between customers and service personnel, service facilities, and other physical elements of the service process (Lovelock, et al., 2007).

Serviced apartments are categorized as a service provider that offers accommodation facilities and customer service function for customers. Therefore, the company should pay attention to both elements: tangible products and intangible products in order to design and offer good quality service to the customers.

### **Understanding Customer Needs and Values**

The services company should pay attention to human needs that should be involved with the quality of products they provide. As Schneider et al noted, service complement concerns some radical human needs as follows:

“Security: the need to feel secure and unthreatened by physical, psychological, or even economic circumstances” (Lovelock, et al., 2007).

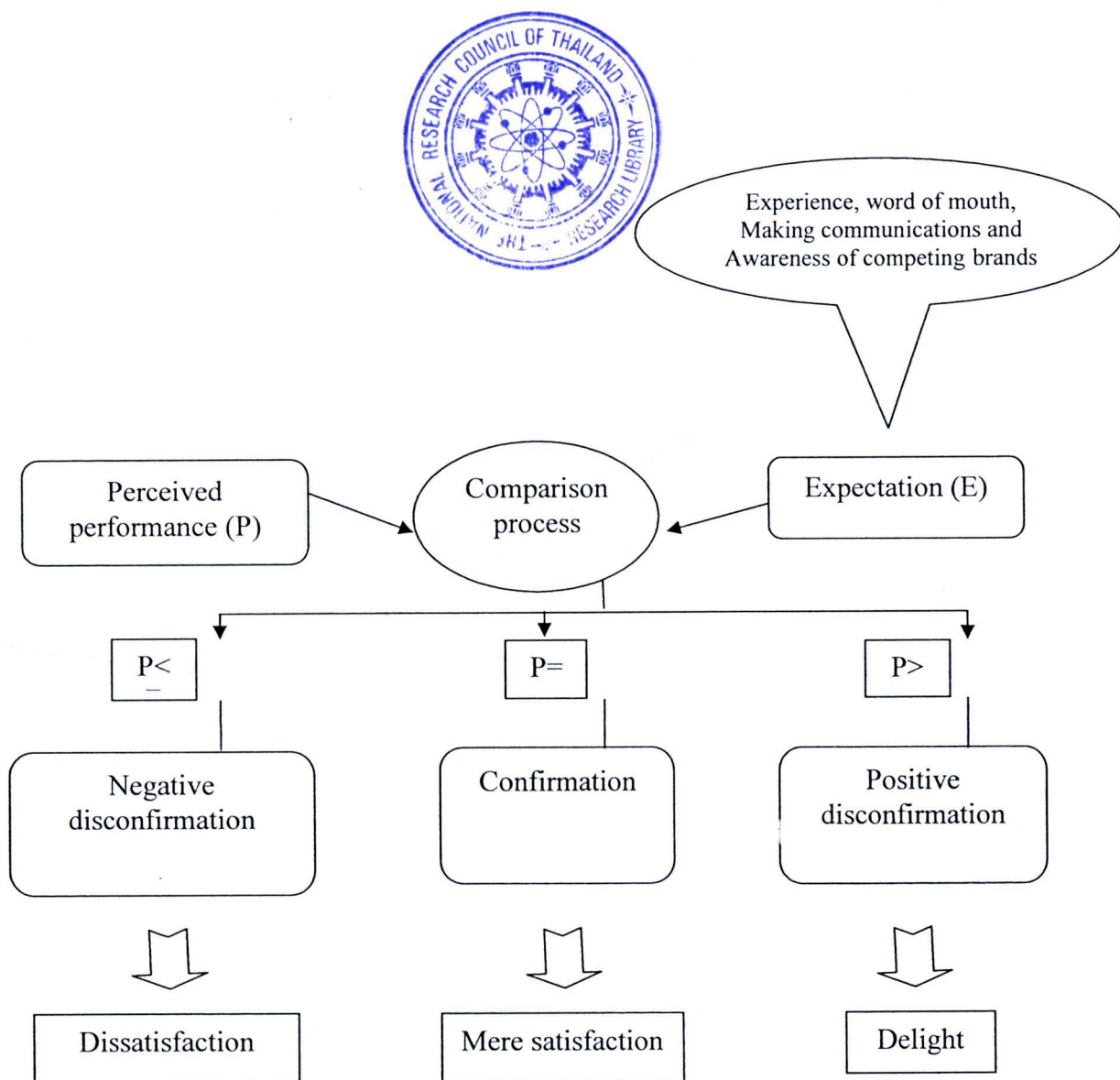


1. Respect: the need to be made to feel important and valued.
2. Esteem (or ego involvement): the need to have one's self-esteem and ego maintained or enhanced.
3. Fairness or equity: the need to be fairly and justly treated."

These fundamental needs are considered important factors of customer needs. Lovelock et al also referenced Maslow's theory about 4 human basics needs, including "safety needs" which refers to security in the residence place. In other words, residents will have a feeling of confidence with the security system and feel safe to stay there.

### **Customer Satisfaction Process**

According to Lovelock and team, the relation of variance between a customer expectation, comparison stand such as desire or wants before taking the service and perception of service performance (Lovelock, et al., 2007).



**Figure 6 The disconfirmation of expectations model**

**Source:** Lovelock, et al., 2007

The model describes the level of customer satisfaction which may depend on how service performance reaches customer's expectation. Note that expectations are generated and shaped by many factors, such as previous service experiences, word of mouth, brand image and marketing communication.

The level of customer satisfaction is classified into 3 main levels as follows:

**Delight (high satisfaction):** it will exist when service performance is much better than customer's expectation

**Mere Satisfaction:** this level will happen, when customer's service experience is much as expected

**Dissatisfaction:** if service performance does not reach customer's needs or expectation

Therefore, the customer expectation could be a crucial factor which particularly influences customer feelings in terms of satisfaction judgments. However, there is a notice that the customer might be satisfied with the service experience, although the service performance is poor- if expectations are relatively low.

When examining the satisfaction process, two main factors were found to directly affect customer satisfaction. These are expectation and perceived performance. It was found that customer satisfaction is achieved, depending on these factors as well. However, this model is quite complex. This research expects to create a simpler, clearer model for use by serviced apartment providers in Bangkok.

### **The Host-Guest Relationship**

The host-guest relationship bases on the difference between "home" and "away". In generally, when people will feel safety when they stay at home and people is more able to satisfy his needs because of social network of friends and local-knowledge to provide help. In the other hand, when people away from home, he may feel less secure and lacks of local-knowledge and social network to support. Therefore, service providers have to pay attention to these factors in order to provide and support the customers' needs and desires (Hobbs, 2011, p.2)

Trucker (2004, pp. 11-32) identifies the range of types of host personality and the implication of interaction type for guests as the table below;



Table 1 The range of host personality for accommodation

Host Personality Type	Description	Implication for Host-Guest Relationship
People	Genuine interest meeting and talking with new people. Wants to help with whatever the guests might be interested in, whether that be driving guests to the beginning point of good walking track, or making them feel welcome to stay.	Guests feel that they are receiving personal, friendly and “real” hospitality. They enjoy the chance they have to spend time chatting with their hosts and “exchanging” friendship, knowledge and culture.
Relaxed	Not overbearing or “fussy” Doesn’t panic if things aren’t 100% ready when guests arrive.	Allows guests to relax. As long as basis level of cleanliness is maintained, most guests do not worry if everything is not ‘just so.’
Perfect Host	Wants to put on the right image to guests, so ensures everything is ready and absolutely perfect from the beginning to end of the quests’ stay.	The stay is rather formal experience, from the perfection of the room and en suite, through the welcome drink in the lounge with hosts and other guests.
House proud	Makes clear the rules and regulations of the household, letting the guests know that the home, its content and organization are precious and not to be tampered with.	Guests may be unable to relax, feeling nervous in case they step out of line, or spill or break something. In extreme cases, they may feel completely unwelcome in the house, feeling as though they are intruding.

Source: Tucker, H. and Lynch, P. 2004

Serviced apartment providers can consider those kinds of host-guest relationships to be crucial factors for developing customer service staff performance in order to add more value to their product and it will bring good reputation to the organization as well.

This study will explore how customer service staff performance affects customer satisfaction in serviced apartments. The customer service standard performance approach will be used as the measurement customer satisfaction. Then create a good practice model for customer service function base on all of these previous studies and researches as well.