

MEETING THE CUSTOMER'S EXPECTATIONS.

**Quality considerations for the service components
of outbound inclusive tour operating.**

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Abstract

The packaged travel industry in the UK has existed for 150 years in 1998. The industry has evolved to a point where it is maturing and there is a consolidation of the players in the market. The competition in the market is primarily focused on price and it is unclear if service quality is an important consideration for the passenger. This dissertation looks at service quality for a niche tour operator in the long haul market where price may not be the passenger's overriding concern.

A review of the literature and a discussion on services marketing and quality is provided. This includes a review of travel research although there is little that pertains directly to tour operators. The Parasuraman, Zeithaml, and Berry Conceptual Model of Service Quality (Gaps model) is discussed together with the use of SERVQUAL as a method for quality measurement. It is recognised that there are some academic concerns over the use of the instrument but it remains a sound basis for an initial evaluation. This review concludes that the package tour is at the 'intangible dominant' end of Shostack's continuum although there are still tangible elements that need to be considered and highlights the importance of the role of employees in a service environment. It also indicates that there is a question over whether quality is considered as an important element of a holiday by the customer.

The SERVQUAL instrument is used to measure service quality as the main part of a survey of passengers that have already taken a holiday with the tour operator. The results of the survey are presented and show that quality is indeed important to the customer; it also highlights the problem that the niche tour operator may find because they do not have direct control over all the elements that constitute a package holiday. Some of the academic criticisms of SERVQUAL seem to be supported by the research results although they are broadly in line with the results from the second part of the survey. The implications of the research for the company are discussed in respect of employees and customer retention. The Gaps model is used to indicate why the company may not be attaining the desired service levels indicated by the survey.

The three main conclusions drawn from the dissertation are, firstly, that service quality is important to the customer at the high price end of the market; secondly, although SERVQUAL is a useful instrument to provide a summarised view of the overall service quality level, a more detailed instrument is required to allow a niche tour operator to differentiate performance of direct employees from those of service providers; and finally, that the Gaps model and an exploration of the zone of tolerance provides tools that can be of use to the tour operator as a basis for improving service quality.

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1. Introduction

The package vacation travel market in the United Kingdom has existed for many years and has grown from a conducted tour operated by a Baptist lay preacher, Thomas Cook, for a temperance outing in 1841. This first successful outing led to the opening of a travel business in 1845 and, to today, one of the UK's major travel agency chains still bears his name and is also an internationally recognised brand.

The market has three main components:

- the travel agent - where the customer books their holiday
- the package tour operator - who constructs a package of components
- the supplier - who provides the constituent parts of the holiday

This market structure has survived for many years because it provides mutual advantages, as shown in Section 3, to the people and organisations involved in a package holiday. However, it is starting to change with the introduction of new technologies, such as the internet, that has the potential to allow the customer to interact directly with the suppliers of holiday components. The volume of holidays sold through these new technologies is still relatively small and therefore the current situation still accounts for the vast majority of holiday bookings and will probably remain as the market structure in the short term.

After 150 years the tour operator market appears to have reached the maturity stage in its life cycle. During 1998 the relative positions of players in the market has started to change rapidly through consolidation. The large vertically integrated operators are buying out most of the small and medium size operators and so, at the start of the next millennium, the market will consist of a handful of 'mega-operators' and many small, highly specialised, niche operators. This trend can also be seen in other elements of the travel industry: in the code-sharing alliances for airlines, and the growth of the large hotel chains. For the customer price has become the most important holiday consideration forcing the tour operators to review costs more closely.

The players within the market can be categorised as:

- Very large vertically integrated travel businesses that have a high degree of contact with the customer throughout their holiday. These companies will own some, or all, of the suppliers of components of the holiday package i.e. other business units of the organisation become the tour operator's suppliers. This situation affords the company a high degree of control over service quality.
- The medium size operator that has control over certain elements of the holiday
- Smaller, niche operators where the degree of contact is small. In these cases the customer may not ever have any direct contact with the tour operator other than:
 - ◆ documentation such as airline tickets and itinerary statements
 - ◆ some form of holiday questionnaire to allow the tour operator to judge the customer's perception of their holiday

The only direct service interaction for the niche operator may come if the customer is not satisfied with some element of their holiday and complains.

The overall travel and tourism industry, that includes the package tour market, can be segmented into three main markets:

- Domestic market - tourist trips and day visits of UK residents within the UK.
- Outbound market - tourist trips and day visits of UK residents abroad.

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- Inbound market - tourist trips and day visits of overseas residents to the UK.

This dissertation is limited to reviewing the quality aspects for the Outbound Market for tour operators that provide tourist trips of between three days and a month. This time frame covers most annual holidays but excludes long-term stays e.g. where passengers are visiting friends and relatives (VFR). (Stays abroad of over a month, tend to be taken by people wanting to escape the UK winter weather.) Most of the considerations that apply to tourist traffic will also apply to long stays; however for long stays, there tend to be other overriding considerations that may not apply to the majority of holidaymakers.

The outbound tour operating market can be further segmented in many ways but the main distinctions accepted within the industry are the short haul summer mass-market 'beach' holidays to Europe, long haul summer market to 'exotic' destinations, and the winter ski market. The long haul summer market can be itself further segmented into relatively low cost 'beach / theme park', and more expensive 'luxury' holidays.

This dissertation looks specifically at Travel Ltd, a niche UK tour operator, operating primarily in the USA and South African markets, and therefore at the 'luxury' end of the long haul market. The basic cost per person for these holidays ranges from about £ 1,000 to £ 3,500. The discussion in Section 5 considers the service quality issues, identified in the literature and through the primary research, for Travel Ltd and comments on how these may apply in other market segments. Travel Ltd, at the time of the primary research, was a UK subsidiary of the USA based The Dial Corp., but had experienced several owners in its twenty-five year history. The parent company had other travel related interests in the UK market but, following a review of their future strategy, the market was not considered as a core area of interest. Consequently Travel Ltd was sold to a management lead consortium in 1997 that was itself purchased by Thomson Holidays, the market leader, at the end of 1998 as the market consolidated.

It is generally accepted that the tour operator is perceived by the customer to be the provider of the holiday and is therefore responsible for its success or failure. This perception is now backed in law by such instruments as Council Directives from the Commission of the European Union. The problem facing many small tour operators, such as Travel Ltd, is how to meet their legal obligations and manage the service quality of their suppliers when they can not be represented at every point of service. This lack of contact impacts not only the rights of the customer, but also the ability of the tour operator to retain its customers, and its ability to gain competitive advantage.

The primary aims of this dissertation are to determine, in relation to the rapid changes within the market, the extent to which service quality is a consideration for the holidaymaker, to identify a quantitative method for measuring service quality, and to recognise how Travel Ltd, as a niche tour operator, can meet the quality imperatives of the customer. Section 2, therefore, considers the literature that is applicable to the marketing of services, and service quality within the travel industry. Section 3 outlines the primary issues raised by the literature and discusses, in more detail, the aims and objectives of the research, while Section 4 discusses the results of an investigation into service quality for Travel Ltd. Section 5 considers the options open to tour operators, as indicated by the literature and the research results and, finally, Section 6 highlights the conclusions that can be drawn from all the available information together with suggested areas for further study.

2. Review of Service and Quality Literature

This literature search considers areas that are pertinent to the travel industry and is divided into three parts. The first part considers what is meant by a service and why services need to be marketed in a different manner than products. An exploration of the concept of relationship marketing and a review of some of the areas of research concerning customer satisfaction follows. The next part is a review of some of the research themes that have been examined within the travel industry, and finally some of the models used for measuring service quality and their criticisms are considered.

One result of the search of the extant literature was to highlight that, although a great deal has been written on quality in general, there is little that addresses the specific issues facing a Tour Operator in respect of service quality. However, there is a small, significant, body of literature that consider the individual elements e.g. hotels and airlines, that form the constituent parts of a holiday.

2.1. The Nature of Service

This section looks at the definitions of service and services marketing and considers their relevance to the tour operator.

2.1.1. What is a service?

There are many definitions in the literature to define service; Gronroos (1990) synthesised these to arrive at:

'A service is an activity or series of activities of more or less intangible nature that normally, but not necessarily, take place in interactions between the customer and the service employee and / or physical resources or goods and / or systems of the service provider, which are provided as solutions to customers problems.'

Even with Gronroos' definition, the distinction between products and services is still subject to debate. The three characteristics of service that are often quoted in the literature are those of intangibility, heterogeneity, and inseparability.

- Intangibility
Shostack (1977) suggests that there is no such thing as a pure product or service, and that there is a continuum between tangible dominant goods to intangible dominant services. She describes a market entity that is particularly relevant to the travel industry, highlighting the relationship between the tangible and intangible elements of airline travel, that she labels as 'intangible dominant' as it does not yield physical ownership of the goods. Although Shostack was using this particular entity model to demonstrate a means of describing the tangible / intangible elements of airlines, her example also encapsulated two of the main drivers of the UK Travel Industry, Distribution and Price. An adaptation of the entity to show the intangible dominance of a coach tour based holiday package is shown in Figure 1. She also concludes that that service knowledge and product knowledge have to be gained in different ways. Product knowledge can be gained through physical evidence but service knowledge can only be gauged experientially e.g. it is not possible to know what service airline travel provides to the purchaser - what percent is comfort and what percent adventure.

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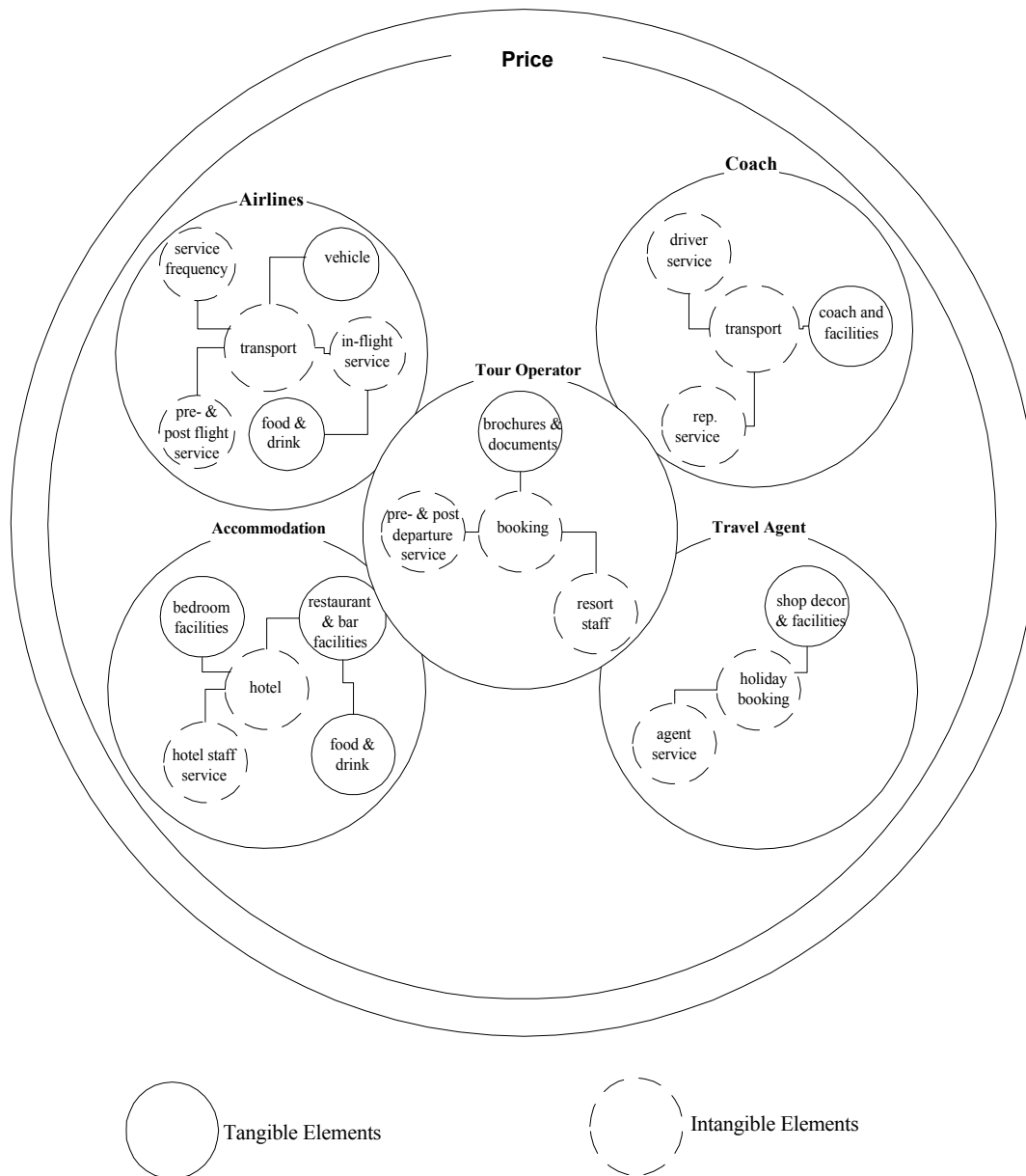


Figure 1: Coach Holiday Market Entity
adapted from Shostack (1977)

Parasuraman, Zeithaml and Berry (1985) also comment that this intangibility means that 'Most services cannot be counted, measured, inventoried, tested and verified in advance of sale to ensure quality.'

- **Heterogeneity**
The range of service industries means that the service performed will differ in each service encounter e.g. there is different service provided in the travel industry than in a library. This is especially true for those with a high labour content where employee behaviour may not be consistent from day to day.
- **Inseparability**
Production and consumption of the service take place together, and the interaction of the provider and receiver of the service can in itself affect quality.

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2.1.2. Classification of Services

C.H. Lovelock (1983) suggests that, to classify a service and so provide a strategic insight as to how service can be marketed, five questions need to be considered:

- What is the nature of the service act?
- What type of relationship does the service organisation have with its customers?
- How much room is there for customisation and judgement on the part of the service provider?
- What is the nature of demand and supply for the service?
- How is the service delivered?

There can not be a standard answer to Lovelock classification for the travel industry as a whole, nor can it be generally applied to tour operators. The service performed by a tour operator will differ according to the operator type and size, and its position within the market. The mass-market vertically integrated tour operator can own the travel agent, the airline, and the hotel that make up the service elements of the package. The niche operator may never have any direct contact with the customer. The additional degree of customer contact enjoyed by vertically integrated travel companies can be seen in Figure 2.

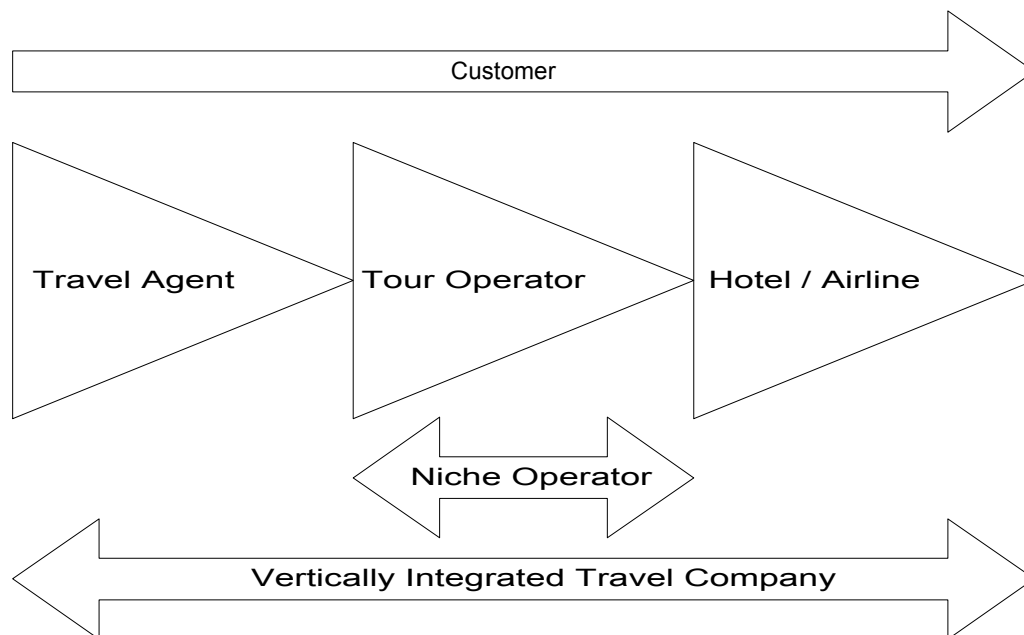


Figure 2: Niche / vertically integrated tour operations

The various segments in the industry will therefore have their own specific answers to the classification questions.

2.1.3. Marketing of services

Berry (1980) suggests that although the marketing concepts and tools are applicable to services and products, the nature of services marketing have some strategic differences:

- **Internal Marketing**
The nature of services where there is large interaction between customer and employee means that more emphasis needs to be placed on this interaction. There is a need to ensure that service personnel are viewed as internal customers i.e. viewing their jobs as

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internal products. The objective is to satisfy the needs of internal employees so that the organisation is capable of satisfying the needs of external customers.

- **Customising Service**
This item concerns one of Lovelock's classification question on the degree to which customising is possible. The inseparability of the production and consumption of a service allows this customisation especially as both the provider and the consumer can affect the quality outcome of the encounter. There is an opportunity to tailor the service provided the employee has a good understanding of the needs of the customer.
- **Managing Evidence**
Tangible goods are easier to evaluate than services because they can be seen and touched. This allows standards to be set against which the item can be measured. Although the quality of the intangible portion of the service act can be subjective there are still some element of tangible items that can be affected such as the physical service environment, the appearance of the service provider and the pricing of the service. Berry suggests that it is desirable to try to make service elements more tangible.

2.1.4. Relationship Marketing

Relationship marketing recognises the value of a customer to the business and consists of many elements that must work together. These include product benefits, customer service, commitment to the customer, and a concern for quality that crosses departmental boundaries; quality becomes the responsibility of everyone in the organisation. Increased competition in the market place today arises because of the decrease in population growth chasing more capacity, and also more informed customers. This increase in competition, and the rising cost of marketing, makes customer retention more important. The importance of price to the consumer in the travel industry means that costs have to be minimised and so marketing spend need not be applied to existing customers, although there are still other costs incurred to retain customers. Existing customers also 'know the ropes' so costs do not have to be expended to explain unfamiliar items. This retention is particularly difficult in the travel industry where there is not a history of customer loyalty.

2.2. Travel Research

The literature on service quality in travel concentrates on the interaction of employees and the customer. Canziani (1996) suggests that the main elements to achieve a quality service, including the customer / employee interaction, are:

- collection and measurement of customer data
- benchmarked standards for work processes and outputs
- goals and action plans specifying quality outputs
- personnel trained in the use of tools and teams
- a culture that empowers and rewards service employees

However, before these can be examined it is important to understand what factors the customer considers, when selecting a holiday, before it is possible to set standards for customer facing employees. The practical impact of the literature, together with the results from the survey, are discussed in Section 5.

2.2.1. Customer Expectations

Parasuraman et al. (1988) define expectations in the service quality literature as

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'...desires or wants of consumers, i.e. what they feel a service provider should offer rather than would offer'

It is important to understand what the customer wants from a holiday to understand what the service provider should offer. The reason why people go on holidays was investigated by Hoseasons, Britain's largest self-catering holiday, in a survey of 1000 families that was released in January, 1993. The key conclusions quoted by Anderton in the book "Looking at Tourism", (1995) were:

- almost all the families believed that a change of scenery was as important as sunshine and luxury
- more than half said that the promise of a holiday would make it easier to cope with the pressures of employment, and 76 per cent said they would return refreshed and able to work better
- 71 per cent said the holidays they took in 1992-93 helped them to forget about money and work worries
- 95 per cent said they felt much happier after their holiday
- when asked what they would do on holiday 96 per cent said 'relax', 64 per cent said 'would not talk about work', 58 per cent said 'stay up later', and 48 per cent said 'be more romantic' "

These findings are consistent with Gyimothy (1998) who was investigating people who were visiting Norfolk, England, and concluded that:

'Visitors have hedonic recreation needs (relaxation, enjoyment, socialising, etc.) as well as utilitarian needs (rest, sleep, eating, comfort and safety) during their journey (cf. Maslow's need hierarchy pyramid). A holiday consists of multiple experiences of various affective contents cumulated during an extended temporal frame.'

As explained above, the motivation for people going on holiday seem to be about a change of scenery and escaping from the pressure of everyday life and that the tangible 'luxury' items are not important considerations. The survey results from the primary research indicate that despite these motives there is a basic standard of service that is required; and that this expected level of service is quite high. This could be anticipated considering that a holiday is one of the largest purchases made by families on a regular basis, so even 'cheap' £199 holidays when multiplied up for a family of four together with spending money, is a large part of the average family's disposable income. A lot of 'luxuries' have to be foregone, opportunity cost in economics term, to afford a holiday and this needs to be 'repaid'.

The quality issues surrounding tangible areas can be explained by considering Herzberg's 'motivating' and 'hygiene' factors. Holiday tangibles are probably closer to 'hygiene' factors that could reduce satisfaction if they were not acceptable rather than increase satisfaction as a 'motivating' factor. Even an improved level of service, when it becomes the norm, can act as a 'hygiene' factor. Service providers therefore need to have employ continuous quality improvement as advocated by the proponents of Total Quality Management (TQM). The age group of the customer may affect the desired service levels and 'hygiene' factors can be a less serious issue for the youth market where tangibles can become less important. The 18-30 age group in the mass market do not appear to be too concerned with the luxury of the accommodation. Travel Ltd's product is targeted at the 50+ age group where tangibles become more important.

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The conclusions that can be drawn are that people are seeking a break from their normal lives and 'escape' from employment or financial concerns. It therefore follows that the tour operator should offer an atmosphere that permits this 'escape'.

One other area that needs to be explored is the events that affect the customer's expectation. The obvious primary event will be experience from previous holidays and word of mouth 'experience' from friends and relatives. The impact of the travel agent in setting customer expectations can also be important. Parkinson (1996) quotes from an investigation by Tanner (1996) concerning the way that services are sold:

"The conclusion is that the quality of the process by which someone is sold something is as important as the ultimate quality of the product. Irrespective of the quality of the product, if the buyer does not experience satisfactory treatment throughout the sales cycle, then he or she may not be favourably disposed to repurchase"

If the travel agent talks up the product to achieve a sale then the tour operator may lose customer retention if the holiday does not meet the expectation created for the customer. In this respect the travel agent needs to be treated in a similar manner as the service providers for the remainder of the holiday. This suggests that creating a value chain for each of the main service providers in a holiday as a means of setting a standard level of quality would be beneficial. These issues are discussed further in Section 3.

2.2.2. Customer Considerations

The results shown in Table 1 clearly indicate that price and choice of resort are the primary considerations for the customer when considering the purchase of a holiday. The relatively low position of tour operators and travel agents indicates that there will little customer loyalty and so there may be difficulties in adopting a relationship marketing approach. Further research is required to investigate whether these considerations hold true for all market segments; is price still the primary consideration at the 'luxury' end of the market?

Table 1: Factors Affecting Choice of Holiday by British Residents
(%), June 1997

Price	90
Type of accommodation	89
Resort	84
Weather / climate	82
Method of travel	77
Risk of illness / injury	76
Airport of outbound travel	66
Tour operator	58
Departure times	57
Travel agent	52
Facilities for children	50
Facilities for the disabled	50
Nightlife	37

Source: The Gallup Organisation / Key Note Ltd.

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2.2.3. Employees

Much has been written on how employees play a critical role in service quality. This is of particular importance in an industry, such as travel, that is 'intangible dominant'. Randall and Senior (1996) summarised the situation for a hotel in the equation:

Guest experience = physical specifications + service delivery.

They conclude that the tangible (physical specifications), that was discussed earlier in this section, is important but it is the service delivery that transforms the tangibles into an experience.

Bitner, Booms, and Mohr (1994) concluded from their investigations that:

- many frontline employees do have a true customer orientation
- the inability to understand customer needs are caused by inadequate systems, non-existent recovery strategies, or lack of knowledge
- where employees have the skills and tools they are proud of their ability to deliver high quality service

The issue facing the niche tour operator is that they may not directly control the employees of the service provider. Some measures that can be used to overcome this hurdle are given in Section 5.

2.3. Quality and behavioural intentions

One point that needs to be considered is that: no matter what level of service quality is offered, does it affect customer's intentions to buy the holiday?

It is interesting that service quality was not mentioned in the Gallop survey results shown in Table 1. However, it is unclear if service quality was actually tested. In the pilot study undertaken by Gyimothy (1998) the conclusion was that there was no evidence that:

'visitors have an explicit service concept.'

and

'They associated services with people or with tangible facilities of providers, which they could easily access, but did not seem to acknowledge the difference between them'

This issue was also raised Boulding, Kalra, Staelin, and Zeithaml (1993) who stated:

'Delivery of high service quality is presumed to relate positively to the success of the firm. Interestingly, no empirical research outside a laboratory setting has been reported that supports this relationship between service quality perceptions and behavioural outcomes of importance to the firm'

However the results of their investigation suggested that there was a positive correlation between service quality and the outcomes to the firm. Xerox considered the issue of customer satisfaction and loyalty and found that a 'totally satisfied' customer was six times more likely than a merely 'satisfied' customer to repurchase a Xerox product. If the Xerox experience holds true for the travel industry then it shows that the tour operator must 'delight'

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the customer to be likely to retain their custom. Another concern that is raised by Gronroos (1994) concerns the whole issue of customer satisfaction and quality:

'Voices have been raised that service management overemphasises the importance of customer satisfaction and efforts to improve customer perceived quality.'

2.4. Travel Case Studies

There are no practical studies within the literature that are specific to niche tour operators but there are a few that relate to the component parts of a holiday. One of the most commonly mentioned examples is that of the Ritz-Carlton Hotel, winners of the American Malcolm Baldrige National Quality Award. The relevance of this study is discussed in Section 5.

2.5. The SERVQUAL Instrument

Prior to the inception of the SERVQUAL instrument, Parasuraman, Zeithaml, and Berry (1985) presented their Gaps model in an article printed in the Journal of Marketing, to stimulate research into service quality. This model suggested five gaps that can be used to examine the difference between the service expected by the customer and Management's perception of Customer Expectation.

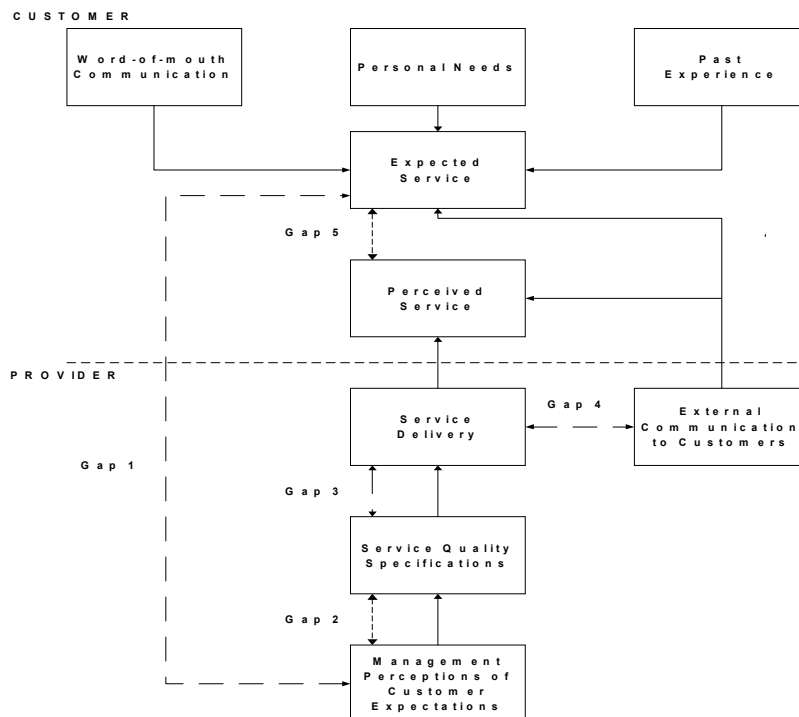


Figure 3 Conceptual Model of Service Quality (Parasuraman et al. 1985)

These gaps, as shown in Figure 3, are identified as:

- Gap 1: Not Knowing What the Customers Expect
- Gap 2: The Wrong Service-Quality Standards
- Gap 3: The Service Performance Gap
- Gap 4: When Promises do not Match Delivery
- Gap 5: The overall gap created by the above gaps.

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The Gaps model compares favourably with other models of service quality proposed by other writers. These include Horovitz and Cudennec-Poon (1990), Sharp (1990), and Brown (1990) who were summarised by Johns (1996) as shown in table 2.

Table 2: Service Quality Models

Horovitz and Cudennec-Poon (1990)	Sharp (1990)	Brown (1990)
<ul style="list-style-type: none"> • Quality care • Customer care • 'FLIP' care (front-line people care) • Communication care • Lead Care 	<ul style="list-style-type: none"> • Comprehension • Corporate culture • No compromise • Management credibility • Control of standards • Creativity • Continuity 	<ul style="list-style-type: none"> • Research • Empower • Acknowledge • Communicate • Help

'The developing role of quality in the hospitality industry', Johns (1996)

The relevance, and implications, of the Gaps model, in practice, to Travel Ltd is examined in Section 5 in the discussion on the findings from the primary research. Parasuraman, Zeithaml, and Berry continued their pioneering work in service quality through the introduction of the SERVQUAL instrument in 1988 as a questionnaire to measure consumer perception of service quality. This instrument, and the gaps model, were combined and further explained in their book *Delivering Service Quality* published in 1990. The authors originally identified ten dimension of service quality:

- | | |
|--|--|
| <ul style="list-style-type: none"> • Tangibles • Responsiveness • Courtesy • Security • Communication | <ul style="list-style-type: none"> • Reliability • Competence • Credibility • Access • Understanding the Customer |
|--|--|

From the quantitative research phase in the development of SERVQUAL they finally arrived at five distinct attributes of quality service - reliability, empathy, responsiveness, assurance and tangibles. These dimensions are explained as:

- | | |
|----------------|--|
| Tangibles | - Appearance of physical facilities, equipment, personnel, and communication materials |
| Reliability | - Ability to perform the promised service dependably and accurately |
| Responsiveness | - Willingness to help customers and provide prompt service |
| Assurance | - Knowledge and courtesy of employees and their ability to convey trust and confidence |
| Empathy | - Caring, individualised attention the firm provides its customers |

The model provides a measure of the gap between customers expected quality and perceived service using a 22-item questionnaire split between each of the five dimensions. The measures were recorded on a seven-point Likert scale between 'Strongly Disagree' and 'Strongly Agree' with the questionnaire being used twice one to measure expected quality

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and the second to measured perceived service. The unweighted SERVQUAL score being calculated as 1/22 of the sum of the individual gaps; the weighted score involved assessing the relative importance to the customer of the five dimensions.

The problem facing a service provider that does not deliver the service directly to the client is how to analyse these gaps. One possibility, for companies in this position, is to use the SERVQUAL model to identify the main areas where the customer's expected service level are not achieved within each of the five dimensions as a basis for quality discussions with the service provider. The results of the SERVQUAL study would indicate where a gap analysis, as suggested by Parasuraman, Zeithaml, and Berry, may be required.

The advantage of the SERVQUAL model is that it was easy to use by managers in service companies and was the first qualitative method of measuring service quality. However, the model has come under criticism from several areas.

Llosa, Chandon, and Orsingher (1998) summarise the criticisms relating to the measure of the Performance - Expectation gap into:

i) Measure of the Concept of Perceived Quality

They identify that the construct of perceived quality has been agreed, even by those authors criticising SERVQUAL, as the difference between perceptions and expectation. The problem is how this construct is used in practice.

- *Perceptions*. These are the customer's judgements as to the quality of service received from the organisation. Llosa, Chandon, and Orsingher quote the 1991 article by Parasuraman *et al.*, that

'perception alone can be an evaluation of the global quality judgement itself'

i.e. the perception might make the customer compare perception and expectation, and already reduce the perception score because of this judgement. In support of this intuition they refer to the SERVPERF equation of Cronin and Taylor (1992). This is one of four questions investigated on research models and propositions that appear as equations 4 to 7:

$$\text{Service Quality} = (\text{Performance} - \text{Expectation}) \quad (4)$$

SERVQUAL

$$\text{Service Quality} = \text{Importance} * (\text{Performance} - \text{Expectation}) \quad (5)$$

Weighted SERVQUAL

$$\text{Service Quality} = (\text{Performance}) \quad (6)$$

SERVPERF

$$\text{Service Quality} = \text{Importance} * (\text{Performance}) \quad (7)$$

Weighted SERVPERF

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Cronin and Taylor's conclusion was that the SERVPERF scale was theoretically superior to the SERVQUAL scale. This would support the idea that the Perceptions - Expectation gap being measured by SERVQUAL would, in absolute terms, would be less than could be expected. Parasuraman et al., (1993) argued that any lessening of the gap does not make up for the loss of information that a difference score would supply.

- *Expectations.* The measurement of expectations also has problems. Swan and Trawick (1979) divide expectation into two types - desired and foretold; they conclude that-
 - 'desired' expectations can overvalue the expectation so that on a seven-point Likert scale the scores were always above 5. This result was also found in the primary research where a nine-point scale resulted in the mean score in all SERVQUAL dimensions of between 8 and 9; indeed many respondents answered every question with a desired service level of 9.
 - 'foretold' expectation where frequent users of a service may measure their expectation on past performance and therefore have a lower expectation than that at which they would be satisfied.

ii) The Role of Importance

Carman (1990) suggested that information on importance should be integrated into the calculation of quality scores. However, Cronin and Taylor (1992) obtained better results with 'plain' SERVQUAL and SERVPERF scales.

iii) Proposals of Different Measuring Methods

Llosa, Chandon, and Orsingher (1998) present other authors using alternative methods based on the comparison between Perceptions and Expectations. Koelemeijer (1991) devised a direct measurement of the consumer's expectation confirmation/disconfirmation using her 'Q' scale going from 'The service greatly falls short of expectation' to 'The service greatly exceeds my expectations' that could be shown to be superior to the SERVQUAL scale. Peter, Churchill and Brown (1993) recommended direct measurement of expectation because of the low reliability of difference scores when two components are correlated. The research results confirm that direct measurement might be more effective as the differences between minimum and desired service levels were small.

One of the major areas of criticism for SERVQUAL besides the problems around measuring the performance - expectation gap relates to the dimensions within the instrument.

Buttle in his 1996 article summarises the key questions critics have made about the dimensions in SERVQUAL as:

'The most serious are concerned with the number of dimensions and their stability from context to context'

He also considers other authors who have produced dimension of service quality and these are summarised in Table 3.

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Table 3: Dimensions of service

Gronroos (1984)	Lehtinen and Lehtinen (1982)	Hedvall and Paltchik (1989)	Leblanc and Nguyen (1988)
<ul style="list-style-type: none"> • technical • functional • reputational quality 	<ul style="list-style-type: none"> • interactive • physical • corporate quality 	<ul style="list-style-type: none"> • willingness and ability to serve • physical and psychological access 	<ul style="list-style-type: none"> • corporate image • internal organisation • physical support of the service producing system • staff / customer interaction • level of consumer satisfaction

'SERQUAL: Review, Critique, Research Agenda', Buttle (1996)

Parasuraman, Zeithaml, and Berry (1988) based on the results of testing SERVQUAL in four different firms, claimed that:

'The reliability and factor structures indicate that the 22-item scale and its five dimensions have sound and stable psychometric properties'

Buttle mentions Saleh and Ryan's (1992) work in the hotel industry did not support the SERVQUAL dimensions and suggested that a two-factor solution based on conviviality and tangibles would be more appropriate. This has received further support recently by Ekincl, Riley, and Fife-Schaw (1998) who also found that a two dimensional factor structure fitted well. Ekincl *et al.* had been conducting a survey of 115 British holidaymakers visiting one of two seaside Turkish resorts, during 1996, using North American service quality models but concluded that the dimensions of the Nordic School model were more appropriate. Mels, Boshoff, and Nel (1997) also found support for the 'Nordic School of Service Management' in that their work supported the two / three dimensional constructs proposed by Gronroos (1984), and Lehtinen and Lehtinen (1982).

Despite the academic criticisms, Eccles and Durand (1997) suggest that the SERVQUAL model can be used within the hotel sector especially if used in conjunction with Customer Satisfaction Questionnaires (CSQs). The hotel element is an important part of the overall holiday included by a tour operator so SERVQUAL's applicability should, given the divergent views as to its' validity, be questioned.

LeBlanc's (1992) study of service quality used variables that corresponded to the original ten dimensions, later condensed to five, described by Zeithaml, *et al.*, (1990). The results of the LeBlanc study identified nine significant areas that could be grouped into six main factors. In order of importance these were:

- | | |
|--------------------|--------------------|
| 1. Corporate Image | 2. Competitiveness |
| 3. Courtesy | 4. Responsiveness |
| 5. Accessibility | 6. Competence |

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These six factors lend some support to the dimensions suggested in the SERVQUAL model. However, the most important factor in LeBlanc's study was that of Corporate Image; LeBlanc suggests that this supports Gronroos' (1982, 1984) description of corporate image as 'an important service quality dimension'. Gronroos (1982) suggests two further components of service quality:

- Technical - the outcome of the service encounter
- Functional - the process of service delivery

Aside from the problems of the perceptions - expectations, and dimension, criticism other criticisms have been made of SERVQUAL. These include:

i) Timing

Lam and Woo (1997) investigating four industries, a bank, a restaurant, a supermarket, and a retail chain, found:

'Although items in the expectation battery of the SERVQUAL scale remain stable over time, the performance items were subject to instability even in a one week test-retest interval.'

The survey conducted in the research, undertaken for this dissertation, was taken from customers who had taken the service on one occasion in the last twelve months. This finding by Lam and Woo seems to cast doubt on the reliability of SERVQUAL when used in this manner. O'Neill, Palmer and Beggs (1998), who reported that the literature suggests perceptions of an event are distorted over time, also raise this problem of timing on customer's perceptions.

ii) Contextual Stability

Buttle (1996) quotes several pieces of research that may indicate that there may be problems with the generic SERVQUAL model:

- a) Carman (1990) - suggests, based on research into three different firms, that the original ten dimensions would be better than the five dimension model as customers are partly context specific in the dimensions they employ
- b) Ford et al. (1993) - found that there were differences across cultures when comparing the USA and New Zealand markets.

Parasuraman, Zeithaml, and Berry (1994) in a further article in the Journal of Retailing acknowledge some of the criticisms of the original SERVQUAL instrument. They described a refinement of the model to address issues raised concerning the relative merits and demerits of difference score vs. non-difference score formulations of the perception-expectation gap. This revised model describes that customer's perceptions exist at two levels:

Desired service: The level of service representing a blend of what customers believe "can be" and "should be provided.

Adequate service: The minimum level of service customers is willing to expect.

Between these two levels is the zone of tolerance where a customer would consider the service satisfactory. This zone of tolerance varies from customer to customer and between

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situations. Parasuraman *et al.* identified several items that may also affect this zone of tolerance:

- Customer experience - e.g. previous holidays / word of mouth
- Alternatives - e.g. choice of flight or hotel
- Relationships - e.g. loyalty to the tour operator

A discussion on other aspects, that may affect the zone of tolerance in a travel situation, is given in Section 5.

The result of the refinement of the instrument was the creation of a three-column model that considered customer's minimum service level, desired service level, and actual perception of performance. This method specifically indicated the position of the zone of tolerance and the perceived service level relative to the zone. The revised three-column model, including the other changes proposed by the authors, was used in this study into tour operating.

The revised SERVQUAL instrument also contained minor changes to some of the 22 items to 'eliminate redundancies and improve clarity.' A third change was to increase the 7-point scale to a 9-point scale to provide a wider choice.

Zeithaml, Parasuraman, and Berry (1994) also acknowledge the criticisms surrounding SERVQUAL's dimensionality discussed earlier:

'The overall findings reveal considerable interdimensional overlap, especially among responsiveness, assurance and empathy.'

This acceptance mirrors the findings discussed earlier that a two or three dimensional model of service quality might be more appropriate than the original five factors.

The criticisms of SERVQUAL place some doubt on the instrument's validity in some industries, however it supplies, in practical terms, an easily understood measure of estimating service quality. The revised three-column model was used in this study as it addressed some of the criticisms of the early instrument especially in relation to the performance - expectation gap. In the absence of any other model that can be applied directly to tour operating, or relevant literature that specifically finds that the model is not relevant in the industry, SERVQUAL remains a starting point for measuring service quality.

2.6. Preliminary conclusions

The nature of service marketing, as opposed to products, identified in the literature centres on the three characteristics of intangibility, heterogeneity, and inseparability. With the package tour being at the 'intangible dominant' end of Shostack's continuum these three characteristics are plainly relevant.

The literature also clearly highlights the importance of each of the customer / service employee interactions. This would indicate the need for the tour operator to ensure that internal employees, and employees of actual service providers, are well trained and understand the level of service that the tour operator expects for their customer. Ensuring that employees are well trained, and attending to the other factors that are required to provide a high level of service quality, will increase costs.

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The literature shows the importance of price and suggests that the customer is not as concerned with quality as with the ability to escape every day life. This would suggest that quality can not, and need not, be an important consideration to the tour operator.

The SERVQUAL instrument, despite academic concerns, provides a useful method for quantifying desired service levels, minimum service levels, and measuring customer perceptions of actual service. The zone of tolerance provides an insight as to the relative importance of quality for each dimension, and the Gaps model provides a means of analysing the situation so that practical steps that can be taken to improve service quality.

3. Dissertation Issue

Gabbott and Hogg (1997) comment that 'Service quality remains illusive, difficult to define and measure.' This is certainly true for tour operating where there is little research or literature. This dissertation considers what evidence exists as to whether service quality is an issue within the travel industry and if there is an opportunity for competitive advantage through differentiation on this basis. The UK travel market consists of a wide variety of holiday types and it would be unwise to generalise as to the importance of quality.

3.1. Industry Structure - Mass Market / Niche Operators

The Outbound Holiday Market can be broadly segmented into niche market products and mass-market product. As discussed in the literature review, players in the niche markets will be smaller tour operators who can bring specific skills and experience to the product and who are able to offer a 'tailor-made' solution that fits individual clients, but may have little, if any, direct contact with the customer. The mass-market operators may control some, or all, of the components of a holiday and have substantial customer contact. It is also important to recognise that a product can move from niche to mass-market, as it becomes more popular e.g. the USA Florida market that used to be serviced by niche operators primarily because of the relative cost of these holidays. The number of holidays to Florida has increased rapidly and is now a mass-market destination serviced by the major tour operators.

In the literature review, Lovelock identified several questions that need to be considered when classifying a service. One approach to answering these questions, such as the nature of the service and how the service is delivered, is to consider an example from operations management, and view the tour operator as part of a supply chain. The supply chain for tour operations is shown in Figure 4.

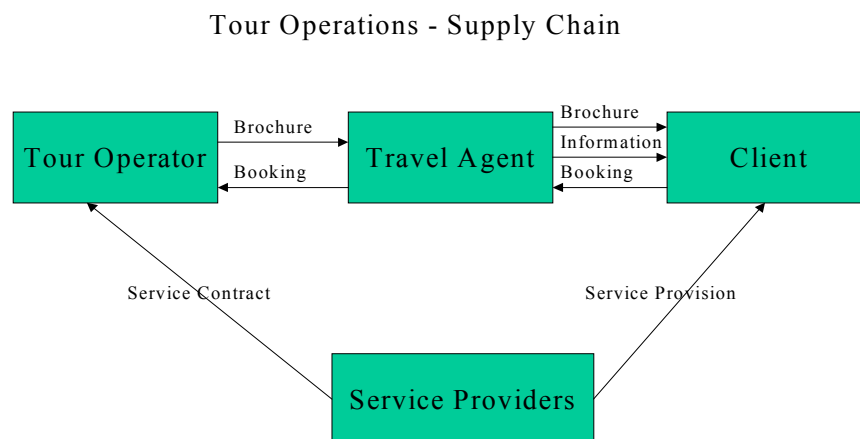


Figure 4: Supply chain for a tour operator

Figure 4 shows that the tour operator has to manage the travel agent and the service provider as they both stand between the tour operator and the client. Therefore, there are two sets of contracts to be considered: The client contracts with the tour operator for the supply of a holiday i.e. by making a booking, and the tour operator contracts with service providers for the actual provision of services that make up a holiday.

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The tour operator provide the travel agent with brochures that creates the service quality expectation but the passenger will also receive additional information supplied by the travel agent that may impact the expectation created by the brochure. It is on the basis of these expectations, together with advise from families / friends and possibly previous experience, that the customer contracts for a holiday. It is important for tour operators to understand this pre-purchase stage so that they can ensure consistency of information with the planned quality level for the actual service. This consistency of information is an important issue as indicated within the literature review by Parasuraman, Zeithaml, and Berry's gaps model.

The nature of the contracts with the service providers and actual service delivery will depend on where in the supply chain the organisation fits i.e. whether the holiday is in the niche or mass market. The niche player will be contracting with third parties; the mass-market player will be contracting with other business units within the same organisation.

The large vertically integrated travel companies such as Thomsons and Airtours (See Table 4) control the mass-market segment of the market, in the UK. These companies own the travel agent, the tour operator, the airline, and in some cases the hotels. With 95% of the holidays in this segment being sold through travel agents, controlling the distribution channel means that the large travel companies effectively control the mass market.

Table 4: Passengers authorised at June 1998

Licence Holder	Passengers
Thomson Holidays Ltd	4,228,700
Airtours Plc	3,031,908
First Choice Holidays & Flights Ltd.	2,006,111
Sunworld Ltd	1,297,346
Unijet Travel Ltd.	990,536

Source: CAA report, ATOL Business, July 1998

The level of direct selling i.e. between the tour operator and the client, bypassing the travel agent, has started to climb in recent years with the rise of new technologies. (In some instances the technology also bypasses the tour operator e.g. many airline tickets are now sold through the internet) The large vertically integrated companies also control some of the channels created by these technologies e.g. teletext holiday pages. The product has become a commodity, which accounts for the willingness of the client to purchase holidays through media such as teletext. The commodity status of a holiday makes differentiation through improved service quality a difficult proposition.

3.2. Coach Market Structure

The range of services offered by tour operators in the UK market varies according to the size and nature of the market segment. The research, in Section 4, considers the issue for the USA / Canada coach-touring segment where price is still important but is not the overriding factor. The literature indicates that price is the main criteria when people are choosing a holiday; however in this segment prices can vary between £1,000 and £3,500 per person for the basic holiday. In addition, Travel Ltd's experience is that 45% of people chose to tailor their holiday by adding additional holiday elements such as train journeys and cruises; these 'add-ons' can increase the basic package price by a further £1,000. There are only a few

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players in the long haul coach market because of its limited customer base and the limitations on the availability of holiday elements such as hotel beds in the USA / Canada National Parks. The customers for the product are in the 50 to 70 age range who are not restricted by school term time as to when they take their holidays.

3.3. Travel Ltd Coach Tour Holidays

The holidays offered by Travel Ltd are similar to the standard mass-market package tour in that they involve the travel agent, flights, and accommodation. However, the main difference is the existence of an escorted element where customers spend a proportion of their holiday moving between accommodations using a coach hired by Travel Ltd. (A proportion of the holiday immediately prior, and after, the coach portion may not be escorted.) The contact with Travel Ltd is through the tour escorts who are employed for the coach tour season and who may work for other employers outside this period. The coach-touring season starts in the early spring and can continue late into the autumn; the dates will vary according to the geographical location for the coach tour. Travel Ltd seeks to differentiate itself in the coach tour market by offering a greater degree of customisation to the passenger and through offering a high quality service. This higher quality is achieved by using quality airline, superior hotels and coaches, and well-trained tour representatives.

3.4. Dissertation Aims and Objectives

The key research questions contained in this dissertation pertain to service quality issues that face a tour operator such as Travel Ltd, especially in this high price market segment. The quality related literature has suggested that high levels of service quality are desirable and can be achieved through proper selection and training of employees. However, the industry information indicates that price is the primary consideration with quality being of little concern for the passenger. The primary research attempts to resolve these disparate views and discover if there are areas where service quality might be important.

In order to put any ideas in practice, given the problem of not being able to increase the price of the holiday significantly, it is vital that a sound measure exists so that any investment to improve quality can be fully justified. This implies the need to have an accurate way of identifying customer's requirements and measuring service improvements. The lack of research in the area of tour operating means a reliable instrument of measurement, that is proven to be valid in this industry, is not readily apparent. The SERVQUAL instrument, despite its academic shortcomings, enjoys considerable support for its underlying concepts and therefore remains a suitable starting point for an investigation into service quality within travel. The primary research is intended to provide a basis for a practical review to determine whether this particular instrument is valid and if some of the academic criticisms are actually justified in this context.

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4. Primary Research

The research is intended to assist the company in measuring the expectations - perceptions gap to determine the customer's view of the service quality offered by Travel Ltd. It tries to determine whether there is evidence that the SERVQUAL dimensions are relevant to Travel Ltd's product.

Another question that this research seeks to answer is whether Travel Ltd has succeeded in differentiating itself by offering a higher quality service. The company considers itself to be the market leader in this segment on the basis of the volume of passengers carried. The research also tries to identify those elements that the customer perceives as offering 'quality' and whether this strategy improves the opportunity to attract repeat business.

The SERVQUAL model was used to measure service quality despite the criticisms of the instrument. The research attempts to indicate if the criticisms are relevant in the tour operating market by considering the five dimensions proposed by Parasuraman, Zeithaml and Berry.

The research was conducted for a practical purpose i.e. to identify areas where quality is perceived by the customer to be an issue. To this extent the methodology, presentation, and analysis were in line with the requirements specified by Travel Ltd management.

4.1. Data Collection Method

Typically, Travel Ltd's customers have little direct contact with the company and are geographically dispersed. In order to obtain a wide enough sample, the decision was taken that the most suitable method for gathering data was a questionnaire that could be posted to the customer.

This survey was the company's first attempt at examining an issue in this way so there were no precedence for estimating the value to be gained. It was a requirement, therefore, that the cost of conducting the investigation should be kept to a minimum. It was decided not to offer any inducement, e.g. money off future holidays, and the form itself was photocopied rather than being professionally printed. A stamped address envelope was provided to encourage a response.

4.2. Questionnaire

The questionnaire adopted for this survey was the three-column SERVQUAL instrument that, in addition to columns for the 'desired' and 'adequate' service levels, also includes a column on service perception.

There was some concern within Travel Ltd that, although the SERVQUAL questions would provide a proven method for reliably investigating the customer perception within the model's five dimensions, the survey would only examine the overall holiday experience. There are several 'standard' elements that constitute a Travel Ltd holiday and it was felt that there might be some differences in service performance within each element. It was decided therefore to split the questionnaire into two main sections.

Section A of the questionnaire used the modified standard SERVQUAL questions. Section B examined each of the holiday elements and tried to measure the service dimensions within each element. (In order to keep the questionnaire to a size that was considered to be

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acceptable to the customer, only dimensions that were considered critical to the element were included)

Within Section B an additional question was asked to measure the relative importance to the customer of the service elements, which make up a Travel Ltd holiday. For each service element, customers were also requested to rank the relative importance of each of the questions asked. It was decided to ask the customers to mark Travel Ltd's performance using a scale based on four levels i.e. Excellent, Good, Fair and Poor. This scale is used by the Travel Ltd Customer Satisfaction Questionnaires which is completed by the customer at the end of their holiday, a method which to date has been Travel Ltd's only method of estimating customer perceptions of performance. It was felt that this was a method that would be familiar to the customer. The validity of their responses could be measured to some degree by comparing their answers in this survey to the answers given after their last Travel Ltd holiday. (In order to assist in this measurement, the label on the stamped addressed envelope held the customer's membership number).

Two further types of questions were include in Section B:

- The customers were asked to compare, for each holiday element, Travel Ltd's service performance compared to other tour operators they had used. This was asked to give an indication of Travel Ltd's performance relative to competitors in the industry.
- For certain holiday elements customers were asked to indicate the performance level for specific companies used by Travel Ltd to provide the service.

4.3. Sample

It was decided to send the survey forms to Travel Ltd High Flyers Club members who had travelled with Travel Ltd in the twelve months ending June 1997. (The Travel Ltd High Flyers Club is a scheme whereby customers receive various benefits e.g. key rings, personalised baggage labels, newsletters, and more personal attention while on holiday. The advantage of this club to Travel Ltd is that it promotes customer loyalty and provides a profile of the company's customers.) It was felt that these customers would be more inclined to complete a questionnaire of this kind. A total of 500 forms were dispatched.

4.4. Response Rate

A total of 107 (21.4%) of forms were returned of which 12 were not included in some of the analyses as they were incomplete or incorrectly completed. A further 23 forms were received after the closing date.

	Quantity	%
Forms Sent	500	100.00
Forms Returned	107	21.40
Incomplete Forms	3	0.01
Incorrectly Complete Forms	9	0.02

The questionnaire included a question asking the respondents to assess how easy it was to complete the questionnaire. The questions and responses are given below:

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I found the questions in this survey to be:

	%
Easy to understand	48.49
Some parts were difficult to understand	44.44
Difficult to understand	7.07

In respect of the question about participation in future surveys:

I would be prepared to take part in additional surveys:

	%
Yes	78.35
No	21.65

The results from the study shows a willingness to take part in further surveys clearly and indicates that there may be a possibility of achieving some level of customer loyalty.

A final question asked respondents if they required copies of any of the 1998 brochures. These requests were passed to the Sales Department to dispatch the brochure(s) requested.

4.5. Analysis

The answers provided on the forms were input into Lotus 1-2-3 spreadsheets to enable the data to be analysed.

For the answers in Section A, the mean values of all the responses were calculated for each of the questions. These values were rounded to two decimal places, as the results were too similar to be analysed as integer value.

Answers in Section B were scored with the same values used in analysing the Customer Satisfaction Questionnaire and are shown in the table below:

Response	Value
Excellent	100
Good	66
Fair	33
Poor	0

As the responses are restricted to one of four values, the median value was used for analysis purposes.

4.6. General Results

Section A of the survey examined the five SERVQUAL dimensions of the overall holiday experience:

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Reliability

Question	Min.	Desired	Percep.	Zone of Tolerance	Percep. - Desired	Percep. - Min.
Performing services right first time	7.47	8.28	7.63	0.81	-0.65	0.16
Providing services as promised	7.68	8.53	7.82	0.85	-0.71	0.14
Providing services at the promised time	7.65	8.27	7.73	0.62	-0.54	0.08
Dependability in handling customer's service problems	7.76	8.41	7.21	0.65	-1.20	-0.55
<i>Mean</i>	<i>7.64</i>	<i>8.37</i>	<i>7.60</i>	<i>0.73</i>	<i>-0.77</i>	<i>-0.04</i>

The questions in this dimension measure the performance of the company from an 'operations' point of view. The results of the reliability questions indicate that Travel Ltd falls marginally short of the overall customer's minimum service level. The main area of concern is dependability in handling customer's service problems, which masks the response to the other three questions where the minimum service level is exceeded. More research is required to identify the specific service problems customers have experienced, and how Travel Ltd has attempted to address these problems. This study should examine if the service problems occurred with the East Grinstead office of Travel Ltd, Travel Ltd receptive offices, or with suppliers contracted by Travel Ltd. It will also be essential to investigate whether the problems are not being handled while the customer is on holiday or whether it relates to complaints after the holiday that have been directed to the Quality Control Department.

Within Travel Ltd the Quality Control Department had three primary functions:

- Ensuring quality of suppliers
- Dealing with customer's complaints
- Analysis of Customer Service Questionnaires

There had been concerns raised by several Travel Ltd staff members at all levels of the organisation, during the twelve months to June 1997, on the difficulties faced by the Quality Control Department when handling customer problems due to lack of staffing and inadequate training. The results of the survey indicate that the company's customers might also share this perception! Some of the problems might be overcome if the Quality Control Department were to take a more proactive part in examining the service performance of suppliers, and potential suppliers, to test their reliability before they are used in part of a Travel Ltd holiday. The company will need to examine how this department could be strengthened to overcome these problems as a matter of some urgency.

The two main failings identified here, lack of specification of quality outputs and properly trained people, were specifically identified in the literature by Canziani and to an extent in Parasuraman *et al.* through Gap 2 of their model.

There is another question that needs to be considered, in the reliability dimension: is the 'promised service' being portrayed correctly in the company's brochure? The promise identified in the brochure e.g. through glowing copy and glossy pictures, might be raising the customer's expectation of the accompanying service. Any further investigation also needs to

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review the zone of tolerance to see if it has changed as a result of the customer's previous experience of Travel Ltd's holidays; it might be that the service being offered has slipped from previous experiences, or the customer is becoming more selective.

Responsiveness

Question	Min.	Desired	Percep.	Zone of Tolerance	Percep. - Desired	Percep. - Minimum
Keeping customers informed about when services will be performed	7.59	8.29	7.76	0.70	-0.53	0.17
Prompt service to customers	7.61	8.28	7.71	0.67	-0.57	0.10
Willingness to help customers	7.95	8.48	7.93	0.53	-0.55	-0.02
Readiness to respond to customers' requests	7.66	8.27	7.50	0.61	-0.77	-0.16
<i>Mean</i>	<i>7.70</i>	<i>8.33</i>	<i>7.73</i>	<i>0.63</i>	<i>-0.60</i>	<i>0.03</i>

The result of the responsiveness questions shows a similar pattern to the Reliability section. Travel Ltd is, for this dimension, marginally above the minimum level but again falls short of the desired service level.

Customers are provided with an itinerary for their holiday that details the dates and times for all their pre-booked holiday elements. (These items are also detailed on the customer invoices). These itineraries set the customer's expectations. The table shows that there are still problems in communicating when services are to be performed. Travel Ltd will need to examine the itineraries to ensure that all details are correctly included, and that they are in a clear and understandable format. This issue will also need to be brought to the attention of the Travel Ltd receptive offices to ensure that scheduled times, and any amended times, are communicated as often as possible during the customer's holiday.

The survey demonstrated that the customers perceive they are not getting willing service. In Section B for Coach holidays the helpfulness of Tour Escorts, who are employed by Travel Ltd, is ranked as 'Excellent'. This would indicate that the problem might lie in the customer's contact with Travel Ltd's UK operation, or with suppliers in some particular holiday element. This would be consistent with the problems identified in the 'reliability' dimension.

The low score on the question about readiness to respond to customer requests needs further investigation to identify if the problem lies with tailoring the product, or with responses to customer's verbal / written general enquiries. Travel Ltd is able to tailor holidays to customers to a significant extent in terms of its product offering; this has been recognised as an important factor in the company's success against more inflexible competitors. However, one of the characteristics of service is that it provides frequent opportunities to customise the service. The result may indicate that Travel Ltd must try even harder to secure a good fit between customer's requirement and the service offering through increased customisation.

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Assurance

Question	Min.	Desired	Percep.	Zone of Tolerance	Percep. - Desired	Percep. - Min.
Employees who are consistently courteous	7.76	8.38	8.24	0.62	-0.14	0.48
Employees who have the knowledge to answer customer questions	7.67	8.32	8.02	0.65	-0.30	0.35
Employees who instil confidence in customers	7.58	8.29	7.87	0.71	-0.42	0.29
Making customers feel safe in their transactions	7.83	8.48	7.94	0.65	-0.54	0.11
<i>Mean</i>	<i>7.71</i>	<i>8.37</i>	<i>8.02</i>	<i>0.66</i>	<i>-0.35</i>	<i>0.31</i>

The assurance section shows that Travel Ltd exceeds minimum expectations in all areas covered by the questions. The questions in this dimension, in the SERVQUAL model, cover four explicit areas:

- Competence - Possession of the required skills and knowledge to perform the service
- Courtesy - Politeness, respect, consideration, and friendliness of contact personnel
- Credibility - Trustworthiness, believability, honesty of the service provider
- Security - Freedom from danger, risk, or doubt

The poorest score in this section concerns the customer's perception of the safety of their transactions. Travel Ltd provides guarantees on the security of passenger's payments through membership of the various trade bodies, and the backing of a large corporate parent. This area will need to be clarified in future surveys but immediate action could be taken to make security more prominent in the holiday brochures.

Some of the specific scores in this area, especially those that relate to competency, are inconsistent with the statements concerning the helpfulness of the tour escorts; these are the only employees the customer will usually meet. It is possible that the customer sees all the employees of the various service providers as direct employees of Travel Ltd. If this is the case, then it will make the SERVQUAL instrument inappropriate, in the format used for this survey. The questions will need to be modified to determine which 'employees' are not providing the necessary service levels, or to utilise separate questionnaires for each service element. In view of the cost of training, and its possible implications for price, it will be essential that the problem areas be specifically identified.

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Empathy

Question	Min.	Desired	Percep.	Zone of Tolerance	Percep. - Desired	Percep. - Min.
Convenient business hours	7.10	7.96	7.87	0.86	-0.09	0.77
Giving customers individual attention	7.27	8.05	7.86	0.78	-0.19	0.59
Employees who deal with customers in a caring fashion	7.67	8.33	7.93	0.66	-0.40	0.26
Employees who understand the needs of their customers	7.58	8.27	7.81	0.69	-0.46	0.23
Having the customer's best interest at heart	7.69	8.28	7.76	0.59	-0.52	0.07
<i>Mean</i>	<i>7.46</i>	<i>8.18</i>	<i>7.85</i>	<i>0.72</i>	<i>-0.33</i>	<i>0.39</i>

There are no specific items where Travel Ltd fails to meet the customer's minimum service level requirements in this area. In the model this dimension includes three areas:

Access - Approachability and ease of contact

Communication - Keeping customers informed in language they can understand and listening to them

Understanding the customer - Making the effort to know customers and their needs.

There are no clear areas of concern indicated by the responses to this section. There may be a general need to assist all Travel Ltd staff with their telephone manner when dealing with customers so that there is a perception of empathy, and not just in those areas that are normally recognised as customer facing. Travel Ltd had made considerable use of temporary staff in the twelve months prior to the survey because of an inability to recruit new staff on a permanent basis. It is possible that they have not been provided with enough training and so have not been able to communicate fully.

Travel Ltd holds various items of information on customers within the High Flyers Club database and this could be used to help Travel Ltd staff understand the customer's needs in more detail. This database could also be improved to hold more information that is readily available in other areas of the company to assist in building a more detailed customer profile.

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Tangibles

Question	Min.	Desired	Percep.	Zone of Tolerance	Percep. - Desired	Percep. - Min.
Visually appealing facilities	6.83	7.77	7.77	0.94	0.00	0.94
Visually appealing materials associated with the service	6.97	7.89	7.85	0.92	-0.04	0.88
Modern equipment	7.13	7.90	7.94	0.77	0.04	0.81
Employees who have a neat, professional appearance	7.39	8.12	8.06	0.73	-0.06	0.67
<i>Mean</i>	<i>7.08</i>	<i>7.92</i>	<i>7.91</i>	<i>0.84</i>	<i>-0.01</i>	<i>0.83</i>

The survey indicates that the desired service level for this dimension is lower than for other dimensions. Travel Ltd attains, and even exceeds, the desired service level for some tangible elements.

The results of the tangibles questions need to be reviewed with some of the answers to the questions on specific holiday areas. In some of the holiday elements some tangibles are ranked as very important.

In the literature Berry suggests that it is desirable to make service more tangible; a concept that has some possibilities in the travel industry. The one area where Travel Ltd succeeds in exceeding the customer's desired service levels is in the area of modern equipment. This might indicate that the company's policy of using higher standards of hotels, and airlines, than the competition is proving of value.

Summary

The table below summarises the mean scores for each of the SERVQUAL dimensions under the three-column format.

Question	Min.	Desired	Perception	Zone of Tolerance	Perception - Desired	Perception - Min.
Tangibles	7.08	7.92	7.91	0.84	-0.01	0.83
Reliability	7.64	8.37	7.60	0.63	-0.77	-0.04
Empathy	7.46	8.18	7.85	0.73	-0.33	0.39
Assurance	7.71	8.37	8.02	0.72	-0.35	0.31
Responsiveness	7.70	8.33	7.73	0.66	-0.60	0.03
<i>Mean</i>	<i>7.52</i>	<i>8.23</i>	<i>7.82</i>	<i>0.71</i>	<i>-0.41</i>	<i>0.30</i>

The overall result indicates that although Travel Ltd exceeds the customer's minimum expected service level, the company falls short of the desired service quality level in all dimensions. The difference between the mean values for perception and desired service levels indicate that Reliability and Responsiveness may be the key areas requiring attention. In order to develop these scores it will be necessary, in further studies, to identify the relative importance of the SERVQUAL dimension. This would allow the scores to be weighted so that more emphasis can be given to those dimensions that are more important to the customer. (It must be remembered that the literature indicated that a weighted SERVQUAL was not superior to the standard model, this weighting would only be used to highlight areas where the maximum immediate benefit could be obtained.)

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Many of the customers completed the desired service level by answering with a 9 indicated that only a near perfect level of service is required. This result may reflect a real desire for this level or a misunderstanding of the standard SERVQUAL form. It also supports Swan and Trawick's 'desired expectations', a criticism that was made of the SERVQUAL instrument. There is some evidence to suggest that the form was not properly understood as some customers did not complete this section, and others wrote comments on the form to say that the form was too complicated.

The Xerox experience that it is necessary to have 'delighted' customers to encourage repeat business means that the desired service level must be exceeded, i.e. the zone of tolerance would be negative. If the survey results are correct and that a level 9 score is the true desired level, then it would appear to be impossible to ever improve customer retention by improving service quality.

4.7. Specific Results

Section B of the survey examined some specific areas experienced by customers. The validity of these answers can be gauged by comparing the results with those achieved in Section A as each item examined some aspect of the SERVQUAL dimensions.

The survey examined six areas of service and asked customers to rank their perception of the relative importance:

Service	Ranking
Standard of accommodation	1
Reputation and standard of airline	2
Car hire \ coaches	3
Contact with your travel agent	4=
Contact with your holiday company before the holiday	4=
Contact with your holiday company after the holiday	6

The objective of ranking these services was to provide a guide as to which area of the holiday experience should be given priority in follow up action. It could also be used as weighting for each service to achieve an overall qualitative score. This can be used in subsequent surveys to allow any trend in the overall experience to be examined.

The response received demonstrates clearly that it is the standard of the holiday elements that the customers are considering. They do not seek contact with the tour operator other than to deliver the product. This is consistent with Table 1 in the literature search that indicated that after the number one consideration, price, it is the accommodation and resorts that are important; the tour operator was the eighth factor in the choice list.

This ranking approach was also used within each section to measure the importance of the SERVQUAL dimensions. A further survey should be considered to examine each area in more detail, indeed one of the objective of these questions was to indicate where more detail is required. In a subsequent survey more consideration needs to be given to the questions asked and the relationship to the SERVQUAL dimensions. It was not possible to construct a question within each holiday element to examine every SERVQUAL dimension.

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Travel Agent

Service	SERVQUAL Dimension	Ranking	Value
Ability to offer the holiday required	Responsiveness	1=	66
Caring, individual attention	Empathy	1=	66
Ability to give "on the spot" prices	Responsiveness	3=	66
Holiday destination knowledge	Assurance	3=	66
Well presented shop and staff	Tangibles	5	66

The responses show that the ability to attend to the individual's requirements, and to provide the holiday required, are more important than the presentation of the shop. This fits with the standard SERVQUAL questions where tangibles are ranked as being a less important dimension.

An additional question examined the customer's impression of some of the major travel agency chains. The response to this question should be treated with care as further investigation is required to consider if the customers have valid reasons for their ranking, and also as the response may simply reflect those agents with whom holidays have been booked. The question asked the customer to rank the agents that they believe provide the best service.

Agency	Count	Result
Thomas Cook	57	7
Lunn Poly	53	6
Going Places	51	6
Other	45	8
Co-operative Society	29	6
A.T. Mays	28	6
Page & Moy	24	6
B.A. Travel Shops	13	4

The values shown in the table is the average of the responses where a preference was indicated. A value of one would indicate that the agency was offering the lowest level of service, and nine the highest. The number of times each company is mentioned shows a similar pattern to the number of bookings Travel Ltd receives from these groups. The main multiples of Lunn Poly, Going Places and Thomas Cook are perceived to have similar service levels although Thomas Cook has a slight edge. The "others" result is interesting as it would indicate that the smaller travel agency chains, and the independents, offer a higher level of service than the major agency chains.

Contact with your holiday company before your holiday

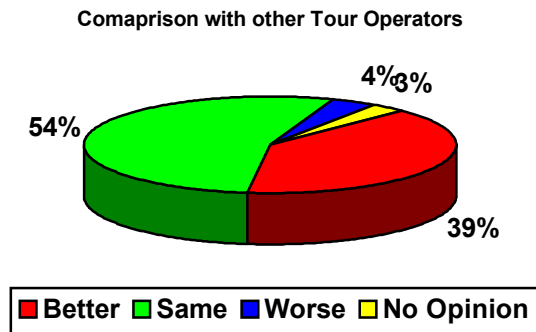
Service	SERVQUAL Dimension	Ranking	Value
Arrangements booked correctly	Reliability	1	100
Prompt and reliable service	Reliability	2	66
Knowledge and courtesy of staff	Assurance	3	66
Caring, individual attention	Empathy	4	66

The result of the Reliability questions in Section A show that the customers consider that the overall reliability to be below their minimum expectations. The answers to this section show that there are some areas where Travel Ltd reliability is classified as Excellent, as indicated by the 100 value for the most important item. This ambiguity would need to be examined in

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follow up surveys but could indicate that the problem may lie with the service delivery from suppliers rather than the company itself.

In comparison with other Tour Operators the majority of customers (54%) indicated that Travel Ltd performs at about the same level as other companies. There was also a significant number (39%) who considered that the company performs better than other companies in the industry.

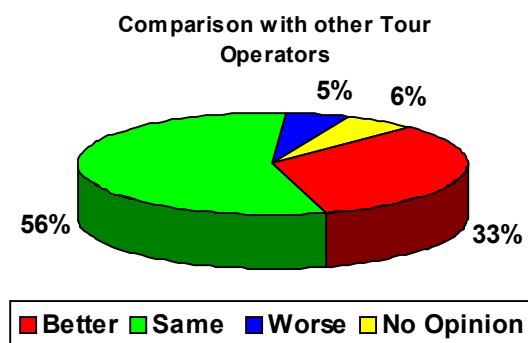


Contact with your holiday company after your holiday

Service	SERVQUAL Dimension	Ranking	Value
Prompt handling of complaints	Responsiveness	1	66
Caring, individual attention	Empathy	2	66
Holiday satisfaction survey	Tangibles	3=	66
High Flyers club newsletter	Tangibles	3=	66

These answers give a similar picture to that in Section A in that tangibles are not seen as being the most important service dimension. The vast majority of customers considered the prompt handling of complaints as the most important element. It is possible that the fact that Travel Ltd was given a value of 66 -Good - may not be entirely accurate as it is likely that many have not had a cause for complaint, or conversely did not return their survey form because they had not received a satisfactory service. A further, more detailed of this area is required, and any service strategy should include a section on service recovery where a policy on dealing with complaints is detailed. The problems in the Quality Control Department, as discussed earlier, are given more focus by these results.

In comparison with other companies in the industry, the majority of customers (56%) considered that Travel Ltd offers the same level of performance in this area when compared with the competition.



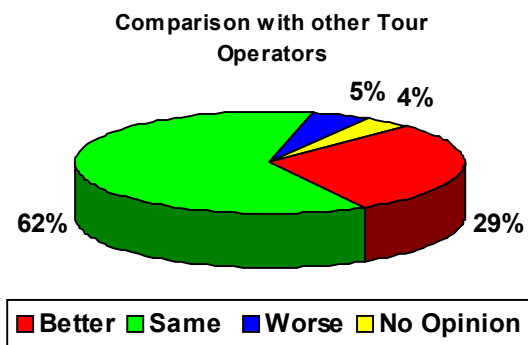
MEETING THE CUSTOMER'S EXPECTATIONS

Airline

Service	SERVQUAL Dimension	Ranking	Value
Seat comfort	Tangibles	1=	66
Reputation for safety	Assurance	1=	66
Prompt departure and arrival times	Reliability	3	66
Non-stop flights	Empathy	4	66
Catering	Tangibles	5=	66
Willing and prompt cabin service	Responsiveness	5=	66
Courteous cabin service	Assurance	5=	66
Caring, individual attention	Empathy	8	66
In-flight entertainment	Tangibles	9	66
Children's service	Tangibles	10	66

The responses in this area again show a similarity with the standard SERVQUAL questions. The answer to the question on Seat Comfort would indicate that certain tangible elements are important. The answer to the question in Children's service needs to be considered with the fact that many of the customers answered with "Not Applicable". This is consistent with the majority of respondents being Coach Tour passengers, who are mainly in the 50+ age group, and would not require this service.

The comparison with other tour operators show that the majority of customers (62%) consider that Travel Ltd's performance is of the same standard.



An additional question examined the customer's impression of some of the major airlines. The question asked the customer to rank the airline that they believe provide the best service.

Airline	Count	Level
British Airways	96	7
Britannia	66	6
Monarch	57	6
Virgin Atlantic	47	7
Air Canada	46	7
Caledonian	37	6
American Airlines	34	6
United Airlines	23	7
Northwest	18	6
Continental	17	7
Delta	16	6
Laker Airways	13	6

The values shown in the table is the average of the responses where a perception was indicated. A value of one would indicate that the airline was perceived to offer the lowest level of service quality up to eight that would indicate the most satisfactory level of service. The response to this question should be treated with care as further investigation is required to consider if the customers have valid reasons for their ranking, and also as the response may simply reflect those airlines with whom holidays have been booked.

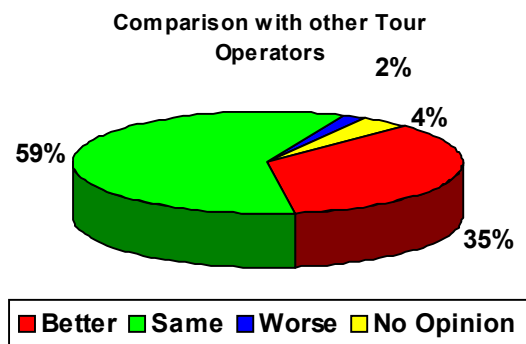
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Accommodation

Service	SERVQUAL Dimension	Ranking	Value
Standard of bedrooms \ public rooms	Tangibles	1	66
Dependable and accurate service	Reliability	2=	66
Courteous and trustworthy employees	Assurance	2=	66
Prompt service	Responsiveness	4=	66
Caring, individual attention	Empathy	4=	66
Sports facilities	Tangibles	6	33

This result is similar to that shown for Airlines in that a tangible element comes out as the most important. The response to the question on Sports Facilities should be considered in the same way as the Children's Service in the Airlines section.

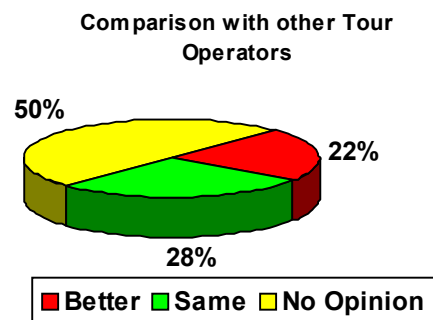
This holiday element is ranked as the most important part of the customer's holiday, and although Travel Ltd's service is considered as 'good' i.e. a value of 66, this is an area where further study and higher standards are required. This is reflected in the comparison with other companies where the majority of customers (59%) consider that Travel Ltd's service is of the same standard.



Car hire

Service	SERVQUAL Dimension	Ranking	Value
Cleanliness / comfort of car	Tangibles	1=	66
Ease of pick-up / drop-off	Responsiveness	1=	100
Pre-paid insurance / taxes	Tangibles	3	66
Maps and instructions	Tangibles	4	66
Caring, individual attention	Empathy	5	66

Only 22.4% of customers completed this section of the survey and many of these indicated that they had not actually hired a car through Travel Ltd. This means that the results should not be considered to be totally valid without further study. The ranking given to tangibles again shows that this dimension can still be the most important area for certain holiday elements.



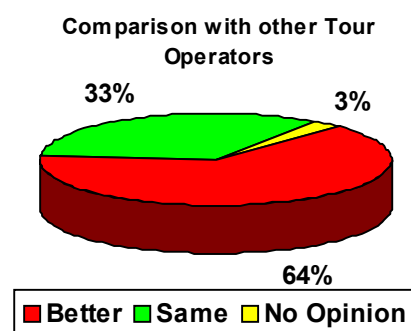
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Coach

Service	SERVQUAL Dimension	Ranking	Value
Size and comfort of coach	Tangibles	1	66
Helpfulness of tour escort	Responsiveness	2=	100
Knowledge of tour escort	Assurance	2=	66
Tour reflected brochure description	Reliability	4	66
Caring, individual attention	Empathy	5	66
Availability of twin shares	Responsiveness	6	66

The majority of customers responding to the survey were Coach Tour passengers and this element was ranked third in the table of holiday elements. The response to the questions with regard to the tour escorts was particularly favourable. There was not a single response where Travel Ltd' performance was considered to be worse than the competition.

The comparison with other companies clearly demonstrates that the majority of customers (64%) consider Travel Ltd's performance to be better than other companies. Travel Ltd's view was that this result was due to the performance of the tour escort.



4.8. Additional Research

The Gallup survey on customer's considerations are basically supported by research performed by one of the mass-market operators, Inspirations East Ltd., who surveyed 38456 customers who visited Spain, as to what was important in selection their holiday. The responses, expressed in percentage terms, are shown in table 5.

Table 5: Customer Considerations

Price	63%
Accommodation	49%
Departure Point	37%
Availability	29%
Flight Timings	26%
Travel Agent's Recommendation	10%
Friends Recommendation	7%
Other / Not Stated	5%

Source: Inspirations East Ltd. 1998.

Although the questions were not the same, and there a few minor deviation from the Gallup survey, the primacy of price is confirmed together with accommodation and airport of travel as important items.

The Inspirations findings mirror those of Travel Ltd when looking at the performance of some of the aspects of the holiday. The table below shows average scores as opposed to the median scores shown in earlier sections (only directly comparable questions are shown)

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	Travel Ltd	Inspirations
Pre-Departure Service	77	64
Travel Agent	71	73
Flight	63	48
Accommodation	66	68

The one area where there is significant difference is in the Flight performance. This reflects the fact that Travel Ltd uses scheduled flights whereas Inspirations uses charter flights. This is also clearly shown in the survey results where scheduled airlines are considered to offer superior service to charter airlines. This is probably accounted for in the tangible areas where Seat Comfort is the primary concern for flyers and charter airlines are perceived to have rows of seats closer together so having a detrimental effect on seat comfort. This is being rectified by some charter airlines e.g. Monarch, who are offering a greater seat pitch for an additional charge.

4.9. Conclusions

The major issue that is not resolved by the literature i.e. is the customer concerned with quality, appears to be answered, for Travel Ltd's situation, by the research. There is an obvious desire for a high quality service and the tightness of the zone of tolerance indicates that there is little scope for any deviation from such a strategy.

The results of the primary research are broadly consistent with the conclusions drawn from the literature. There is significant evidence that the role of 'employees' within travel are key to the success of the business. There is a need for Travel Ltd to examine if the employees that are not providing the desired service are internal or external. The high scores gained by the coach tour representatives indicate that the major problem may lie with the bought in services, but internal issues surrounding customer complaints certainly needs attention. Some solutions to these problems are suggested in the next section.

There appear to be several problems surrounding the SERVQUAL instrument. It is apparent from the customer's comments that the form itself is difficult to understand. This may mean that the scores in themselves are not totally reliable; however as there was consistency in the responses they certainly have a value. The form does not, in its current form, assist in the internal / external employee consideration but this may be resolved by re-wording some of the questions to make this distinction.

There is also evidence that some of the criticisms of the SERVQUAL instrument may be valid for the travel industry. There is an indication that the dimensions identified by Parasuraman *et al.* are not supported, and that the results may be closer to the Nordic school interpretation; the survey results need to be subject to a more rigorous statistical analysis to confirm this point. The problem with the high expectation levels as identified by Swan and Trawick are also apparent with the mean 'desired service' level being 8.23 on a 9 point scale; it appears that the customers want almost perfect service.

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5. Implications for Travel Ltd

5.1. Introduction

The dissertation issues as discussed in Section 3 pose three main questions:

1. Is quality important to the customer?
2. Is SERVQUAL a valid measure of quality for a tour operator?
3. If quality is important, what are the practical implications for Travel Ltd?

The answers to the first two questions are given in Section 4: Service quality is an important issue for the customer and the SERVQUAL instrument, in the form that it was used, may not be a practical tool without some modifications. This section looks at the practical implications to Travel Ltd and considers how some of the concepts from the literature can be applied.

5.2. The importance of 'tangibles'

As suggested in Table 1, the pure service elements such as those offered by the travel agent and the tour operator are less important to the customer than the more tangible elements offered by the accommodation, airline and coach portions. However, as Shostack explained, services and products fall into a continuum and that, even in these tangible areas, there is still a service element. The high value given to the desired level of service in the non-tangible dimensions confirms the critical role that employees have in a service industry. Travel Ltd tried to provide employees with the necessary qualities and training to perform a high level of service. The results of this approach are especially clear in the coach element where the representatives scored an "excellent" in the overall result. However, the SERVQUAL Reliability and Empathy dimensions indicated that the perceived level of service did not meet the minimum expected. The deduction that can be drawn from this is that it is in the non-coach elements where the customer did not receive the proper level of service.

Combining the SERVQUAL results with the Section B results shows the relative performance of the tangible aspects of the service provided by a tour operator compared to the other dimensions. It is also clear that it is difficult to treat the whole package offered by the tour operator as a homogenous unit and that each of the individual holiday elements has its own set of characteristics.

To overcome this problem there are several options that the tour operator can follow in partnership with the actual service provider. (In the case of the vertically integrated companies where the company owns the service provider these techniques can be introduced directly.)

5.3. Employee Selection and Training

The process used by Travel Ltd is one that could be suggested to service providers where a relatively small number of employees are required. Travel Ltd were very particular in the choice of the twenty or so coach representatives required each season. The candidates went through a rigorous selection process even though most candidates were interviewed on the basis of recommendations to the manager of the Travel Ltd receptive offices that had responsibility for making the appointment. The important point here is that it was the

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manager in resort, with frequent customer contact, who determined the characteristics required; it was not a remote head office several thousand miles away. Only candidates with detailed knowledge and experience of the routes to be taken by the customers' coaches were engaged. The people employed also needed to prove they could empathise with the customers, especially in regard of the USA / UK cultural differences, interact well with the staff in the receptive offices, and be willing to play an active part in the assessment of their own performance. In addition to these qualities they had to be able to sell optional excursions, and be trusted with collecting and recording large amounts of cash. Most of these representatives became long serving seasonal employees and were carefully monitored through the use of Customer Service Questionnaires (CSQ) that provided a measure of their actual performance. The success of this policy is clearly shown in the survey results.

One area that Travel Ltd did not try that might have lead to some useful insights was to ask the company's customer facing employees for feedback on their perceptions of the service quality offered by the company and on the customer behaviour during a holiday. This might have highlighted potential area where services could have been improved at little cost or given a better insight to how the customer's gained their expectation and perception levels. It also needs to be recognised that dealing with customers can cause stress to employees where they have to deal with consistent service problems. It is necessary to obtain employee feedback and for management to resolve employee problems; continuous training is a positive action but may not address all the issues faced on a day-to-day basis.

5.4. Scripting

The level of scrutiny of employees, as used by Travel Ltd, becomes difficult where an organisation, such as a hotel, has a large number of staff whose performance and customer interaction can not be so clearly monitored. One option, if the service provider does not have an effective quality policy, is for the tour operator and the company to agree on service scripts that will be used by the service provider's employees. These scripts can be established for each type of service encounter and can consist of set verbal responses or series of actions. This use of verbal scripts is common within the reservations functions of tour operators; like most call centres the initial welcome script from the reservations (sales) department will go along the lines of:

"Good morning, than you for calling Travel Ltd, my name is Jane, how may I help you?"

A similarly scripted message will be used after the call. The dangers of a script means that it is necessary to ensure that the employee is not de-motivated by lacking the option to use their own judgement, and also that they are not constrained from exercising superior service than called for by the script. For this reason the employees should be involved in the scripting process and the task not left to managers who may not have direct experience of customer contact. Travel Ltd also allowed the sales staff a certain amount of discretion on setting the price for the customer and were given financial incentives based on their performance. The supervisors in the department would ensure that scripts were used as far as possible. New employees would be trained in these scripts before they were allowed to come into contact with the customer.

To control the quality levels of suppliers when there is no ownership, there is a need to build partnerships with suppliers and establish feedback mechanisms. The tour operator can assist

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the supplier by benchmarking service levels against the supplier's competitors and indicating realistic, achievable, service levels. The tour operator would obtain the feedback on each service from the CSQs and quantified results would be sent to the supplier. Comparatives with other service providers could also be provided. Travel Ltd enjoyed a particular advantage in that the return rate on the CSQs was almost 100% as on a coach tour the representative would collect the from personally. This allowed Travel Ltd the opportunity of full, and speedy, feedback to suppliers.

5.5. Quality Audits

Another means of monitoring quality is through the use of 'quality audits' where 'mystery' observers judge the service. This is done regularly within the industry and can be seen each week in the trade press where a 'mystery shopper' evaluates the standard of service performed in a range of travel agencies. These visits measure all the aspects of the holiday buying process within the particular travel agent, e.g. quality of holiday advice, shop layout. The use of CSQs also provides another means of continually audit of the service quality. An audit of travel agents may be of use to the large operators, but is of little value to niche operators such as Travel Ltd. A more relevant process would be to conduct audits on suppliers.

5.6. Quality Awards

Quality can also be demonstrated through standard quality awards such as BS5750 and ISO9000. The American Malcolm Baldrige National Quality Award (MBNQA) is regarded in the USA as a prestigious award and the European Quality Award (EQA) has 'customer satisfaction' as one of the most important criteria for evaluation. Although these awards may not be evident to customers, they may however be recognised by the travel agent so that they might advise a customer to holiday with an accredited company. The award can therefore be a useful marketing tool for Travel Ltd and provides a benchmark to judge similar suppliers. (Realistically, it is likely to be the commission offered to the travel agent by the tour operator, or the travel agents owner if it is part of a vertically integrated organisation, rather than quality awards that are the basis for advising the customer as to choice of holiday.)

In the literature search Canziani's principles for achieving a quality service were identified. One prime example where some of these principles were applied is in the case of the Ritz-Carlton Hotel company as discussed by Ayala, Staros, and West (1996). The relevance of this example i.e. a hotel, is that the literature search, as well as the primary research, clearly show that "standard of accommodation" was considered an important holiday component. In Section B of the Travel Ltd survey accommodation was judged the most important attributed, and also the most important attribute, after price, in the Gallup survey. The Ritz-Carlton was runner up in 1991, and winner in 1992, of the Malcolm Baldrige National Quality Award. The United States Congress established this award to promote national awareness for improvement in quality management in the USA in 1987. The Ritz-Carlton was the first winner from the travel and tourism industry, an indication of how little quality was considered within the industry about ten years ago.

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The main principles identified by Ayala *et al.* that were adopted by Ritz-Carlton, that could be adopted by Travel Ltd, are:

- Commitment to quality - A top-down commitment communicated through the company's philosophy, motto, and corporate culture. These were backed by employee selection and training process to ensure employee competency.
- Strategic Quality plan - A plan that takes into account the needs of the guests and employees, and the design-process which enabled satisfied employees to fulfil identified guests' needs. This plan takes three factors into consideration
 - Service product features
 - Service delivery process
 - Service Product freedom from defects

Ulrich *et al.* (1991) found that customer commitment is increased when employee commitment is increased and this was borne out in the example of Ritz-Carlton.

5.7. Service Recovery

Even if all the principles are followed, the right suppliers contracted, and the right employees retained, there are still occasions when the service will be perceived by the customer as unsatisfactory. The heterogeneity principle means that each service encounter is different and even if the employee provides the standard level of service, it might not be good enough if the customer is looking for a different outcome. On some occasions an unsatisfactory service encounter can lead to the customer making a formalised complaint where the customer is usually looking for some financial compensation.

A service failure does not automatically lead to a lost customer if the issue can be resolved quickly to the customer's satisfaction. One key solution, that Travel Ltd should seek to adopt, to overcoming service problems is to deal with the issue as soon as a problem is identified and take action so that the problem does not occur again. The customer will possibly accept immediate action to resolve the issue if the problem is minor, but for service failures that the customer perceives as a major issue they will seek the financial compensation mentioned earlier. Initially, service problems are often brought to the attention of a company representative who may not be able to provide the immediate financial recompense. In practice, Travel Ltd like many other the tour operators, places significant controls of any payment to customers, when they are still on holiday, in respect of poor service. This is normally because tour operators are conscious of problems of fraud and theft in resort where there is a large 'cash' proportion that can not be directly monitored by managers at the head office. This should be compared with the Ritz-Carlton where an employee is authorised to take immediate action and has authority to spend \$2,000. This problem of providing 'service recovery' is common across many industries; Berry (1995) comments on many companies in that "They do not empower front-line servers to solve most problems immediately". The problem for Travel Ltd may be that the company does not have their own staff in resort and a handling agent may be caring for the customers. This should not be an issue for coach based holidays where the tour escort is normally present. This problem makes it difficult for tour operator to sanction payments to customers to satisfy problems 'on the spot'.

On many occasions when compensation payments are made in resort or after the customer returns from their holiday, the cost can be recovered from the supplier at fault. However, this can be a lengthy and labour intensive process and can affect supplier relationships. One major issue for the large tour operator is that margins in the mass market are wafer thin and

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any payment, if it is to be meaningful, can easily wipe out any profit on the holiday. However, it can also be argued that if a payment is made in resort this may satisfy the customer at a lower amount than might be awarded once the passenger gets home and receives support from friends, colleagues, and especially the media.

5.8. Customer Retention

Poor service, and a lack of service recover, can easily lose a customer, but the question remains whether high quality level does actually help Travel Ltd to retain a customer. Parkinson (1996) quotes Parasuraman *et al.* with respect to the evidence that improvements in service quality assist in the retention of customers. He quotes the example of Northwest Airlines:

"Northwest Airlines found that their preference index (the predisposition to chose Northwest as their preferred carrier) increased as their service performance increased.

Parkinson also points out that the conclusions drawn by Parasuraman *et al.* discovered that although there was a positive relationship between service quality and customer loyalty, above a certain point, further improvements in quality do not have any further impact on customer retention. This has great significance for the Travel Ltd as there is no advantage in increasing quality costs that can not be passed on to the customer above this point. The Xerox example discussed earlier also indicates that it is difficult to ensure loyalty unless service quality exceeds customer's expectations.

Although the literature suggests that there is little loyalty shown by customers to tour operators there are some indications that a degree of loyalty can be achieved. The survey results from Travel Ltd indicate that 73% of respondents would be prepared to take part in future surveys; this equates to 19% of the total number of forms sent. 76% of respondents also requested brochures for the next year to be sent. (19% is probably the more reasonable figure to be use when considering retention rates, as it can be assumed that those not returning the survey form on the initial survey would probably not be prepared to take part in future surveys.) Travel Ltd management believed that repeat business counted for around 25% of total passenger numbers and there were many instances where passengers would take more than one coach holiday a year with the company. Inspirations East Ltd., found 21% of Spanish bookings were repeat business outstripping the company's 6% market share.

It would be necessary for Travel Ltd to conduct further research to discover the customer's reasons for repeat purchase. Parasuraman *et al.* in the 1991 article on "Understanding Customer Expectation of service" found that:

'many of the customers we interviews want to be "relationship Customers' of the firms serving them. They want ongoing, personalised relationships with the same representatives'

This was also Travel Ltd's experience with the coach tour representatives. These representatives would be with the customers night and day for up to 21 days and a close bond would form between the two parties. It was quite common with the long-standing representatives to send Christmas / Birthday cards to customers. They would also exchange gifts and hold reunion dinners outside the company. This would often lead to customer asking which tours the particular representative was escorting as their means of choosing the holiday.

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If it is necessary to "delight" the customer to retain their loyalty, it can be argued that one way to reduce the gap between Desired and Minimum service levels. This would be an attempt to reduce the desired service level by talking the product down i.e. reducing customer's expectations. However, this is a technical fix and would not be a positive marketing tool, the customer would normally compare brochures from several tour operators and this approach could act as a major deterrent to customer loyalty and retention.

5.9. Customer's Quality Requirements

A basic 'PEST' analysis quickly highlights some of the factors external to Travel Ltd that indicate that a better quality product is being demanded by some tourists, service providers, and governments alike:

Political Factors

- European Union (EU) regulations that specify the role and responsibility of the tour operator
- EU review of proposed merger / alliances to consider problems that monopolies may bring to customers - including price and quality

Economic Factors

- Some tourist areas e.g. Balearics, are now more prosperous as a result of tourism, and can be more selective in the type of tourists they want in the future

Social Factors

- More willingness to go for 'quality of life' rather than maximising profits, less acceptance of the 'fat cats' syndrome
- Continued growth in the importance of green, environmental issues

Technical Factors

- Use of quieter, more environmentally sensitive, modes of transport - especially aircraft

These factors have meant that, in the last few years, there has been a backlash in some areas against mass-market tourism because of the problems of hooliganism and the ecological destruction brought about by tourism. This has resulted in the tearing down some of their high-rise hotels and adopting a more aesthetically pleasing low-rise approach. This has forced up the price of holidays in these areas; further price increases has also been introduced to try to avoid the 'lager-lout' element i.e. the resorts themselves are trying to offer a higher quality product.

This situation should provide Travel Ltd with a degree of competitive advantage as the problems have a larger affect on competitor's substitute holidays because of the nature of the product - a coach-based holiday requires the use of the aesthetically pleasing hotels.

5.10. The Gaps Model

All these approaches to improving quality need to be considered as par of a coherent course of action; the inability to pass the cost of quality on to the passenger means that a strategic approach is required. One approach that the firm could adopt to provide this backbone to their approach to quality is to use the 'Gaps' model.

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Parasuraman *et al.* described in their conceptual model of Service Quality the 5 gaps that could exist between the 'Management Perceptions of Customer Expectation' and the customer's 'Expected Service'. These gaps provide a means that could be used by the tour operator to measure and address this overall difference between perceptions and expectations. In the discussion below these problems are considered from the point of view of a niche operator, such as Travel Ltd, where there is limited direct interaction between the tour operator and the customer.

Gap 1

This is the overall gap between perceptions and expectations and is explained partially in terms of the other four gaps. However, the starting position is management's understanding of the customer's expectation. There does not appear to be any evidence in the literature that tour operator's have ever asked the customer what they want; it is certainly not the practice for Travel Ltd to ask such questions. It is traditional in the industry for the Marketing Department to base the product offering on the holidays that sold well in previous years and adding new product where possible. In terms of new product offerings these will tend to be different accommodations and inclusive tours. Travel Ltd, in common with most other tour operators, ask customer's to complete Customer Satisfaction Questionnaires at the end of their holiday and these are used as a means of measuring performance. In Travel Ltd's case once the Customer Relations Department read the CSQs they were filed without any further quantitative or qualitative research, except for the coach based holidays where some further limited processing is performed. In many other companies the CSQs will be processed internally, or externally, and any significant trends investigated; this level of processing was undertaken by Travel Ltd prior to 1995 but has now ceased. Action will often be taken on areas where serious complaints have been received. Any negative trends may be discussed internally, and if necessary action taken with the supplier. Unless there is a serious complaint that might involve significant compensation or legal action it is not common practice to ask the customer for further details. The amount of compensation paid out by tour operators is a significant value and could provide a target for improvements in quality.

The main problem area as identified by Parasuraman *et al.* would appear to be insufficient market research and inadequate use of CSQ findings. (Travel Ltd exhibits this problem) However, a study using the SERVQUAL instrument provides Travel Ltd with an opportunity to address these deficiencies but it will require further investigation to ensure that the instrument is valid within tour operating, and training to ensure it is understood by management. An advantage enjoyed by vertically integrated companies is that they also receive some feedback from the travel agency divisions. The use of customer focus groups might be possible but this would involve creating some form of on-going relationship with the customer; the literature suggests that this type of relationship would be difficult to achieve.

Gap 2

This gap refers to the difference between the management perceptions and the service quality specifications. Travel Ltd does not provide any specification internally, or to service providers, concerning quality specification. The choice of supplier, and there are some areas e.g. Canadian National Parks, where there is little choice, will be made by Travel Ltd's contractors in resort. The choice will be based primarily on price but also on the contractor's view of the standard offered by the supplier based on a site visit and knowledge of the supplier. There may occasionally be some agreement with the supplier on the type of room

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e.g. those with sea view, but there is no discussion as to the standard of quality that should be offered by the provider's employees. Travel Ltd's management makes the decision as to the level of quality that will be indicated to the customer based on the price of the accommodation or flight i.e. they are listening to the customer's demand for price rather than quality.

Gap 3

The service performance gap is the difference between the quality specification and the service delivery. If Travel Ltd has not provided service specifications, then the level of service offered to the customer will be that normally offered by the service provider, or may indeed left to individual employees. One problem that is specific to the travel industry is the problem of culture. If there is a culture of service e.g. in the USA / Canada where the majority of Travel Ltd's coach tour operate, then there may not be a problem; however where this is not in the national culture then the service provision may be incorrect. The expectation of the customer will be, for a mainstream holiday, that the level of service will be similar to, or better than, that normally received at home, or the perception created by the brochure. The employees of the service providers may not consider the service provided as poor if that is not the culture of the company. The employee's service can also be improved through teamwork, better employee job fit, and supervision.

Gap 4

This measures the gap between the standard if quality promised and the service delivered. The most obvious area is the promise of the holiday created in the brochure. There was a tendency to oversell the product although this has changed to a large extent in recent years because of the package travel regulations that demand that brochures are accurate. There is also a problem that the brochure may not reflect the level of service that will be offered by the company. This is because the brochure message has not been communicated to the other departments in the company e.g. the buyers of service, the representatives in resort, the reservations personnel. In Travel Ltd's case the communication between departments was poor where little 'empires' had been established because of long serving employees and the unwillingness of senior management to address the issue.

5.11. Information Technology

The airline side of the travel industry has always been associated with being 'high-tech'. This has also become true within tour operating where the quality of information technology now holds the key to the successful operation of a travel company. This has come about from two areas: firstly from driving down costs through reduction of indirect staff e.g. within accounting, and also by providing senior management with timely, relevant and accurate data on the operation of the business. This has happened through highlighting unprofitable bookings or areas of the business at an early stage and also by providing better information on booking trends. Travel Ltd has, in the past, placed significant emphasis on the use of technology to reduce costs and improve information. However, this is also now being extended to database marketing and an increasing use of client profiling; two areas that are not being considered by Travel Ltd. At the leading edge other companies use of data warehousing, and decision support tools, is becoming more common. The cost of these technologies is driving out some of the middle tier of tour operators, reducing new entrants through the high cost barriers to entry, and is too costly for the small niche operator. However, this technology is not being used in any significant manner to improving service

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quality except in the ability to handle and respond to complaints more quickly i.e. it is being used reactively rather than proactively.

5.12. Zone of Tolerance

Parasuraman *et al.* identified the zone of tolerance as separating the desired service level from the adequate service level and, as discussed in the previous section, it would appear that it is impossible to 'delight' the customer by achieving a zone of tolerance of zero or negative. However, there are several factors that affect this zone of tolerance including customer experience. The size of the zone is more likely to change as a result of changes in the level of adequate (minimum) service than the desired service level as most people tend to have a set of expected standards and values that do not vary. The Travel Ltd survey was based on loyalty club members that had all travelled with the company in the last twelve months. The expected outcome would be that desired service levels would rise, and this may account for the high desired service scores.

In addition to the factors affecting the zone of tolerance discussed in the literature search there are other factors that the tour operator needs to take into account:

- Customer experience - The zone of tolerance will probably vary more because of previous experience of the tour operator's holidays. The customer will often accept a one off fault in a particular situation, especially if they do not perceive the tour operator to be at fault, but will expect better results in future similar situations. This can also apply to future holidays, as the customer will expect that the tour operator will learn from previous experience. This forces the tour operator to look to a continuous improvement programme.
- Predicted service - Certain expectations can be created as a result of brochures and information gained from family or friends. These expectations will tend to set the minimum service levels and will come through explicit brochure comments e.g. classifying a hotel as a five star property, or implicitly e.g. a high price for the holiday. This last issue is a major problem for the Travel Ltd coach product; the cost of the individual components in these holidays is high and therefore the price is high. The high price may imply a high level of quality but the company may not make any greater margin on a high price holiday than on a lower price holiday to a cheaper destination. Travel Ltd may therefore have to deal with a smaller zone of tolerance for the coach holiday than other companies' experience for their beach holiday.

6 Areas for Further Study and Conclusions

6.1. Future Research

6.1.1. Measuring Quality

It would be possible to improve the accuracy of the SERVQUAL instrument for continued use in future research by paying attention to some of the academic criticisms, e.g. if the survey was repeated but using recently travelled passengers, this would overcome the potential problems identified by Lam and Woo regarding the possible instability of the instrument over time. However, in conducting a repeat of the survey it will be important to recognise the concerns expressed by many of the Travel Ltd respondents that they found the survey form difficult to understand. Some pilot testing, perhaps using focus groups, is indicated to ensure that a clearly understood form can be sent. The results from a repeated study will then need to be statistically reviewed to indicate if the dimensionality of the SERVQUAL instrument is valid in tour operating; the result from the current survey certainly indicate that there may be some doubt.

The net result of the research indicates that there would be value in performing a survey using a model closer to the Nordic School's dimensions to establish which of the two is of more value. The survey would also need to be tailored more closely to the need of the particular market segment in which the organisation was competing e.g. to reflect the use of service providers.

Any valid instrument would need to be applicable to the individual holiday elements so that Travel Ltd can determine where the responsibility for quality problems may lie: with Travel Ltd, or with particular service providers. This approach is also indicated by the general results in Section B of the research that indicates that there may be differences between some of these holiday elements that can not be adequately dealt with in a generic questionnaire. The design of the instrument will need to consider the likely low level of customer response if they were asked to answer the same bundle of questions of 22 questions for each of 6 elements. (This can be further complicated considering that the accommodation element of a coach tour package can consist of up to 12 different hotels) However, this detailed level of measurement would be needed to provide solid evidence so that any additional spending to improve quality can be targeted to areas that will achieve most benefit; it is important to remember that quality improvements should not put up the final product price.

The results of this research needs also to be correlated with a more detailed review of Travel Ltd's customer's requirements and expectations from a holiday. There is a need to determine whether SERVQUAL, or some other appropriate instrument, truly covers all the possible areas for customer concern.

6.1.2. Research Areas

Further study needs to be performed on factors affecting customer's choice of holiday for several different market segments to determine if there are any major differences between the long haul 'beach / theme park' segment and the long haul 'luxury' segment. This research would be useful for Travel Ltd as it would provide a quantitative measure that could be used to compare quality level of the product against quality levels for competing substitute holidays.

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One part of the literature suggests that price is the primary consideration for the passenger. It is possible that this arises because the literature only considers the mass-market segment or has not specifically asked questions on service quality. To obtain further insights into the difference between the industry market segments, an investigation into the customer's willingness to trade price increase for quality increases needs to be undertaken for each segment. Travel Ltd customers, in the high-price segment of the market and who pay large amounts for their holiday, might be prepared to accept a small additional price increase to improve service quality.

6.2. Conclusions

The literature suggests that there may be little gain for tour operators to improve quality, especially if it impacts price, but there are some indicators that this may not always be correct e.g. both Travel Ltd and Inspirations have a small, but significant amount, of repeat business; many airlines are starting to sell improved quality items; tour operators are providing more information to customers. These would indicate that the tour operators, consciously or unconsciously, are starting to consider that improvements in quality might give them a competitive edge in an otherwise homogenous market - providing they can achieve this higher quality without increasing prices. There is therefore a need to have a sound method of measuring quality at all points within the tour operator's particular value chain. For Travel Ltd it is especially important to measure the performance of other service providers, that do not form part of the organisation, and yet participate in the customer's holiday experience. The suggested additional research will provide the tools for the company to achieve these measurements.

The results from the practical research demonstrate that when the SERVQUAL instrument is used within a tour operator context, some of the academic criticisms are confirmed. However, and more importantly, the overall results obtained from the SERVQUAL instrument for Travel Ltd are broadly in line with the responses provided in Section B of the research, and the general service marketing literature, suggesting that the underlying concepts are sufficiently sound that some safe conclusions can be drawn.

The overall conclusions that can be drawn from the literature and the primary research, can be summarised as:

- 1) Service quality, as suggested in the literature, is an important consideration for passengers on Travel Ltd's coach touring holidays and could lead to improved customer retention
- 2) The SERVQUAL instrument provides a practical basis for producing an summarised view of overall service quality
- 3) Some of the academic criticisms of SERVQUAL appear to be substantiated by Travel Ltd's research results.
- 4) A more detailed instrument is required to differentiate between service quality of Travel Ltd employees and service quality of employees from third party suppliers.
- 5) The Gaps model together with an understanding of the zone of tolerance provides a powerful tool that Travel Ltd can use as a basis for improving service quality.

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