Czech University of Life Sciences

Prague

Faculty of Economics and Management

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Impact of service quality on customer satisfaction in a hostel

Diploma Thesis

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DIPLOMA THESIS ASSIGNMENT

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Economics and Management

Thesis title

Impact of service quality on customer satisfaction in a hostel

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Objectives of thesis

The objective of this research is to identify is there is relationship between service quality and customer satisfaction.
The result of this research will afford to Hostel's owner access to an important and useful information about customer's perception faced the services offered and then give the possibility for imroving service quality and creation the best determinant of customer satisfaction.

Methodology

Theoretical and practical background knowledge have been used to get the research topic.

In methodology will be present the proposed hypothesis based on literature to support them and respective conceptual framework. This part of research also includes presented questinnaire structure, sampling techniques, data collection method and data analysis procedures.

Getting this area to research on was not a problem for me because I have been interested in customer satisfaction not only as a business student but also as a manager in this hostel.

The proposed extent of the thesis

approx 60-80 pages

Keywords

Hostel, Service quality, Dimensions of service quality, Customer satisfaction, SERVPERF and SERVQUAL models

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Recommended information sources

Agbor, J. M., 2011. The Relationship between Customer Satisfaction and Service Quality: a study of three Service sectors in Umea: Umea school of Business

Dominici, G. & Guzzo R., 2010. Customer satisfaction in the Hotel Industry: A Case Study from Sicily. International Journal of Marketing Studies, 2(2)

Expected date of thesis defence

2015/16 SS – FEM

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DECLARATION

I hereby declare that I have worked on this diploma thesis titled "Impact of service quality on customer satisfaction in a hostel" completely that I have marked all quotations in the work. I used only those literature resources which are listed in the end of this work.

In Prague on…….. ……
signature

ACKNOWLEDGEMENT

Special thanks to my supervisor of this work Richard Selby for the time and efforts put in directing me on what to do.

Thanks to all my lecturers and administrators of Czech University of Life Sciences for their administrative support, given to me.

I wish to thank my parents for their support. They always motivate and encourage me to go my own way. Without them, I would be unable to complete this thesis.

SOUHRN

Výzkum je zaměřen na analýzu vlivu kvality služeb na spokojenost zákazníka v ubytovacím zařízení a najít cestu ke zlepšení.

Cílem tohoto výzkumu je prozkoumat vliv dimenzí kvality služeb na spokojenost zákazníků v "Miles" hostelu, který se nachází v České republice, v Praze.

První část výzkumu je teoretický rámec, který zahrnuje několik témat, jako je definice hostelu, stanovení hlavních modelů kvality služeb, jako SERVQUAL v podnikání, jejich vysvětlení a provádění v podnikových procesech.

Druhá část této práce je praktická část, která je založena na průzkumu, který byl proveden mezi skutečnými zákazníky hostelu. Výzkum je prezentován v podobě dotazníku, který byl proveden autorem této diplomové práce.

Nakonec manažeři si musí být vědomi, že mezi různými dimenzemi kvality služeb, jako jsou čistota, stav pokojů, wi-fi připojení jsou obzvláště významné pro předpovídání spokojenosti zákazníků.

Klíčová slova: Hostel, Kvalita služeb, Rozměry kvality služeb, Spokojenost zákazníků, SERVPERF a SERVQUAL modely.

SUMMARY

The research is focused on the analysis of the impact of service quality on the customer satisfaction in a hostel and on finding the way to make improvements.

The purpose of this research is to explore the impact of service quality dimensions on customer satisfaction in the “Miles” hostel, which is located in Czech Republic, in Prague.

The first part of the research is the theoretical framework which includes several topics, such as a definition of the hostel, determination of the main service quality models, as the SERVQUAL in business, their explanation and implementation in the business processes.

The second part of this work is the practical part which is based on the research provided among real customers, guests in a hostel. The research is presented in the form of the questionnaire which was made by the author of this diploma thesis.

In the end, hostel managers have to be aware that among the various dimensions of service quality, cleanliness, conditions of the rooms, wi-fi connection were especially significant in predicting customer satisfaction.

Key words: Hostel, Service quality, Dimensions of service quality, Customer satisfaction, SERVPERF and SERVQUAL models.

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Impact of service quality on customer satisfaction in a hostel

1. INTRODUCTION

"People want some wise and perspective statement like,
Quality is ballet, not hockey." – Philip Crosby

The hostel industry is marked by the competitive environment it's in. The scenario facing it requires the owners of hostels and their managers to provide a high level of service quality in order to differentiate between competitors with the main purpose of satisfying customer needs.

Tourism is an important driver of economic activity for Czech Republic. The tourism and hospitality industry is responsible for generating approximately 40.3 thousand job positions in Czech Republic.

In year 2015, the number of overnight stays of guests in collective accommodation establishments increased by 6.6% year-on-year, of which for residents by 11.1% and foreigners by 3.5%. In total, 7.4% more guests arrived in this period, of which 10.1% were nationals and 5.5% were foreigners.

During the whole of 2015 all accommodation establishments reported a higher number of overnight stays by 10.2% and the number of guest increased by 9.6% year-on-year.

A total of 3.6 million guests arrived in collective accommodation establishments during the 2015 period; this was 7.4% y-o-y more. (Statistical yearbook of Prague, 2015)

Customer satisfaction is the most important subject of great interest to organizations and researchers alike.

The importance of the measurement of service quality was recognized as one of the most important areas for professionals in marketing to study with the purpose of understanding customer loyalty and service quality performance. (Khattab & Aldehayyat, 2011)

Unlike the quality of goods, which could be measured objectively by such indicators as durability and number of defects (Crosby 1979; Graavin 1983), service quality is an abstract and elusive construct because of the three features unique to services: intangibility, heterogeneity, and inseparability of production and consumption. (Parasuraman, Zeithaml, and Berry 1985)

In the literature about service quality and customer satisfaction much empirical research in different service industries, including the tourism industry exists, presenting this

relationship and which dimensions of service quality have a direct impact on customer satisfaction.

Over the years, this topic has been considered relevant for professionals and companies and little research has been conducted about the relationship between service quality based in customers' perceptions of performance and customer satisfaction only with hotels, but no research has focused on hostels. This indicates that there is a relevant space to be filled with such research.

The literature reviewed said that the customer was considered as the most unpredictable stakeholder in the business environment, responsible to keep the business in operation and based on this problem there is a crucial need to research this area with the intention to identify the relationship between service quality and customer satisfaction. (Agbor, 2011)

The present research was developed in a hostel, which is located in Prague, focusing on the guest in order to identify the customers' perceptions of service quality.

Thus, the evaluation and analysis of service quality and customer satisfaction has been considered as an important factor to improve the overall business performance. (Magi&Julander, 1996)

2. OBJECTIVES AND METHODOLOGY

Objective:

The objective of this research is to identify if there is relationship between service quality and customer satisfaction.

It is also necessary to figure out if the items in the SERVQUAL model are important for hostel guests and how they satisfy their expectations.

The result of this research will afford the owner of the Hostel access to important and useful information about customers' perception of the services offered and then providing the possibility for improving service quality and creating the best determinant of customer satisfaction.

Methodology:

The methodology of the research is represented in a form of a questionnaire.

The questionnaire was created to get the data which will help to create an econometric model to understand that there are relationships between variables, such as items.

The survey is represented in the form of multiple choice questions and 21 evaluation questions with the ability to indicate how each item is important for them and to rate the offered services in the hostel.

The questionnaire is given to guests during their stay in the hostel and at check out time with the purpose of giving them the opportunity to see and assess the conditions in the hostel.

The results were analyzed and transformed in to graphs and tables with explanations.

In research will test the proposed hypotheses based on supporting literature. This part of the research also includes presented questionnaire structure, sampling techniques, data collection method and data analysis procedures.

There are ten hypotheses, which are tested further, in the practical part of this work.

Theoretical and practical background knowledge have been used to get the research topic.

3. LITERATURE REVIEW

The aim of this section is to present literatures relevant to this piece of research and to provide the theoretical framework. The chapter begins with the formulation of hypotheses, review of definitions and some measurements of customer satisfaction and service quality, and then follows with the relationship between customer satisfaction and service quality which leads to the conceptual framework of the study.

3.1 Hypotheses formulation

The function of the hypothesis is to state a specific relationship between phenomena in such a way that this relationship can be empirically tested. The basic method is the creation of the research so that logically will require the acceptance or rejection of the hypothesis on the basis of resulting data.

Statistical hypothesis testing is a procedure, based on sample evidence and probability theory, in order to determine whether a hypothesis is a reasonable statement.

According to Bubaková (2014), the testing of hypotheses contains the next steps:

1) State the null and alternative hypotheses
2) The selection of a level significance
3) Identification of the test statistic and calculation of it
4) Formulation of a decision rule and finding the critical value
5) Decision making

1. State the null and alternative hypotheses

The null hypothesis is marked as H_0 and it is also the statement about a value of the parameter. H_0 is tested and is either rejected or can not be rejected at the end of the testing procedure.

An alternative hypothesis is denoted as H_1 or H_A and is a statement that is accepted if the sample data provide sufficient evidence that the null hypothesis is false.

2. Selection a level of significance

In statistical testing there always exist the risk of wrong decision.

This risk is declared by the level of significance and noted as α.

The level of significance which is used in statistics:

i) α =0.1, i.e. 10% level of significance →the risk of rejecting H_0, when it is true, is 10%

ii) α =0.05, i.e. 5% level of significance →the risk of rejecting H_0, when it is true, is 5%

iii) α=0.01, i.e. 1% level of significance →the risk of rejecting H_0, when it is true, is 1%

The level of significance is called type I error. A type II error is accepting the null hypothesis when it is false and is denoted by β.

A very small value of α means that it is necessary to lower the risk of wrongly rejecting H_0, but it should increase the risk of accepting H_0 when it is not true.

This should be considered when hypothesis testing is used. The relationship between type I and type II errors is shown in a table 1.

Table 1 – Types of errors in statistical hypotheses testing

	Researcher	
	Accepts H_0	Rejects H_0
H_0 is true	Correct decision	Type I error α
H_0 is false	Type II error *B*	Correct decision

Source: Empirical research in economics. Bubáková P., 2014. p.76

3 Identification of the test statistic and its calculation

A test statistic is a value determined from pattern information. The test statistic is used to determine if it is necessary to reject the null hypothesis or not.

Different objectives require different test statistics. Often used tests are the t-statistic, F-statistic and χ^2 – statistic.

4 Decision rule formulation and finding of critical value of the test

A decision rule is a statement of the specific conditions under which the null hypothesis is rejected.

Every test has a posed decision rule. This rule mainly includes a comparison of the calculated test statistic with the critical value of the test. The critical value can be found in statistical tables.

5 Decision making

The decision about whether the null hypothesis should be rejected is dependent on a comparison of the t-statistic with the critical value. In tests such as the t-test, F-statistic and χ^2 – statistic, the null hypothesis is rejected when the test statistic has an absolute value higher than the critical value. (Bubakova P., 2014)

This framework measures the service quality by regarding the gaps between expectation and performance with sub-factors as tangibles, reliability, assurance, responsiveness, and empathy.

Service quality measurement models as SERVQUAL and SERVPERF have five dimensions, which include tangibility, reliability, responsiveness, assurance, and empathy and have conceptualized the hypotheses of the research with the aim to identify the relationship of five dimensions. (Cronin and Taylor, 1992)

The dimension ***tangibility*** of service quality mentions the appearance of physical facilities. (Parasuraman, et. al., 1998). Regarding the hostel, this dimension includes the reception desk, cleanliness and condition of rooms, tourist tickets and other factors correlated to customer satisfaction. (Lai, 2004, Kumar et. al., 2010).

Thus, the following hypotheses are proposed:

H1: The location of the hostel satisfies customer's expectations

H3: The cleanliness of the hostel satisfies customer's expectations

H4: The conditions of the rooms in the hostel satisfy customer's expectations

H5: The hostel wi-fi connection satisfies customer's expectations

H8: The laundry service of the hostel satisfies customer's expectations

The dimension ***responsiveness*** measures the willingness to help customers and provide prompt service.

Thus, the following hypothesis is proposed:

H10: The behavior of the employee instills confidence and satisfy customers' expectations

The dimension ***assurance*** represents the knowledge and courtesy of the employees. It is also possible to say how employees give personal attention to their customers.

Therefore, formulation of the next hypothesis included check out time of the hostel:

H6: The check out time of the hostel satisfies guests' expectations

Reliability shows the customers perceptions based on the promised services accurately, reliably, and dependably.

This dimension is the most dependable indicator related to the customers' previous experience and described customers' satisfaction. (Parasuraman, et. al., 1988)

Therefore, the following hypotheses are:

H7: The discounts for sale of tour tickets in the hostel satisfies customers' expectations

H9: The receptionist's pleasant greetings and helpfulness satisfies guests' expectations

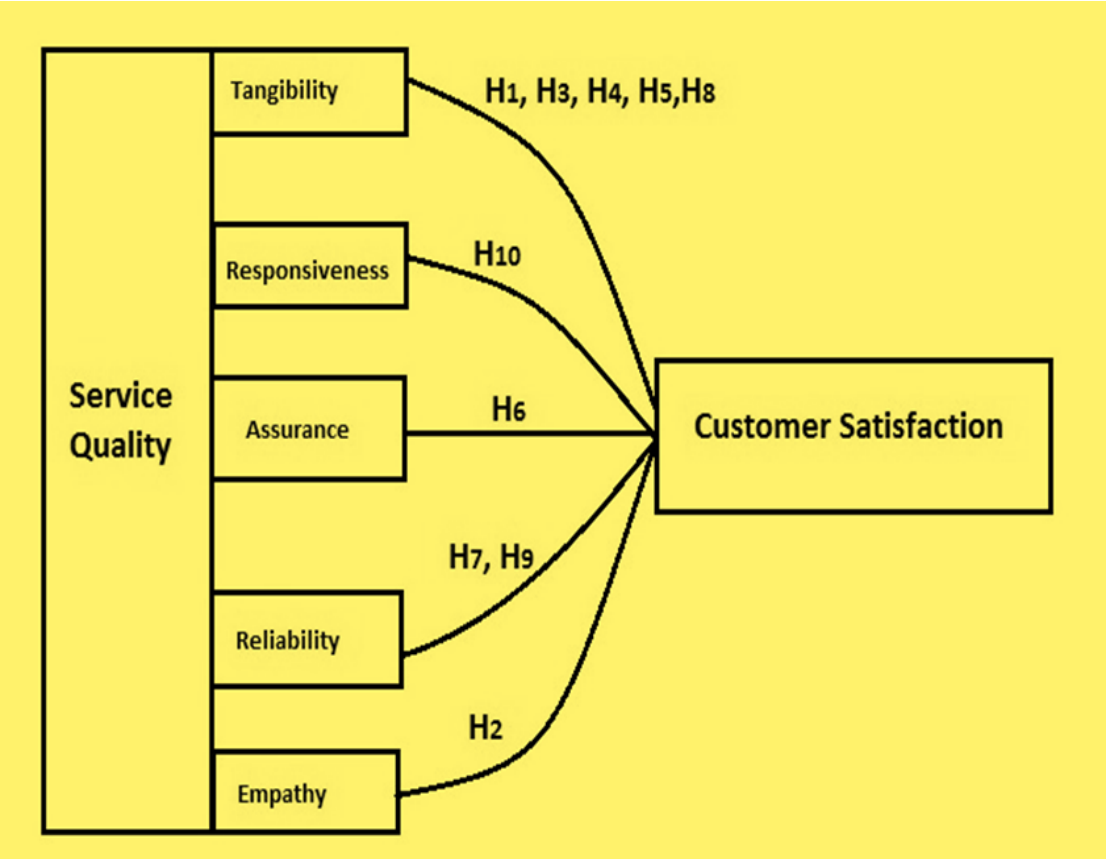
Empathy was identified as the caring and understanding of customers' specific needs.

Thus, the following hypothesis is:

H2: The operating hours of the hostel satisfy guests' expectations.

Supporting the ten proposed hypotheses, mentioned above, the conceptual framework was created (Figure 1).

Figure 1: Conceptual framework – Service Quality and Customer Satisfaction



Source: Own input

3.2 Definition of the hostel

The first youth hostel was opened in 1912 in Altena Castle (Germany). In 1909 Richard Schirrmann, a German schoolteacher, and Wilhelm Münker, a conservationist, saw the need for overnight accommodation for school groups wanting to experience the countryside.

The first youth hostel, named, Jugendherberge opened in Schirrmann's own school, in Altena, Westphalia.

In 1912 standing hostel in Altena Castle replaced the school-building, and as of 2013 year a hostel still stands in the castle grounds.

The first hostel was located outside the city center. There were bunk beds, a kitchen and a communal area.

The first hostels offered free accommodation in exchange for cleaning. So guests did chores, cleaned.

Since then, only a few changes had been made to this system. Hostels were located in the city center and they started to charge guests a small fee. But the communal atmosphere and general look is still as it was before.

Most of the hostels provide budget-oriented and sociable accommodation where guests can rent a bed, usually bunk beds, in a dormitory with a shared bathroom, lounge, and sometimes a kitchen. Rooms are mixed or single-sex, although private double rooms also exist. Hostels are generally cheaper than hotels or apartments.

As an answer to the question about the difference between hotel and a hostel, there are many over – emphasized differences:

1. Hostels are more budget-oriented and rates are lower. Many hostels have programs to share books, DVDs, and other items.
2. For people who prefer an informal environment, hostels do not usually have the same level of formality as hotels. There is less privacy in a hostel than in a hotel.
3. For those who prefer to socialize with their fellow guests, hostels usually have more common areas and opportunities to socialize. The dormitory aspect of hostels also increases the social factor. Hostels maintain more social interaction and atmosphere between guests due to the shared sleeping areas and communal areas such as kitchens, and internet cafes.
4. Hostels are generally self-catering.

The traditional hostel format involved dormitory style accommodation.

Some newer hostels also include en-suite accommodation with single, double or quad occupancy rooms, though to be considered a hostel they must also provide dormitory accommodation.

In recent years, the numbers of independent and backpackers' hostels in the world have increased greatly to cater for the greater numbers of overland, multi-destination travelers.

The quality of such places had also improved dramatically.

New hostels still insist on a curfew, and require occupants to do chores, this is becoming a rare exception rather than the rule, as hostels adapt to meet the changing expectations of guests. (Coburn, 1950)

3.3. Service quality and customer satisfaction

3.3.1. Service quality

Service quality is a measure of how well the service delivered matches customer expectations. Delivering service quality means conforming to customer expectations on a consistent basis.

Sasser, Olsen, and Wyckoff (1978) discussed three different dimensions of service performance: levels of material, facilities, and personnel. Implied in this trichotomy is the notion that service quality involves more than outcome; it also includes the manner in which the service is delivered. This notion surfaces in other research on service quality as well.

Gronroos, for example, postulated that two types of service quality exist: technical quality, which involves what the customer is actually receiving from the service, and functional quality, which involves the manner in which the service is delivered. (Gronroos, 1978)

Service quality is a topic of crucial importance for the hotel industry. Service quality is a difficult concept and it is almost impossible to have one single measure to assess its level.

Much literature suggests that the customer is the only real arbiter of service quality. However, this approach can be criticised as it fails to take into account the differing perceptions of customers.

As the services possess the element of intangibility it is very difficult to have a standardized and scientific tool for measurement. (Parasuraman et al., 1985, 1990)

The authors Parasuraman, Zeithaml, and Berry originally identified ten determinants of service quality based on series of focus group sessions. (Parasuraman et al., 1985)

They subsequently developed SERVQUAL (1988), which recasts the ten determinants into five specific components: tangibles, reliability, responsiveness, assurance, and empathy. The main thesis of the service quality models was that the consumers' quality perceptions were influenced by a series of gaps.

The main challenge for researchers was to devise methods to measure these gaps accurately. (Parasuraman et al., 1985, 1988)

As Fache' (2000) observed that one of the most important developments in the tourism industry is the growing attention to service quality from customer's perspective.

3.3.2. Measuring service quality

Among all customer demands, quality service has been increasingly recognized as a critical factor in the success of any business. (Gronroos, 1978; Parasuraman et al., 1988) The most widely accepted measurement scale for service quality is SERVQUAL (Parasuraman et al., 1985; 1988), which consists of five essential service quality dimensions (Table 2).

The quality gap (Q) is calculated by subtracting the expectation (E) from the perceived (P) value i.e. P-E = Q. Summation of all the Q values provides an overall quality rating which is an indicator of relative importance of the service quality dimensions that influence customers' overall quality perceptions.

Parasuraman, Zeithaml and Berry (1988) suggested that SERVQUAL may be used to:

- track service quality trends over time;
- compare branches within a bank or building society;
- compare an organization with its competitors;
- categorize customers into perceived quality segments based on their individual SERVQUAL scores.

The original SERVQUAL instrument, proposed by Parasuraman, Zeithaml and Berry (1985), identified ten components of service quality.

Later, in a further study, those ten components were merged into five dissimilar dimensions viz.:

-reliability (5 items) which is the ability to perform the service in an accurate and dependable manner;

-tangibles (4 items) which refers to the appearance of physical factors such as equipment, facilities and personnel;

-empathy (5 items) which involves providing individual attention and care to customers;

-responsiveness (4 items) is the willingness to provide help and prompt service to customers;

-assurance (4 items) refers to the knowledge and courtesy of employees and their ability to convey trust and confidence.

In their 1988 work these components were collapsed into five dimensions: reliability, assurance, tangibles, empathy, responsiveness as defined in table 2.

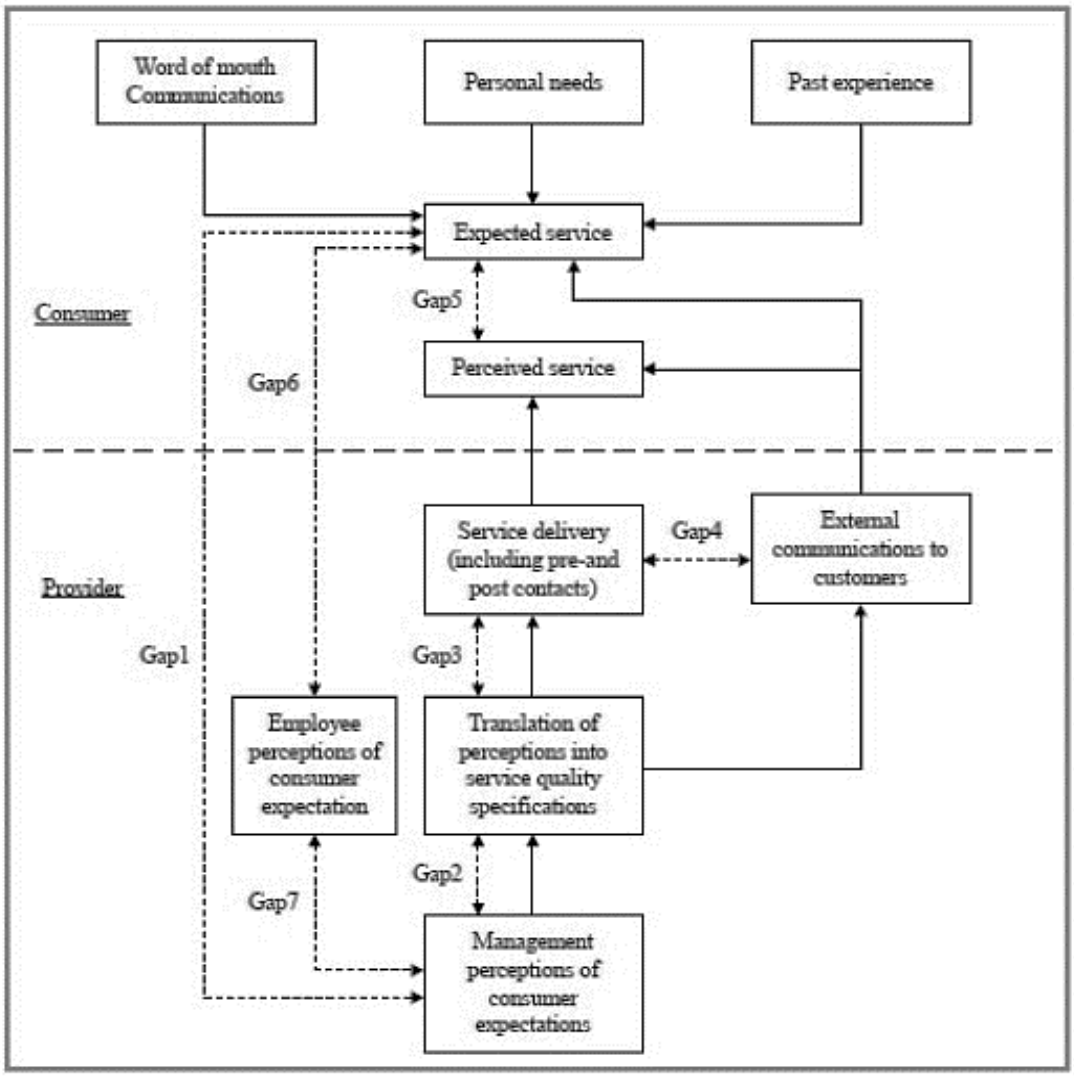
Table 2: SERVQUAL dimensions

Dimension	Definition
Tangibles	Appearance of physical facilities, equipment, personnel and communication materials
Reliability	Ability to perform the promised service dependably and accurately
Responsiveness	Willingness to help (internal) customers and provide promt service
Assurance	Knowledge and courtesy of employees and their ability to convey trust and confidence
Empathy	Caring, individualized attention the employees provide to each other

Source: Adapted from Zeithaml et al. (1990)

SERVQUAL service quality model consists of several quality gaps (Q), which are below, in a figure 2.

Figure 2: Gap Model of Service Quality



Source: Parasuraman, Zeithaml and Berry (1985)

Gap 1: The manager perceives the customers' expectations differently from the customers.

Gap 2: The service quality specifications do not agree with management perceptions of quality expectations.

Gap 3: Difference between quality specifications of the promised service and the final service delivered.

Gap 4: Promises made by market communication activities are not met by the delivered service.

Gap 5: Difference between the expectations of what firms should provide in the industry and their perceptions of how a given service provider performs.

Gap 6: Difference between the expectations of what firms should provide in the industry and their employee's perceptions of consumer expectation.

Gap 7: Difference between the employee's perceptions of consumer expectation and management's perceptions of consumer expectation. (Parasuraman, Zeithaml and Berry, 1985)

Unlike SERVQUAL, SERVPERF does not differentiate service quality from customer satisfaction, SERVQUAL measures performance based on the gap between expectation and perception while SERVPERF measures actual performance based on customer satisfaction.

Cronin and Taylor (1992) have examined performance – based measure of service quality, called SERVPERF in four industries (banking, pest control, dry cleaning and fast food).

SERVPERF is composed of the 22 perception items in the SERVQUAL scale, and therefore excludes any consideration of expectations. They found that this measure explained more of the variance in an overall measure of service quality then did SERVQUAL. (Anderson et al., 1994)

3.3.3. SERVQUAL model

The SERVQUAL model is comprises by 44 items (table 3) divided in five dimensions and 22 of those items have the purpose of measuring customer expectations and the other 22 items to measure the performance.

SERVQUAL comprises 22 items (Likert-type) with five dimensions, reliability, responsiveness, assurance and empathy.

Each item in the SERVQUAL instrument is of two types. One to measure expectations about firms in general within an industry and the other measures perceptions regarding the particular company whose service is being assessed.

This measurement is based on the gaps between expectations and performance. (Parasuraman, et.al.1988)

Table 3: SERVQUAL model

Dimensions	Expectations	Performance
Tangibility	Excellent banking companies will have modern looking equipment	Materials associated with the service (such as pamphlets or statements) are visually appealing at XYZ bank
	The physical facilities at excellent banks will be visually appealing	When XYZ bank promises to do something by a certain time, it does so
	Employees at excellent banks will neat appearance	When you have a problem, XYZ bank shows a sincere interest in solving it
	Materials associated with the service (such as pamphlets or statements) will be visually appealing at an excellent bank	XYZ bank performs the service right first time
Reliability	When excellent banks promise to do something by a certain time, they do	XYZ bank provides its service at the time it promises to do so
	When a customer has a problem, excellent banks will show a sincere interest in solving it	XYZ bank insists on error free records
	Excellent banks will perform the service right the first time	Employees in XYZ bank tell you exactly when services will be performed
	Excellent banks will provide the service at the time they promise to do so	Employees in XYZ bank give you prompt service
	Excellent banks will insist on error free records	Employees in XYZ bank are always willing to help you

Responsiveness	Employees of excellent banks will tell customers exactly when services will be performed	Employees in XYZ bank are never too busy to respond to your request
	Employees of excellent banks will give prompt service to customers	The behavior of employees in XYZ bank instils confidence in you
	Employees of excellent banks will always be willing to help customers	You feel safe in your transactions with XYZ bank
	Employees of excellent banks will never be too busy to respond to customers' requests	Employees in XYZ bank area consistently courteous with you
Assurance	The behavior of employees in excellent banks will instill confidence in customers	Employees in XYZ bank have the knowledge to answer your questions
	Customers of excellent banks will feel safe in transactions	XYZ bank gives you individual attention
	Employees of excellent banks will be consistently courteous with customers	XYZ bank has operating hours convenient to all its customers
	Employees of excellent banks will have the knowledge to answer customers' questions	XYZ bank has employees who gives personal attention
Empathy	Excellent banks will give customers individual attention	XYZ bank has your best interest at heart
	Excellent banks will have operating hours convenient to all their customers	The employees of XYZ bank understand your specific needs
	Excellent banks will have employees who give customers personal attention	Materials associated with the service (such as pamphlets or statements) are visually appealing at XYZ bank
	Excellent banks will have their customer's best interest at heart	When XYZ bank promises to do something by certain time, it does so
	The employees of excellent banks will understand the specific needs of their customers	When you have a problem. XYZ bank shows a sincere interest in solving it

Source: Parasuraman, et.al. (1988)

The dimensions of SERVQUAL have the objective to identify customer perceptions based on expectations and performance of service offered (Parasuraman, et.al.1988), including to evaluate the appearance of physical facilities, equipment, personnel and communication materials (tangibility); the ability to perform the promised service dependably and accurately (reliability); the willingness to help customers and to provide prompt service

(responsiveness); the knowledge and courtesy of employees and their ability to convey trust and confidence (assurance) and empathy – the provision of caring, individualized attention to customers.

Service quality is increasingly recognized as being of key strategic value by organizations. The associated costs and major benefits to be derived from successful service quality are highlighted by several authors (Crosby, 1979; Sasser, 1978) summarized as:

- Satisfied and retained customers and employees;
- Opportunities for cross-selling;
- The attraction of new customers;
- Development of customer relationships;
- Increased sales and market shares;
- Enhanced corporate image;
- Reduced costs and increased profit margins and business performance.

The SERVQUAL model has been widely adopted by different industries, including banking, hospital, retail, educational institution, rental car and other professionals. (Cronin & Taylor, 1992)

3.3.4. SERVPERF model

The researchers Cronin and Taylor (1992) were amongst the researchers who levelled the maximum attack on the SERVQUAL scale.

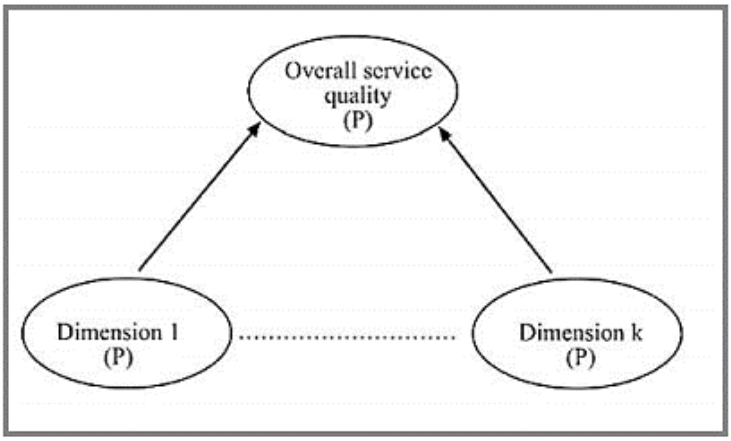
Cronin and Taylor (1992) in their research contradicted the Parasuraman et al.(1985, 1988) conceptual framework, and proposed the model to measure the service quality based on merely performance, called SERVPERF, illustrating that service quality is a form of consumer attitude.

However, later Parasuraman, Zeithaml and Berry responded to the concerns of Cronin and Taylor (1992) and Teas (1993) by empirically proving that the validity and alleged severity of many of those concerns raised by them were questionable, and in fact elaborated that though their approach for conceptualizing service quality could be revised, relinquishing it altogether in preference of the alternate approaches as proclaimed by the critics did not seem justified.

In another empirical work, Parasuraman, Zeithaml and Berry (1988) refined SERVQUAL's structure to embody not only the discordance between perceived service and desired service, but also the discrepancy between perceived service and adequate service.

They modified the gap-based SERVQUAL scale into SERVPERF, a performance-only index. Their study was later replicated by Brady, Cronin and Brand. Their findings suggest that little if any theoretical or empirical evidence supports the relevance of the E-P=quality gap as the basis for measuring service quality.

Figure 3: Performance only model



Source: Martinez (2010).

Perceived service quality is said to be a reflection of the firm's performance. On using the firm's service, customers were said to form an attitude towards service quality performance. This satisfaction level with regard to the products/services indicates how the firm performs.

The SERVPERF model claims that to find the performance of a firm (i.e. its service quality) all that is required is to collect data by directly asking the customer through a simple survey and questionnaire. (Anderson et al., 1993)

SERVQUAL measures performance based on the gap between expectation and perception while SERVPERF measures actual performance based on customer satisfaction.

3.3.5. Customer satisfaction

Customers always want to get maximum satisfaction from the products or services that they buy. (Kotler, 2002)

A customer is the person who does the buying of the products and the consumer is the person who ultimately consumes the product. (Solomon, 2009)

Customers always prefer a product or service that gives them maximum satisfaction.

But how will organizations know whether the consumers' consumption habits have changed? How will the organization know if competitors' brands, which can trap their customers, are doing better than theirs?

Customer satisfaction has been studied in different directions, from measurement to its relationship to other business aspects. Some researchers have provided possible means of measuring customer satisfaction.

Customer satisfaction is defined by one author as "the consumer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product or service as perceived after its consumption, hence considering satisfaction as an overall post-purchase evaluation by the consumer". (Fornell,1992)

Some authors have stated that there is no specific definition of customer satisfaction, and after their studies of several definitions they have defined customer satisfaction as " a response (cognitive or affective) that pertains to a particular focus (i.e. a purchase experience and/or the associated product) and occurs at a certain time (i.e. post-purchase, post-consumption)". (Tse & Wilton, 1988)

Client happiness, which is a sign of customer satisfaction, is and has always been the most essential thing for any organization.

Customer satisfaction is defined by one author as "the consumer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product or service as perceived after its consumption" (Tse & Wilton, 1988) hence considering satisfaction as an overall post-purchase evaluation by the consumer".

The concept of satisfaction as the reward obtained by buying a product or service compared to the sacrifices made, but should be seen as the assessment made from an experience that exceeds initial expectations.

Solomon (2009) in his research considered that satisfaction can be defined as the judgement formed during the use or consumption of a product or service, therefore a reaction or feeling about an expectation, the result of performance evaluation of a product or service (Cronin &Taylor, 1992), and also can be define as a business strategy with the purpose to create value for customers, identify and satisfy or exceed their needs. (Mohd et al., 2013)

With the increasing number of hotels, hostels and growing competition today, each company wants to be the customers' first choice. To achieve this, organizations need to answer the questions above via continuous research in this area so as to lead the organizations to their twin objective of satisfying their customers and making profits. (Fornell, 1992)

4. CASE STUDY

The aim of this section is to present the results and analysis of the thesis. In this chapter the results of survey were showed, the statistical analysis of the questionnaire was done, and also the econometric model was constructed.

Presentation of the findings was showed through the graphs and figures so that the reader would get a clear picture of each part for a better understanding of the analyses.

Thus, the first chapter begins with the presentation of the hostel "MILES".

4.1. About Hostel MILES

Hostel Miles – small and cozy hostel in the central part of Prague. It is located on the Vodičková street. Very close to the Můstek metro station and to the city's public transport.

Operating hours of the hostel from 9 am till 11 pm each day.

For guests who appreciate the most central location in Prague is the most ideal variant. Guests can do the reservation trough the booking.com, hostelworld.com, hostelbookers.com, expedia.com reservation systems or can write directly to the hostel's email address to reserve the room.

All rooms are non-smoking. Each room has the lockers, it is very nice item for guests.

If guests have valuable things, they can use the main reception's locker for high safety.

Air-conditioning works all the time during summer days.

There are eleven rooms in the hostel.

One of these rooms is an apartment room. It includes shower, toilet and a kitchen. Also in this room two sofas and laptop.

Other rooms with shared bathroom, and there is available kitchen for all guests where they can use kettle, fridge, dish washer, microwave, own, coffee machine and dishes.

Coffee, tea and sugar are for free.

There are two seven beds dormitory rooms. Two female four beds room and two mixed dorm beds rooms. Other four rooms are double rooms. Two of them are included extra-beds in occasion if guests travel with children.

Photos of the hostel were showed in appendices, which were putted in the end of the research.

4.2. Statistical analysis of the survey

In order to create a case study of this diploma work several methods were used: collection of data, analysis of results and presentation of the results in the form of graphs with explanations, construction of econometric model with the following interpretation and providing of the statistical tests (T-test and F-test).

All questions and tasks in the survey were based on the literature review and objectives of this diploma thesis.

Data collection was created in the form of the survey. The data was gathered during the 3 months. Receptionist gave to guests to fill out evaluation templates during of their staying in the hostel.

The main variable in the questionnaire was customer satisfaction. It was important to find out customers point of view about their satisfaction.

Each question was created to identify the importance of each item for customers by a 5 point system. A scale of 1-5. Mark "1" means very dissatisfied, and mark "5" means very satisfied.

Evaluation guest questionnaire included four multiple choice questions and after answering them, there are two tables, where participants could briefly tick their answers, thus did not take a lot of time.

The first table was created to identify each item's importance, such as location of the hostel, operating hours, cleanliness etc.

The second part of guest evaluation questionnaire was also based on the table related to the evaluation and rating of each item, specifically in the "MILES" hostel.

For identification and working out the overall rate for the hostel, question eleven was included in to the second table, which proposed to demonstrate how guests evaluated the whole package of services.

Around 150 surveys were given to each guest, and only 115 people feed back was attained. Mostly people did not answer on this template, because they could not speak and understand English. Other guests did not want do survey, referring of not have enough time.

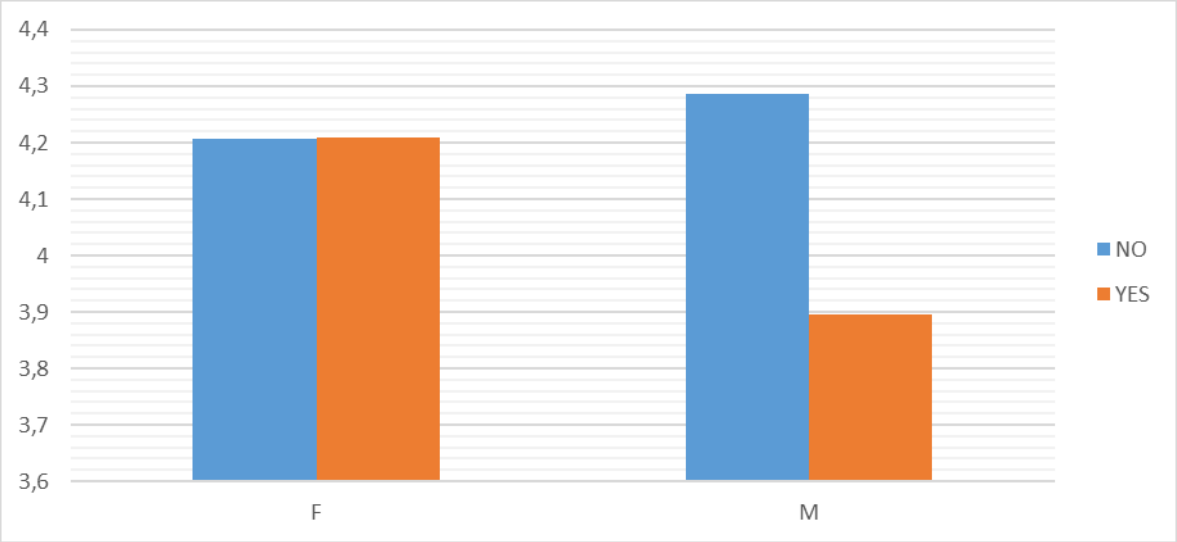
As the basis for evaluation questions, the author of this research used SERVQUAL model. Each answer of the question gave the information of customers satisfaction by services provided.

The owner of the hostel and managers have to be made aware of the various dimensions of service quality. The overall mark given in the questionnaire is especially significant to predict customer satisfaction.

This research had the main goal of proving statistically if there was a difference between customer expectation of service quality and their satisfaction of obtained service.

The analysis of the questionnaire results is as follows:

Graph 1: Average evaluation of items by guests (gender, points, experience)

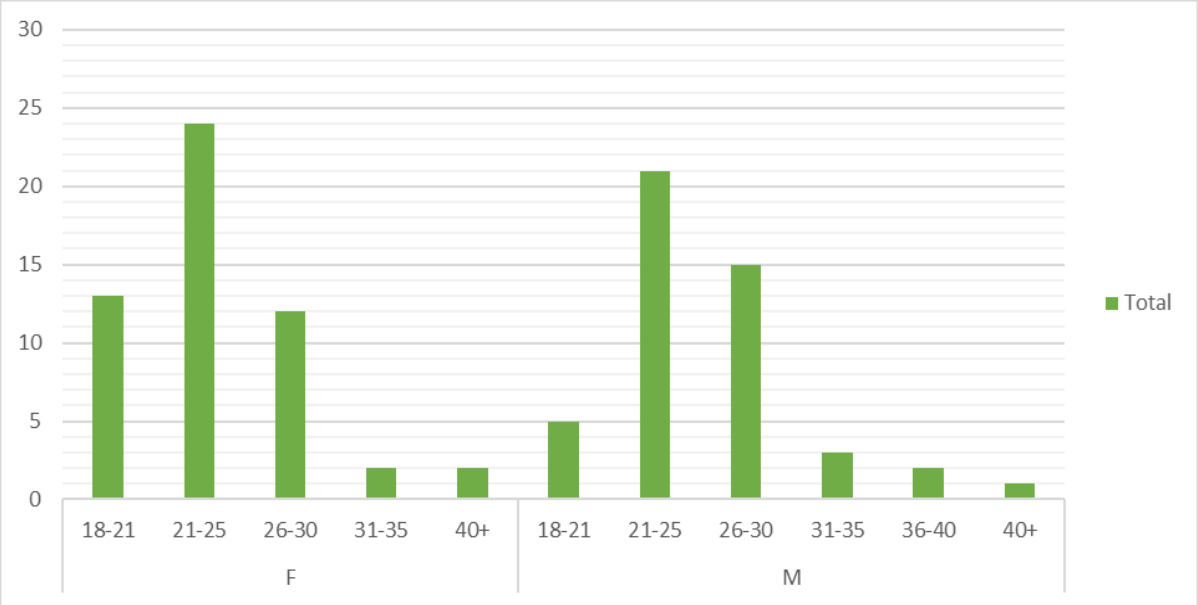


Source: Own input

According to questionnaire results on the graph, the more experienced women evaluated the provided service by 4.2.

Men without experience evaluated hostel's service quality at the level 4.28 points. Otherwise men who had experience evaluated the service lower and gave the mark 3.9.

Graph 2: Age of participants, staying at the hostel

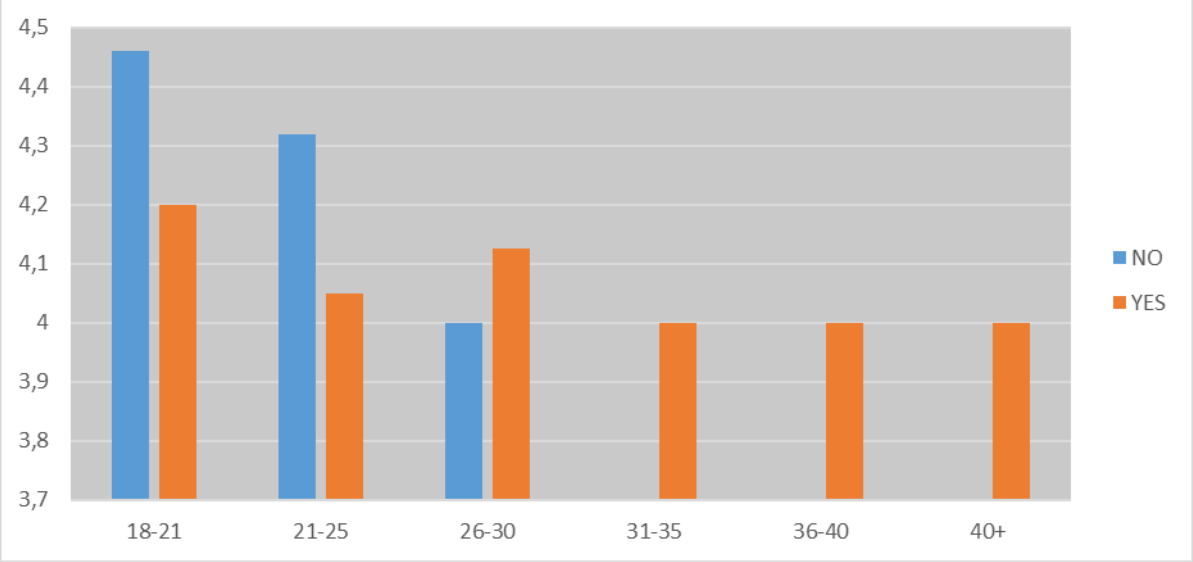


Source: Own input

According to results of the questionnaire, the average age of participants, was 21-25 years (female) and 21-25 years (male).

Between young people, women more interested in low cost accommodation, which was shown in the graph 2.

Graph 3: Evaluation marks from guests (experienced and not experienced guests)



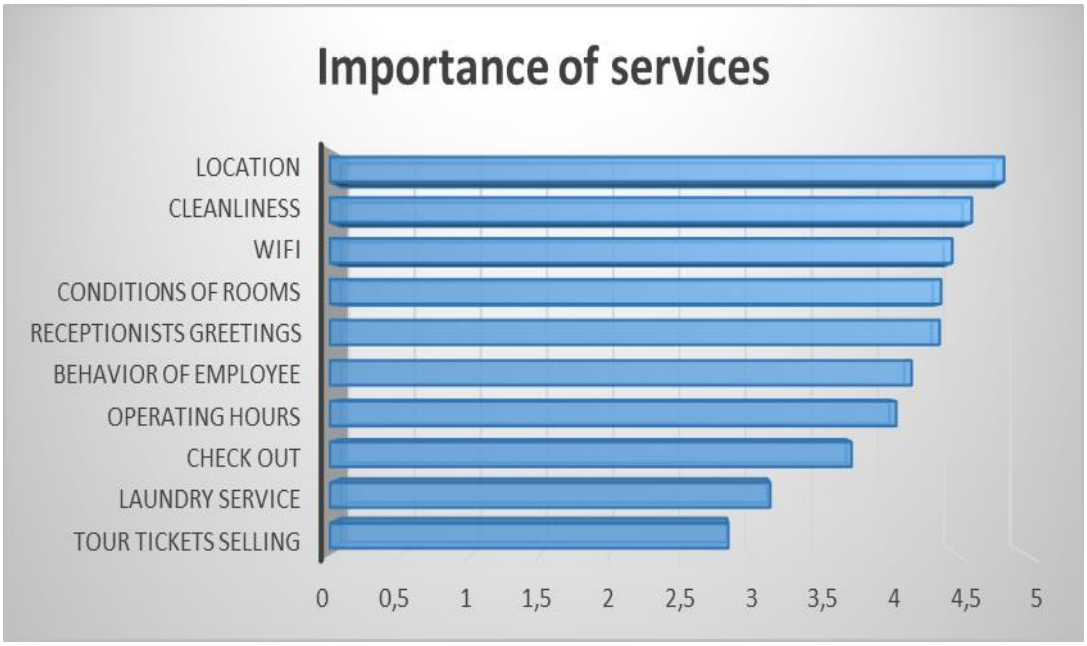
Source: Own input

According to the data, collected from the questionnaire, as shown on the graph 3, young people, without much experience of hostels, evaluated the hostel higher, and the average mark which they gave was 4.4.

Otherwise, more experienced people evaluated the service quality at 4.

All data from the guests' survey was putted into the GRETL software and EXCEL program. According to computations, the participants' evaluation of each item was showed as a scale of each item's importance. (Graph 4)

Graph 4: Participants' evaluation of each item in the "MILES" hostel



Source: Own input

According to graph 4, the most important item for guests was location. Second main item was the cleanliness.

The third place was taken by presence of a wifi – connection. In fourth place were the conditions of rooms.

All of these items are tangible, while the receptionist's pleasant greetings and helpfulness are intangible, and were not very important, according to the results of the survey.

Equally, the confidence instilled by the behavior of the employees was not classified being important.

Hypotheses formulation, accepting or rejection:

H_1: The location of the hostel satisfies customers' expectation

H_0: $\mu_q = \mu_r$ – There is no significant difference between the importance of location for the guests and their satisfaction.

H_a: $\mu_q \neq \mu_r$ - There is a significant difference between importance of location for the guests and their satisfaction.

Paired sample T-test

Q/R	Q_Mean	R_Mean	p-value	Sign. Level 0,05	Assessment
Location	4.82	4.81	0.836034	p>0.05	No differ.

P-value (0.84) is higher than the level of significance, which means that there is no significant difference between importance of location for the guests and their satisfaction.

For guests the importance of location was evaluated by 4.82.

The rate of the hostel's location was evaluated by 4.81 in average.

By using the t-test, it was proved that guests' expectations about the location of hostel were satisfied.

H_2: The hostel operating hours satisfy to customers' expectations

H_0: $\mu_q = \mu_r$ – There is no significant difference between the importance of operation hours for the guests and their satisfaction in the hostel

H_a: $\mu_q \neq \mu_r$ –There is a significant difference between importance of operating hours for the guests and their satisfaction.

Paired sample T-test

Q/R	Q_Mean	R_Mean	p-value	Sign. Level 0,05	Assessment
Operating hours	4.05	4.17	0.245749	p>0.05	No differ.

P-value (0.25) is higher than the level of significance, which means that there is no significant difference between importance of operating hours for the guests and their satisfaction.

Importance of the operating hours for guests was evaluated by 4.05 (mean).

The level rate of hostel operating hours was evaluated by 4.17.

It was proved by t-test, guests' expectations of the operating hours of hostel were satisfied.

H_3: The cleanliness of the hostel satisfies to customers' expectations

H_0: $\mu_q = \mu_r$ – There is no significant difference between importance of cleanliness for the guests and their satisfaction.

H_a: $\mu_q \neq \mu_r$ –There is a significant difference between importance of cleanliness for the guests and their satisfaction.

Paired sample T-test

Q/R	Q_Mean	R_Mean	p-value	Sign. Level 0,05	Assessment
Cleanliness	4,59	3,97	3E-09	p<0,05	Difference

P-value (0.000) is lower than the level of significance, this means there is significant difference between importance of cleanliness for the guests and their satisfaction.
For guests the importance of cleanliness was evaluated by 4.59, in average.
The rate of the hostel's cleanliness was evaluated by 3.97 points.
By using the t-test, was proved, that guests' expectations of the cleanliness were not satisfied.

H_4: The conditions of the rooms in the hostel satisfy customers' expectations

H_0: $\mu_q = \mu_r$ – There is no significant difference between importance of rooms' conditions for the guests and their satisfaction.
H_a: $\mu_q \neq \mu_r$ – There is a significant difference between importance of rooms' conditions for the guests and their satisfaction.

Paired sample T-test

Q/R	Q_Mean	R_Mean	p-value	Sign. Level 0,05	Assessment
Conditions of rooms	4,37	4,09	0,002151	p<0,05	Difference

P-value (0.002) is lower than the level of significance, there is a significant difference between rooms' conditions and guests' expectations.
For guests the importance of rooms' conditions was evaluated by 4.37.
The rate of rooms' conditions in the hostel was evaluated by 4.09.
According to the t-test results, the guests' expectations and satisfaction of the rooms' conditions were not satisfied.

H_5: The wi-fi connection in the hostel satisfies customers' expectations

H_0: $\mu_q = \mu_r$ – There is no significant difference between the importance of wi-fi connection for the guests and their satisfaction.

H_a: $\mu_q \neq \mu_r$ – There is a significant difference between the importance of wi-fi connection for the guests and their satisfaction.

Paired sample T-test

Q/R	Q_Mean	R_Mean	p-value	Sign. Level 0,05	Assessment
Wi – fi connection	4,45	3,76	1,86E-06	p<0,05	Difference

P-value (0.000) is lower than the level of significance, it means there is significant difference between the wi-fi connection and customers' satisfation.

For guests the importance of wi-fi connection was evaluated by 4.45.

The mean rate of the hostel wi-fi connection was evaluated only by 3.76.

According to results of the t-test, guests' expectations of the hostel wi-fi connection were not satisfied.

H_6: The check out time of the hostel satisfies customers' expectation

H_0: $\mu_q = \mu_r$ –There is no significant difference between importance of check out time for the guests and their satisfaction.

H_a: $\mu_q \neq \mu_r$ –There is a significant difference between importance of check out time for the guests and their satisfaction.

Paired sample T-test

Q/R	Q_Mean	R_Mean	p-value	Sign. Level 0,05	Assessment
Check out	3,73	3,5	0,069666	p>0,05	No differ.

P-value (0.07) is higher than the level of significance, thus there is no significant difference between the expected check out time and guests' satisfaction.

Guests evaluated the importance of check out time by 3.73.

The mean rate of the check-out time was in a 3.5 points.

According T-test results, guests' expectations in check out time were satisfied.

H_7: The sale of tour tickets in a hostel satisfies customers' expectation

H_0: $\mu_q = \mu_r$ – There is no significant difference between importance of the sale of tour tickets for the guests and their satisfaction.

H_a: $\mu_q \neq \mu_r$ –There is a significant difference between importance of the sale of tour tickets in a hostel

Paired sample T-test

Q/R	Q_Mean	R_Mean	p-value	Sign. Level 0,05	Assessment
The sale of tour tickets	2,85	3,69	4,44E-11	p<0,05	No differ.

P-value (0.000) is lower than the level of significance, thus there is no significant difference between importance of the sale of tour tickets and guests' expectations.

For guests the importance of the sale of tour tickets was evaluated by 2.85. The mean rate of this item was evaluated by 3.69.

By using the t-test, it was proved, guests expectations of the sale of tour tickets in the hostel was over satisfied.

H_8: The laundry service of the hostel satisfied customers' expectation

H_0: $\mu_q = \mu_r$ –There is no significant difference between importance of laundry service for the guests and their satisfaction.

H_a: $\mu_q \neq \mu_r$ –There is a significant difference between importance of laundry service for the guests and their satisfaction.

Paired sample T-test

Q/R	Q_Mean	R_Mean	p-value	Sign. Level 0,05	Assessment
Laundry service	3,15	3,59	0,000145	p<0,05	No differ.

P-value (0.0001) is lower than the level of significance, which means that there is no significant difference between importance of laundry service and customers' satisfaction.

The importance of laundry service was evaluated by 3.15, in average.

The mean rate of the hostel's laundry service was 3.59 points. According to the t-test results, guests expectations of the laundry service in a hostel was over satisfied.

H_9: The receptionist's pleasant greetings and helpfulness satisfies customers' expectation

H_0: $\mu_q = \mu_r$ – There is no significant difference between the importance of receptionist's greetings and helpfulness for the guests and their satisfaction.

H_a: $\mu_q \neq \mu_r$ – There is a significant difference between importance of receptionist's greetings and helpfulness for the guests and their satisfaction.

Paired sample T-test

Q/R	Q_Mean	R_Mean	p-value	Sign. Level 0,05	Assessment
Receptionist greetings	4,36	4,23	0,174188	p>0,05	No differ.

P-value (0.17) is higher than the level of significance, thus there is no significant difference between the importance of receptionist's greetings and helpfulness for the guests and their satisfaction.

Guests evaluated the importance of receptionist's greetings and helpfulness by 4.36. The mean rate of the importance of receptionist's greetings and helpfulness was 4.23 points.

According to t-test results, the receptionist's greetings and helpfulness satisfied guests.

H_{10}: The behavior of employee instills confidence to guests satisfies their expectation

H_0: $\mu_q = \mu_r$ – There is no significant difference between the guests' confidence in employees and their satisfaction.

H_a: $\mu_q \neq \mu_r$ –There is a significant difference between the guests' confidence in employees and their satisfaction.

Paired sample T-test

Q/R	Q_Mean	R_Mean	p-value	Sign. Level 0,05	Assessment
Behavior of employee	4,16	4,25	0,337113	p>0,05	No differ.

P-value (0.34) is higher than the level of significance, that means, there is no significant difference between the guests' confidence in employees and their satisfaction.

Guests evaluated this item by 4.16. The mean rate of this item was 4.25 points.

According to t-test results, this item satisfied guests' expectations.

4.3 . Econometric model construction

1. Identification of research problem

From ten variables used in construction of econometric model, only seven variables were chose.

The location of the hostel is a constant variable, because the hostel is an immovable property.

In this case, it is not possible to change the location of the hostel, thus excluding this variable from the model.

Chosen seven variables explained and predicted the overall rate of the whole hostel.

2. The declaration of variables*:*

Y – overall rate (endogenous variable)

X_1 – unit vector

X_2 – cleanliness in the hostel

X_3 – wi-fi connection

X_4 – Condition of the rooms

X_5 – Receptionist greetings and helpfulness

X_6 – Behavior of employee instill confidence in guest

X_7 – Operating hours of the hostel

General notation of econometric model:

$$y = y_1X_1 + y_2X_2+y_3X_3+y_4X_4+y_5X_5+y_6X_6+y_7X_7+y_8X_8+u$$

In the table 4, expressed, that there is no high correlation between variables, because of correlation coefficients are in the interval between -0.8 and 0.8.

Thus, it means there is no multicollinearity in the model.

Table 4: Multicollinearity detection

Correlation coefficients, using the observations 1 - 100
5% critical value (two-tailed) = 0.1966 for n = 100

Overall_rate	Cleanliness	Wifi	Rooms_condit	Reception	
1.0000	0.7912	0.4948	0.6814	0.6903	Overall_rate
	1.0000	0.3594	0.7392	0.4529	Cleanliness
		1.0000	0.4427	0.3366	Wifi
			1.0000	0.3505	Rooms_condit
				1.0000	Reception
		Employm_behav	Oper_hour	Check_out	
		0.7320	0.5067	0.3261	Overall_rate
		0.5268	0.4308	0.1637	Cleanliness
		0.2792	0.1670	0.1972	Wifi
		0.4678	0.3780	0.3477	Rooms_condit
		0.7893	0.2271	0.2797	Reception
		1.0000	0.3135	0.3450	Employm_behav
			1.0000	0.2685	Oper_hour
				1.0000	Check_out

Source: output from GRETL software

In the table 5, the results of items ranking, showed that the laundry service and the sale of tour tickets in the hostel were not important and significant for guests as other variables.

Table 5: Estimation of the regression model

Model 1: OLS, using observations 1-100
Dependent variable: Overall_rate

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	
const	0.434009	0.191316	2.2686	0.02563	**
Cleanliness	0.288349	0.0509714	5.6571	<0.00001	***
Wifi	0.0848678	0.0266876	3.1800	0.00201	***
Rooms_condit	0.0564287	0.0528237	1.0682	0.28820	
Reception	0.171522	0.0544319	3.1511	0.00220	***
Employm_behav	0.172513	0.0614736	2.8063	0.00612	***
Oper_hour	0.12713	0.0385467	3.2981	0.00139	***
Check_out	0.0183548	0.0319621	0.5743	0.56719	

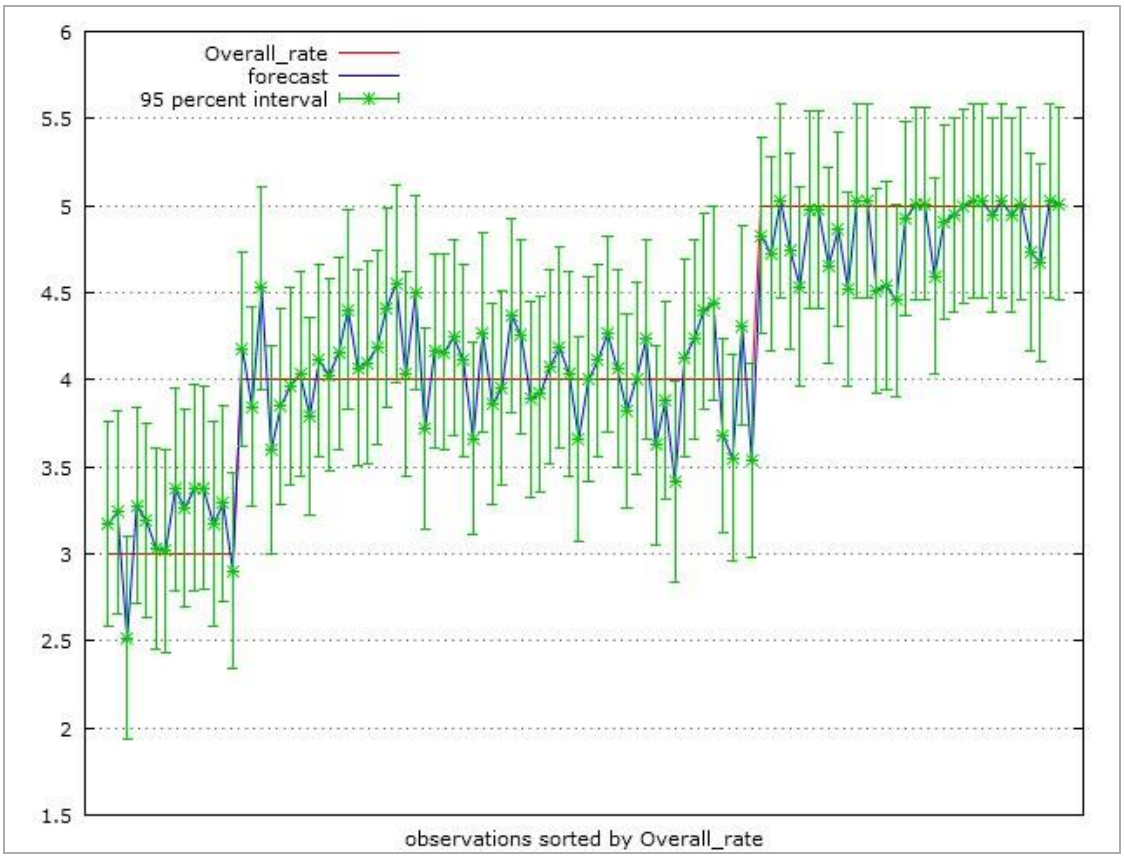
Mean dependent var	4.180000	S.D. dependent var	0.657206
Sum squared resid	6.946025	S.E. of regression	0.274773
R-squared	0.837558	Adjusted R-squared	0.825198
F(7, 92)	67.76508	P-value(F)	1.51e-33
Log-likelihood	-8.543824	Akaike criterion	33.08765
Schwarz criterion	53.92901	Hannan-Quinn	41.52252

Source: output from GRETL software

Final estimated equation of the model

$$y = 0.434X_1 + 0.288X_2 + 0.085X_3 + 0.056X_4 + 0.172X_5 + 0.173X_6 + 0.127X_7 + 0.018X_8 + u$$

Graph 5: Graphical illustration of theoretical values and real values



Source: output from GRETL software

According to the graph 5, guests in questionnaire, gave marks 3 and 5. Forecast (blue lines in the graph) are theoretical values from the model. Green lines are conference interval. The chart showed that the majority of confidence intervals does not exceed the value of adjacent levels of the overall evaluation.

Verification of the model

1) Economical verification

1. If the cleanliness increases by 1 point, overall rate will increase by 0.29 points, Ceteris paribus.
2. If the wi-fi connection increases by 1 point, overall rate will increase by 0.08 points, Ceteris paribus.

3. If the condition of the rooms increase by 1 point, overall rate will increase by 0.06 points, Ceteris paribus.

4. If the receptionist greetings and helpfulness increase by 1 point, overall rate will increase by 0.17 points, Ceteris paribus.

5. If the item "behavior of employee instill confidence to guests" increases by 1 point, overall rate will increase by 0.17 points, Ceteris paribus.

6. If the operating hours increase by 1 point, overall rate will increase by 0.13 points, Ceteris paribus.

7. If check out time increases by 1 point, overall rate will increase by 0.02 points, Ceteris paribus.

Models are consistent with the theory, sign and intensity with stated assumptions of the theory.

It is logically, if the cleanliness, wi-fi connection, condition of the rooms, receptionist greetings and helpfulness, item "behavior of employee instills confidence to guests", operating hours and check out time will improve overall rate.

2) Statistical verification

R_2 = 0.84, shows that the model had a good explanatory power as the explanatory variables and explained 84% of the dependent variable's variation.

It is possible to check the statistical significance of the parameters looking at the p-values. P-value (0.000) from F-test is less than level of significance (0.05), it means that the model was statistically significant as a whole. (Table 6)

Table 6: Results of statistical verification

Variable	*Coefficient*	*p-value*		*Verification*
const	0.434009	0.02563	**	p-value is less than 0.05 then parameter is statistically significant
Cleanliness	0.288349	<0.00001	***	p-value is less than 0.05 then parameter is statistically significant
Wi-fi	0.0848678	0.00201	***	p-value is less than 0.05 then parameter is statistically significant
Rooms_condit	0.0564287	0.28820		p-value is more than 0.05 then parameter is not statistically significant
Reception	0.171522	0.00220	***	p-value is less than 0.05 then parameter is statistically significant

Employm_behav	0.172513	0.00612	***	p-value is less than 0.05 then parameter is statistically significant
Oper_hour	0.12713	0.00139	***	p-value is less than 0.05 then parameter is statistically significant
Check_out	0.0183548	0.56719		p-value is more than 0.05 then parameter is not statistically significant

Source: own input

3) Econometric verification

According to results, using Breusch – Pagan-Godfrey (BPG) test, P-value =0.511.

It is higher than 0.05, which means that there no heteroscedasticity. (table 7)

Table 7: Breusch-Pagan test for heteroscedasticity (BPG)

```
Breusch-Pagan test for heteroskedasticity
OLS, using observations 1-100
Dependent variable: scaled uhat^2

                  coefficient   std. error   t-ratio    p-value
  ---------------------------------------------------------------
  const            2.08015      0.846332     2.458     0.0159   **
  Cleanliness     -0.106284     0.225485    -0.4714    0.6385
  Wifi            -0.213390     0.118059    -1.807     0.0740   *
  Rooms_condit     0.0646465    0.233679     0.2766    0.7827
  Reception       -0.356694     0.240793    -1.481     0.1419
  Employm_behav    0.333226     0.271944     1.225     0.2236
  Oper_hour        0.00308714   0.170521     0.01810   0.9856
  Check_out       -0.00668448   0.141392    -0.04728   0.9624

  Explained sum of squares = 12.4946

Test statistic: LM = 6.247282,
with p-value = P(Chi-square(7) > 6.247282) = 0.511191
```

Source: output from GRETL software

The Chi-square gave the p-value =0.36988. This test indicates that it is possible to reject the null hypothesis of normal distribution of the residuals. (Table 8)

Table 8: Test of normal distribution of residuals

Frequency distribution for uhat1, obs 1-100
number of bins = 11, mean = 1.77636e-016, sd = 0.274773

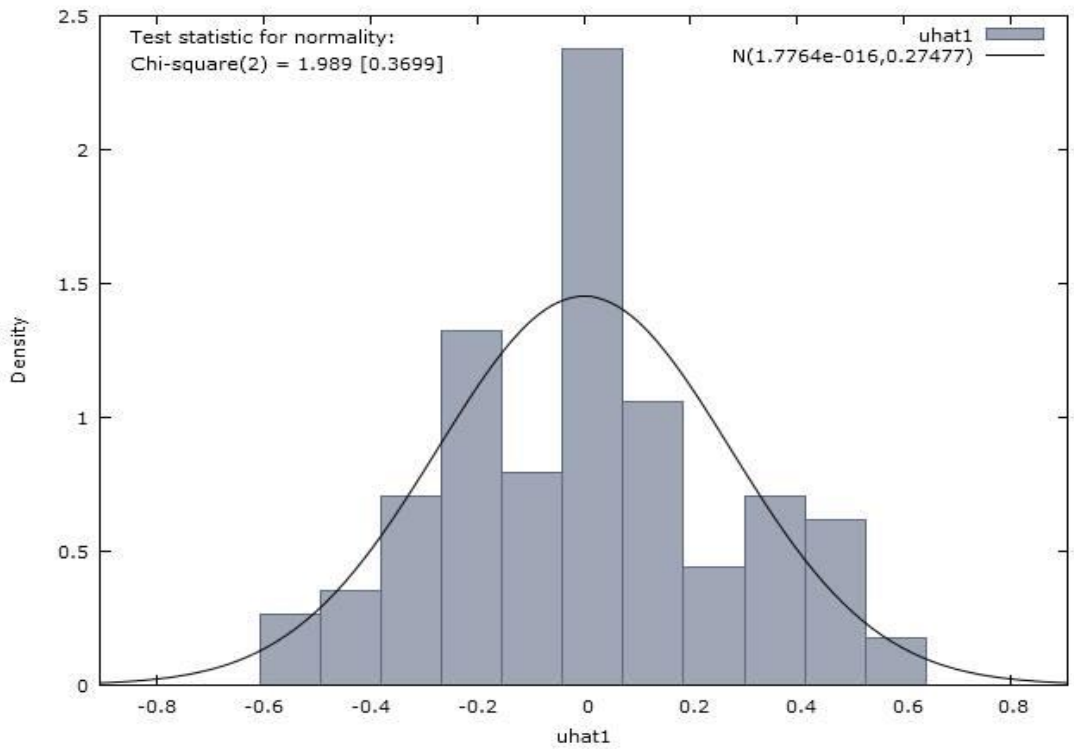
interval	midpt	frequency	rel.	cum.	
< -0.49481	-0.55161	3	3.00%	3.00%	*
-0.49481 - -0.38120	-0.43800	4	4.00%	7.00%	*
-0.38120 - -0.26759	-0.32440	8	8.00%	15.00%	**
-0.26759 - -0.15399	-0.21079	15	15.00%	30.00%	*****
-0.15399 - -0.040380	-0.097183	9	9.00%	39.00%	***
-0.040380 - 0.073227	0.016424	27	27.00%	66.00%	*********
0.073227 - 0.18683	0.13003	12	12.00%	78.00%	****
0.18683 - 0.30044	0.24364	5	5.00%	83.00%	*
0.30044 - 0.41405	0.35725	8	8.00%	91.00%	**
0.41405 - 0.52766	0.47085	7	7.00%	98.00%	**
>= 0.52766	0.58446	2	2.00%	100.00%	

Test for null hypothesis of normal distribution:
Chi-square(2) = 1.989 with p-value 0.36988

Source: output from GRETL software

P-value = 0.37 is more than 0.05 what means that residuals are normally distributed. Normal distributions of residuals possible to see in the econometric model. (Graph 6)

Graph 6: Normal residual of distribution



Source: own input

Simulation

Table 9: Elasticity

Mean of theoretical Overall rate is 4.179998101 points

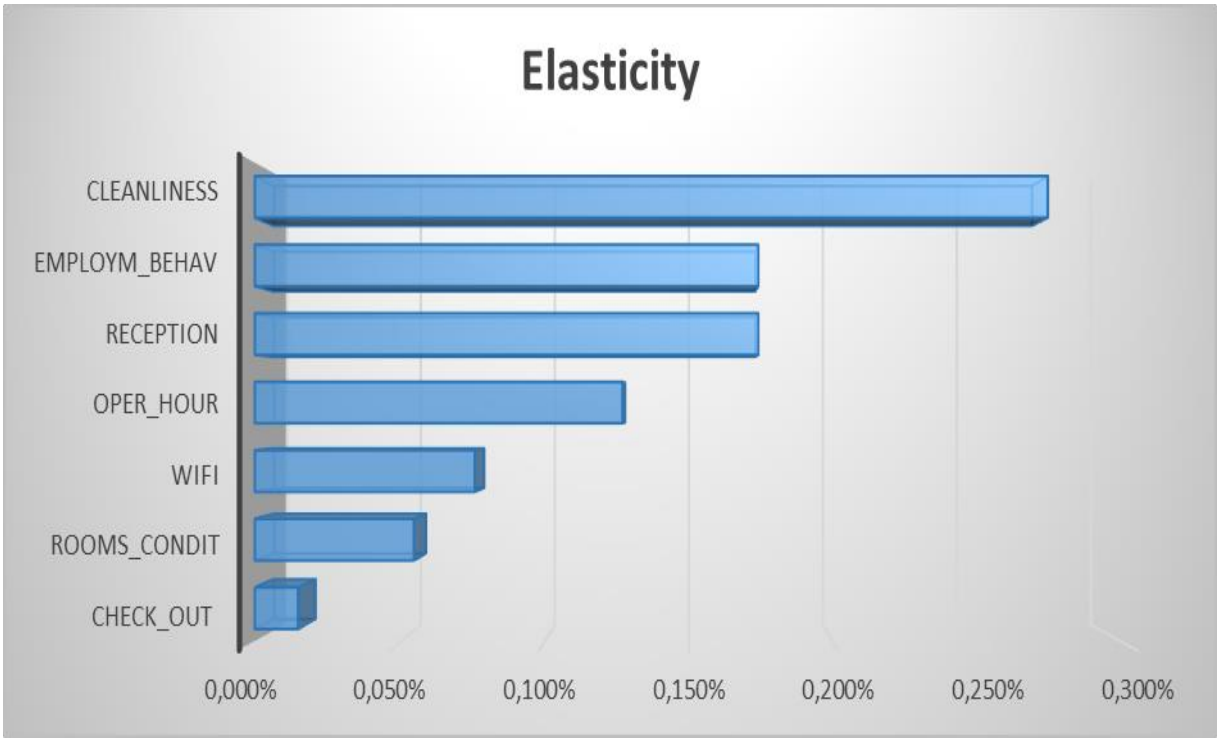
Variable	Mean	dy/dx	Elasticity
UV	1	0.434009	0.104
Cleanliness	3.97	0.288349	0.274
Wifi	3.76	0.084868	0.076
Rooms_condit	4.09	0.056429	0.055
Reception	4.25	0.171522	0.174
Employm_behav	4.22	0.172513	0.174
Oper_hour	4.17	0.12713	0.127
Check_out	3.5	0.018355	0.015

Source: own input

In the table above was possible to interpret the elasticity.

1. If the cleanliness increases by 1 %, overall rate will increase by 0.274 %, Ceteris paribus.
2. If the wi-fi connection increases by 1 %, overall rate will increase by 0.076 %, Ceteris paribus.
3. If the conditions of the rooms increase by 1 %, overall rate will increase by 0.055 %, Ceteris paribus.
4. If the item “Receptionist greetings and helpfulness” increase by 1 %, overall rate will increase by 0.174 %, Ceteris paribus.
5. If the item “Behavior of employee instill confidence to guests” increases by 1 %, overall rate will increase by 0.174 %, Ceteris paribus.
6. If the hostel operating hours increase by 1 %, overall rate will increase by 0.127 %, Ceteris paribus.
7. If hostel check out time increases by 1 %, overall rate will increase by 0.015 %, Ceteris paribus.

Graph 7: Graphical comparison of each item elasticity



Source: own input

According to results of elasticity (graph 7) it was possible to prove that the main important items influenced to overall rate were: cleanliness, the of behavior employee, and reception pleasant greetings and helpfulness.

The lowest influence to the overall rate proposed by the item hostel check out time.

Comparison of the graphs 4 and 7 described there are few differences between them.

There are two reasons of the differences:

1. Graph 4 showed the evaluation of items by respondents and their overall rate could be distort.

2. The estimated model did not consist unimportant variables and elasticity, and was counted by using the estimated parameters.

Elasticity was used as the next step to simulate the improvements of three weaknesses.

Based on the comparison of averages between the importance of services for customers and customers‘ assessment of this service were found three items, which had mean rating lower than the average importance, which was statistically proved by paired t-test.

In case, if the average assesment of common items lower than average importance of hostel evaluated items, for guests it means that for their satisfaction it is necessary to eleminate weaknesses, for getting the balance between both results.

The items as cleanliness, wifi –connection, and condition of the rooms were chosen to perform simulations of failing hostel services.

The difference between averages was calculated as a relative expression (relative deviation, in percentage) multiplied to coefficient of elasticity.

Table 10: Overall rate changing after improving weak items

	Cleanliness	**Wifi**	**Conditions of rooms**
Q_Mean	4.59	4.45	4.37
R_Mean	3.97	3.76	4.09
Diference	0.62	0.69	0.28
Diference in %	13.5076253	15.5056	6.407322654
Overall rate changing	3.69923461	1.18371	0.353772331

Total change in %	5.236712767
Level after improving 3 faktors in points	4.398892595

Source: output from GRETL software

According to results, (table 10), the assessment of cleanliness differed from the customers‘ expectations for 13.5% (0.62 points). By the elimination of this differrence, the overall rate changes approximately by 3.7%.

The assessment of wifi - connection differed from the customers‘ expectations for 15.5% (0.69 points). In case, of elimination this differrence, the overall rate changes approximately by 1.18%.

The assessment of rooms‘ conditions differed from the customers‘ expectations for 6.4% (0.28 points). In case of elimination this differrence, the overall rate changes approximately by 0.35%.

After the elimination of these three items of the services provided, the overall rate of Hostel MILES will increase totally for 5.23%, which on the level rate is 4.4 points.

5. SERVQUAL: REVIEW, CRITIQUE

In 1991, Parasuraman et al. published a follow-up study which refined their previous work (1991b). The 1988 version had attempted to capture respondents' normative expectations.

The complexity of service quality evaluation is evident in the many failed attempts to replicate the dimensional structure of service quality perceptions. The widely applied SERVQUAL scale (Parasuraman, Zeithaml and Berry 1985, 1988), for example, has been criticized, as its five dimensions, namely, reliability, empathy, tangibles, responsiveness, and assurance, were difficult to replicate across diverse service contexts. (Brown, 1993)

The role of expectations and its inclusion in the SERVQUAL measuring instrument is a cause of major concern. To a certain extent, in SERVQUAL there is an overlap between the technical and functional dimensions. Furthermore, the use of a perception scale is justified by the dynamic character of the client's expectations and by the greater effort required by the respondents to complete two questionnaires, one prior to using the services (i.e. expectations) and another after use reduce the number of respondents willing to provide their genuine feedback in the study.

The SERVPERF scale is found to be superior not only as the scale is efficient in capturing the true perception of the service quality and also more effective in reducing the number of items to be measured by half viz. 22 items in contrast to SERVQUAL's 44 items.

The SERVQUAL instrument has been widely used because it "provides a basic skeleton... which can be adapted or supplemented to fit the characteristics or specific research needs of a particular organization. . ." (Parasuraman, Zeithaml and Berry, 1988).

Although many studies have used the SERVQUAL model as a framework in measuring service quality, there have also been theoretical and operational criticisms directed towards this model in the literature of services marketing.

Many researches have criticized the SERVQUAL model because of the difference score approach – expectations and performance, because they can cause poor realiability. (Brown, et al., 1993).

These criticisms have mainly revolved around from its dimensional structure to the interpretation and implementation of the instrument.

According to F. Buttle there exist theoretical and operational criticisms.

1) Theoretical

-Paradigmic objections: SERVQUAL is based on a disconfirmation paradigm rather than

attitudinal paradigm; and SERVQUAL fails to draw on established economic, statistical and psychological theory.

- Gaps model: there is little evidence that customers assess service quality in terms of P-E gaps
- Process orientation: SERVQUAL focuses on the process of service delivery, not the outcomes of the service encounter.
- Dimensionality: SERVQUAL's five dimensions are not universals; the number of dimensions comprising SQ is contextualized; items do not always load on to the factors which one would a priori expect; and there is a high degree of intercorrelation between the five RATER dimensions. (Brown et al., 1993)

2) Operational

- Expectations: the term expectation is polysemic; consumers use standards other than expectations to evaluate SQ; and SERVQUAL fails to measure absolute SQ expectations.
- Item composition: four or five items can not capture the variability within each SQ dimension.
- Moments of truth (MOT): customers' assessments of SQ may vary from MOT to MOT
- Polarity: the reversed polarity of items in the scale causes respondent error.
- Scale points: the seven – point Likert scale is flawed.
- Two administrators: two administrations of the instrument causes boredom and confusion
- Variance extracted: the SERVQUAL score accounts for a disappointing proportion of item variances. (McDougall et al., 2000)

In this research it is possible to say that SERVQUAL dimensions are not universal. This model was created in 1988. After this time many changes had taken place such as internet globalization and the creation of hotel and hostel reservation systems.

Nowadays almost every guest makes reservations to each hostel throughout the world through the internet via reservation systems as: booking.com, expedia.com, hostelworld.com etc.

On these websites they can find prices, location as well as photos of the hostels and rooms. Guests want first of all to get maximum comfort from the rooms and location. Surely, they want to get maximum value for the money they are paying rather than get maximum comfort. Otherwise they would pay for the most luxurious hotel.

6. CONCLUSION AND RECOMMENDATIONS

Overall, a number of measures have been proposed in the past to determine customer expectations, customer perceptions and overall satisfactions in service industries but prominent among them are SERVQUAL and SERVPERF.

The diploma work is based on the estimation of the service quality in the hostel called 'MILES'.

The main idea was to evaluate how the guests were satisfied by the services provided.

The theoretical part of the research provided an information, which included hypotheses formulation, the definitions of the hostel, service quality, customer satisfaction, SERVQUAL and SERVPERF models.

The practical background consists of an analysis of the results of the questionnaires used in the survey, the testing of hypotheses, construction of econometric model from the data gained from the questionnaires. The surveys were given directly to guests in the period of their stay.

The whole analysis proposed to find which indicators were the most important for guests in the hostel. The results could be used to improve the hostel`s position on the market and provide the continuous growth of the demand.

The findings from the econometric model showed that the dimensions tangibility and reliability of service quality had an impact on customer satisfaction.

According to this statistical analysis, the main items which should be improved were: wi-fi connection, cleanliness and conditions of the room.

The SERVQUAL model was used in this research with the purpose to identify the service quality and customer satisfaction in the hostel.

The model was created in 1988, this is the main reason why in the practical background this model dimensions failed.

SERVQUAL's five dimensions were not universal. There is a little evidence that customers assess service quality in term of perception and expectation. The researcher should have work with the original ten dimensions rather than adopt the revised five and there is a high degree of inter correlation between the five dimensions.

SERVQUAL focused only on the service delivery process, not on the service encounter outcomes.

The uniform applicability of this model for all service sectors is difficult.

According to the results of the survey the main important dimension is: cleanliness.

Thus, it means that cleanliness should be improved. The cleaner works five days, from 8 - 11 am, per week. These working hours are not enough to satisfy the customers' expectations.

The second dimension is the wi - fi connection. There is only one main wireless router for internet connection for the whole hostel.

A wireless router is a device that performs the functions of a router, which includes the functions of a wireless access point.

Guests complained, during of their staying in the hostel, that the internet connection on their phones and laptops was slow. To improve this situation it is possible to put at least two routers in order to increase the speed and quality of the internet connection.

The conditions of the rooms do not satisfy the customers. This is obvious, because the cleanliness in the rooms was so low and wi-fi connection was bad.

The hostel revenue was not presented in this research, because of keeping confidence.

According to the analysis, figured out, that during of the survey period (3 months), 959 guests stayed in the hostel. The mean period of guests staying was 3.66 days.

It was rational to eliminate the item "conditions of the room" because of two reasons:

1) Conditions of rooms did not have influence to overall rate, it was very low, 0.35%. (Table 10)

2) It is difficult to change facilities in the hostel because of expensiveness and high costs.

According to the computations, the overall rate will increase by 1.05 % per month, if owner hires the cleaner for extra hours also in the evening (2 hours per day), and total costs will be 5400 czech crowns for month. (Table 11)

The high speed internet per month will cost 1200 czech crowns. It is necessary to set up at least one new router.

The new wireless router has next advantages:

- reliable connection without outages and speed variations
- advantageous combinations of services for the entire guests in the hostel
- 24/7 free support via the phone, online and in service shops
- no data limits – no data transfer restrictions
- wireless connection for all hostel devices
- tested network and devices so that every data is safe

Table 11: Costs for the hostel improvements

Item	**Price per day (in czech crowns)**	**Extra cost for improvements (in czech crowns)**
Wi-fi connection (wireless router)	30	40
Cleaner – 1 employee	180	180

The customers in the hostel are looking for inexpensive accommodation. Supported by the findings in this research it is possible to state that the hostel guests' satisfaction was based mostly on tangibility and reliability. It means that the appearance of physical facilities, the pleasant greetings and helpfulness of receptionist is the base of customer satisfaction in the hostel industry.

Hostel "MILES" had faced troubles only with the three dimensions, which were mentioned before.

If hostel owner follows recommendations and improves these dimensions, thus the customers will be satisfied totally.

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8. Supplements

Guest Evaluation Questionnaire

1) Gender

□ Male □ Female

2) Age group

□ Between 18 and 21 years old □ Between 21 and 25 years old

□ Between 26 and 30 years old □ Between 31 and 35 years old

□ Between 36 and 40 years old □ More than 40 years old

3) How many days have you stayed in our hostel?

□ 1 day □ 2-5 days □ 5-10 days □ more than 10 days

4) Did you visit more than 5 hostels before coming to our hostel?

□ yes □ no

As a hostel guest, please indicate how is important the following items for you

	Very important (5)	**Somewhat important (4)**	**Neutral (3)**	**Somewhat Unimportant (2)**	**Not at all important (1)**
Location of the hostel					
Operating hours of hostel					
Cleanliness at the hostel					
Condition of rooms					
Wi-fi connection					
Check out time					
Sale of tour tickets in a hostel					
Laundry service					
Pleasant greeting and being helped by the receptionist					
Behavior of the employee instills confidence in you					

Please rate HOSTEL "MILES" for the following services

	Excellent (5)	**Very good (4)**	**Good (3)**	**Fair (2)**	**Poor (1)**
Location of the hostel					
Operating hours of hostel					
Cleanliness at the hostel					
Condition of rooms					
Wi-fi connection					
Check out time					
Sale of tour tickets in a hostel					
Laundry service					
Pleasant greeting and being helped by the receptionist					
Behavior of employee instill confidence in you					
Overall, how can you evaluate hostel MILES service					

(Thank you for your answers)

Survey in Czech language

Dotazník Hodnocení Hostů

1) Pohlaví
□ muž □ žena

2) Věková skupina
□ Mezi 18 a 21 let □ Mezi 21 a 25 let
□ Mezi 26 a 30 let □ Mezi 31 a 35 let
□ Mezi 36 a 40 let □ Více něž 40 let

3) Kolik dní jste zůstal v našém hostelu?
□ 1 den □ 2-5 dny □ 5-10 dnů □ více než 10 dnů

4) Navštívil(a) jste více než 5 hostelů před příchodem do našeho hostelu?
□ ano □ ne

Jako host Hostelu, uveďte, jak jsou pro Vás důležité tyto položky?

	Velmi důležité **(5)**	Spíše důležité **(4)**	Neutrální **(3)**	Spíše Nedůležité **(2)**	Nedůležité **(1)**
Umístění hostelu					
Provozní doba hostelu					
Čistota hostelu					
Stav pokojů					
Wi-fi připojení					
Check out					
Možnost zakoupení fakultativních výletů					
Prádelna					
Přivětivost a ochota recepčního					
Chování a důvěryhodnost zaměstnanců hostelu					

Pro tyto služby ohodnoťte, prosíme, HOSTEL MILES

	Výborný (5)	**Velmi dobře (4)**	**Dobře (3)**	**Uspokojivě (2)**	**Špatně (1)**
Umístění hostelu					
Provozní doba hostelu					
Čistota hostelu					
Stav pokojů					
Wi-fi připojení					
Check out					
Možnost zakoupení fakultativních výletů					
Prádelna					
Přivětivost a ochota recepčního					
Chování a důvěryhodnost zaměstnanců hostelu					
Celkový dojem z pobytu v hostelu MILES					

(Děkuji za vaši odpovědi)

Survey in Russian language

Анкета для гостя

1) Ваш пол

□ Мужской □ Женский

2) Ваш возраст

□ 18 – 21 лет □ 21 – 25 лет
□ 26-30 лет □ 31 – 35 лет
□ 36-40 лет □ Старше 40 лет

3) На сколько дней вы остановились на нашем хостеле?

□ 1 день □ 2-5 дней □ 5-10 дней □ более 10 дней

4) Посетили ли Вы ранее более чем 5 хостелей?

□ Да □ Нет

Как гость нашего хостела, опередилите, пожалуйста, на сколько для вас важны нижеследующие факторы?

	Очень важно (5)	**Отчасти важно (4)**	**Нейтрально (3)**	**Отчасти неважно (2)**	**Вообще неважно (1)**
Расположение хостела					
Рабочие часы хостела					
Чистота в хостеле					
Условия в комнате					
Wi-fi соединение					
Время выезда					
Продажа тур-путевок в хостеле					
Стиральная машина					
Приветствие и готовность помочь со стороны рецепциониста					
Вселяет ли доверие Вам поведение работников					

Пожалуйста, оцените хостел “MILES” по следующим критериям

	Отлично (5)	**Очень хорошо (4)**	**Хорошо (3)**	**Плохо (2)**	**Очень плохо (1)**
Расположение хостела					
Рабочие часы хостела					
Чистота в хостеле					
Условия в комнате					
Wi-fi соединение					
Время выезда					
Продажа тур-путевок в хостеле					
Стиральная машина					
Приветствие и готовность помочь со стороны рецепциониста					
Вселяет ли доверие Вам поведение работников					
Как вы оцениваете в целом, сервис хостела MILES?					

(Спасибо за Ваши ответы)

A4 Pictures (HOSTEL MILES)

All photos were used from the web sites (http://hostelmiles.com/photo-gallery)

HOSTEL AREA

COMMON KITCHEN

APARTMENT ROOM

DOUBLE ROOM

FOUR AND SEVEN BEDS DORMITORY ROOMS