

DEVELOPMENT OF SERVICE QUALITY AT BUSINESS HOTEL KARELIA (SAINT- PETERSBURG)

Yulia Alexeeva

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<p>Abstract</p> <p>The purpose of this thesis was to find out and reveal the main problems of service quality at Business Hotel Karelia on the basis of customers' points of view, comments and remarks. And, as a result, elaborate and offer to the hotel the most usable and effective development issues of service quality which should be applied by the hotel in order to satisfy customers' needs and take leading positions among the 3-star business hotels in Saint-Petersburg.</p> <p>Business Hotel Karelia, a 3-star business hotel in Saint-Petersburg, was used as a case study.</p> <p>A special questionnaire for a structured interview was created and used in this research. The structured interviews were conducted with 15 leisure and 18 business guests of the hotel. The respondents' opinions and comments concerning the level of service quality were collected and analyzed with the help of Excel program.</p> <p>Based on the results of the interviews the development issues of service quality were offered to Business Hotel Karelia in order to improve and perfect its service quality's level and increase the guests' number during the whole year round.</p>		
<p>Keywords</p> <p>Service quality, service quality dimensions, models of service quality, seven 'P's of marketing mix, customer care, questionnaire, structured interview</p>		

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1. Introduction

1.1 Description of the current situation

According to the latest statistics at the area of tourism in Russia, tourism plays a more and more appreciable role in the economy of our country (Go Russia. Expertise with passion website, 2010). As a result, the government leads a policy of quality development at the area of hotel industry which is manifested in hotels' reconstruction, building of new modern hotels with different levels of service, mass development of educational institutions which prepare the qualified workforce for the hospitality industry, and moreover, within the framework of the policy, a great effort is also put on advertizing.

But what does hospitality industry mean? Is it the field of accommodation or food services or entertainment? In fact, hospitality industry joins different professional areas of people's activity such as: tourism, hotel and restaurant business, rest and entertainments, the organization of various conferences, seminars, exhibitions, forums and, moreover, the field of professional trainings in hospitality business. The hospitality industry is complicated and complex field of professional work of people which efforts are directed on satisfaction of different requirements and needs of clients (visitors) (Shaw & Morris 2000, 4-8).

The theme of development of service quality at Business Hotel Karelia in Saint-Petersburg have been deliberately chosen as I strongly believe that this theme is of current importance especially in times of intensive development of the tourism industry in Russia and in particular in Saint-Petersburg. It is a well-known fact that the main competitive advantage in the hotel business is granting services of higher quality in comparison with other competitors. The key factors of success here are services which would satisfy and even surpass the expectations of target clients.

Moreover, customers' expectations are formed on the basis of the experiences they have had before and also according to the information they have received from personal or impersonal channels of marketing communication. Consequently, the customers have a possibility to choose a certain hotel and only after a personal experience, clients are able to compare their own beliefs of the received services with their primary expectations. If the representation of the services does not correspond to the customer's expectations, clients lose all interest in the company (in this case hotel). But if the services satisfy and even surpass the customer's expectations they

will use the services of this company (hotel) again. Moreover, customers' dissatisfaction with the received services leads to huge losses in a market segment. For this reason, the hotels should reveal the requirements and expectations of the target clients as precisely as possible (Williams 2002, 13-19).

The business hotel was chosen as a topic because Saint-Petersburg is not only a city of cultural attractions but also a center of business seminars, exhibitions and different business conferences. There is a great number of different business events taking place in Saint-Petersburg every year and, in this connection, the flow of tourists and representatives of the Western and Russian companies rapidly increases. And it is the business hotels of Saint-Petersburg that are called to solve the placing problems of those millions of business visitors of the city.

There are lots of different business hotels in Saint-Petersburg. Business hotel Karelia is one of the few hotels which have become interested in the development of service quality as they would like to increase the number of guests during the whole year and take the leading position among the 3-star business hotels in Saint-Petersburg.

1.2 Purpose of the study

The urgency of theme of the thesis is due to the fact that nowadays the development of service quality is a problem which is necessary to be solved in order to strengthen and considerably increase the competitive positions and advantages of the hotel. The improvement of the hotel's service quality is focused on the promoting the production efficiency of the hotel's services. Moreover, it is very important that the head of the hotel understands the necessity of constant improvements in the area of service quality management paying attention to possible expansion, reconstruction, professional development of the hotel's staff and implementation of new services' programs for clients.

The purpose of the thesis was to elaborate the main issues of development of service quality at Business Hotel Karelia on the basis of customers' points of view and requirements concerning their expected services. This research work shows the importance of constant improvement and development of the hotel's services and, moreover, highlights all possible advantages of higher service quality such as staff and

customer satisfaction, superiority before the competitors, efficiency improvement and increase of the hotel's profit.

Furthermore, the practical value of this thesis includes the possibility of application of the thesis concerning the development of service quality not only in the work of Business Hotel Karelia but also in the work of other business hotels who would like to improve their service quality and attract new customers.

1.3 Structure of the study

There are six main parts in this thesis. Each chapter reflects the overview of the studied subject. Chapter one is an introduction part where the description of the current situation in the hospitality industry in Russia, the purpose of the study and the structure of the study are touched upon.

The second part is devoted to the review of the main activities of Business Hotel Karelia. It reflects a whole description of the hotel, its services, established prices on rooms, organizational structure, policy and objectives at the quality area which are established at the hotel.

Chapter three is a theoretical basis of service quality at the hospitality industry which is divided into different parts where such issues as definitions and main characteristics of quality of hotel services, models of service quality such as SERVQUAL and Grönroos's model, seven 'P's of marketing mix at the hospitality industry are presented and reflected.

Chapter four is based on the description of research problem, research questions and research methodology. Moreover, this part reflects the background information of the interviews which were made with the customers of Business Hotel Karelia.

The fifth chapter is devoted to the summary of the results of the interviews. All data collected is analyzed in this part. Moreover, different graphs and diagrams are used to have visual perception of the derived results.

The sixth part reveals in detail the main issues of the development process of service quality at Business Hotel Karelia, such as the development of staff effectiveness, implementation of new "bonus" systems and discount programmes at the hotel, promotion of hotel's services and etc.

The last part includes a conclusion where the results of the whole research work and the importance and reasoning of the work are mentioned.

2. The review of Business Hotel Karelia

2.1 Description of Business Hotel Karelia

The history of Business Hotel Karelia in Saint-Petersburg started in 1978 when the building of the former hostel was redeemed by “Intourist” (Leningrad Association of National Joint-stock Company). And only in 1979 a new Business Hotel Karelia was officially opened. The next step of the hotel’s development was construction of the restaurant that ended in 1980. At the late 1980s the restaurant of the hotel Karelia was well-known in the city as a place where people could drink the best coffee and taste the most delicious pastry. In 1986 and 1987 the restaurant was recognized as the best restaurant in Europe. Moreover Business Hotel “Karelia” had one more distinguishing feature – there was a special service of flower-growers who were responsible for the plantings both at the hotel and in its neighborhood (Zakaldaeva 2010).

Today Business Hotel Karelia is a 3-star hotel and presents a modern 16-story hotel complex which consists of 3 blocks and offers its customers 235 rooms of different categories and can receive more than 500 guests. It is located in a park area on the right bank of the Neva river, a 15-minute drive from the city centre (Business Hotel Karelia website, 2010).

All rooms are equipped with all possible conveniences: comfortable bed, desk, phone with international communication, TV, safe box, fridge, air conditioner, cipher lock, Internet access, heated floor, bath/shower, hairdryer in the bathroom. There are 48 single rooms, 132 double rooms, 25 three-seater, 1 four-seater, 3 six-seater, 14 junior suites and 12 suites. The breakfast buffet price is included into the whole price of the room. All rooms were reconstructed and repaired in 2008. The established prices of rooms are presented in TABLE 1.

TABLE 1. The establishes prices of the rooms (Business Hotel Karelia website, 2010)

Room's category	Price/Euro
Single room/Business class	58
Double room/Business class	74
Three-seater room/Business class	85
Four-seater room/Business class	98
Six-seater room/Business class	110
Junior suite/High class	118
Suite/High class	130

Business Hotel Karelia is an open joint-stock company. The main activities of the hotel are granting the hotel services but also it can offer the customers, such activities as:

- Conferences, exhibitions and banquets services;
- Food and beverage services (Russian and Continental cuisine);
- Business centre with comfortable conference-halls (11 conference-halls with a capacity to house from 10 to 350 people);
- Hairdresser's, shops, lock boxes, left luggage office, booking of train and plane tickets, organization of different excursions, guide services, transportation services, visa support, tourist information, safe parking and etc.
- The Modern Sculpture Gallery (over 200 pieces of modern art) (Business Hotel Karelia website, 2010)

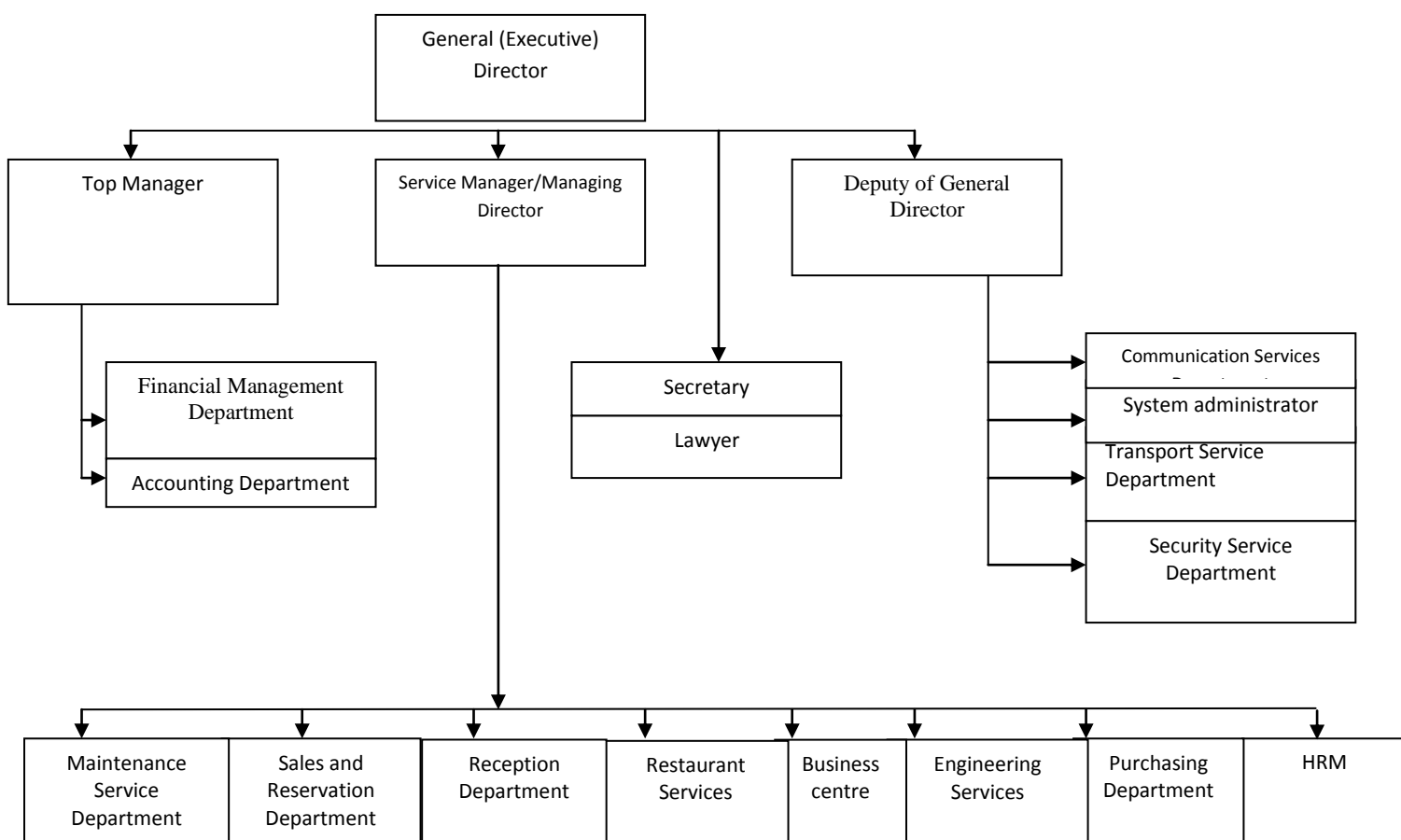
The major customers of the hotel are the citizens of Russian Federation who come to Saint-Petersburg with business or tourism purposes and stay at the hotel for a period of 2-5 days. Also a considerable amount of guests spend only 1 night at the hotel. Depending on a season there can be more groups or individual tourists. For example, during the holidays, vacations and weekends tourist groups prevail at the hotel (Zakaldaeva 2010).

2.2 Organizational structure

Organizational structure of Business Hotel Karelia reflects the main authorities and duties of all workers at the hotel. As far as Chief Executives are concerned, their competences and management duties at the hotel Karelia consist of the control of the hotel's resources in order to improve the customers' satisfaction level and requirements. All operative decisions at the hotel are based on a strictly fixed administrative hierarchy. The responsibility for management decisions lies on a top branch of the hierarchy. Every department of the hotel is a functional branch with its specific methods of management and decision-making processes but all together they work for a common purpose to satisfy the customers' needs and requirements.

Business Hotel Karelia has a branchy organizational structure which is presented in TABLE 2.

TABLE 2. Organizational structure of Business Hotel Karelia (Business Hotel Karelia documentations)



As Business Hotel Karelia is an open joint-stock company, General (Executive) Director of the hotel plays the role of the intermediate between the owners of the hotel and both managers of the hotel on the one hand and customers on the other hand. General Director is responsible for the decision-making processes in such cases, as the choice of market's segments; decision on future trends of the hotel; ways of improvement the service quality at the hotel and thus satisfy the customers' needs and requirements; identification of the hotel policy, mission and vision in the context of formulated goals and objectives (Zakaldaeva 2010).

Top Manager of the hotel Karelia answers for a payment system of the customers and can decide what kind of settlements are the most suitable and preferable for the hotel at a certain period of time. Financial Accounting Department and Accounting Department are subordinate to Top Manager of the hotel. Deputy of General Director usually checks the rooms' conditions after the fundamental repairs and reconstructions and, moreover, takes the readings from water and electricity counters. Managing Director of Business Hotel Karelia watches over and controls the preparation process of each room before the customer's settlement. Furthermore, the duties of Managing Director include examination of the furniture and household appliances conditions. Service Manager of Business Hotel Karelia is responsible for the maintenance processes of the hotel rooms and organizes operations in such departments as "Sales and Reservation departments", "Reception department", "Restaurant services" and etc. The most important department at the organizational structure of the hotel is Reception department which takes an integral place in interaction with the customers as they meet and accommodate the guests (Zakaldaeva 2010).

2.3 Policy and objectives at the quality area

According to Business Hotel Karelia documentations at the quality area there were formulated the following policy and objectives positions:

Policy at the quality area:

- Quality is a basic principal of doing business for Business Hotel Karelia
- We are devoted to high quality operations, constant estimation and improvement of service quality

- Quality means granting innovative services and products to our customers which correspond to customers' requirements and surpass their expectations
- Improvement of service quality is a business of each employee of Business Hotel Karelia.

Objectives at the quality area:

- To reach a new level of service quality, create a new business philosophy of the hotel
- Granting of different categories of services
- To reach the world standards of service quality
- To become the high quality 3-star Business Hotel in Saint-Petersburg (Business Hotel Karelia job orientation documentation)

3. Service quality at the hospitality industry

3.1 Definitions of service quality

In spite of different long-term researches and studies at the area of service quality, it still remains hard-hitting concept that is difficult to identify and estimate.

Nevertheless, three definitions of the quality of services from the customers' perspective can be presented:

- Quality is excellence
- Quality is value
- Quality is meeting or exceeding expectations (Brotherton & Wood 2008, 316).

According to Brotherton and Wood (2008, 316) the first statement about the quality's excellence accentuates the idea that in reality service quality is "highly subjective and difficult to measure". The second definition reflects an approach that customers compare the quality of services with the amount of money they have spent on it in order to evaluate perceptible value of the quality. The final determination regards quality in relation to customer's expectations. This statement that quality is "meeting or exceeding expectations" is the most relevant and consumer-friendly one as quality is defined from the consumer's point of view.

In addition, according to Brotherton and Wood (2008, 317) Cronin and Taylor (1992) made the findings that the service quality should be determined as “the consumer’s subjective assessment of the performance”.

3.2 Models of service quality

Nowadays there is no specific consensus in service organizations, such as hotels and restaurants about the integrated dimensions of service quality. However, there are two main models that are widely used for identification of the level of customers’ satisfaction and revelation of the main consumers’ requirements concerning the expected services. They are commonly known as SERVQUAL and Grönroos’s model of service quality (Grönroos 2007, 57).

SERVQUAL model was introduced in 1985 by Zeithaml, Parasuraman and Berry and constituted ten service quality dimensions, such as reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the customer and tangibles. But these ten dimensions were found to be highly duplicated and, in this connection, were reduced to five main dimensions:

- Reliability (to grant the promised services)
- Assurance (politeness and expert knowledge of employees and capability to set trusting relationships)
- Tangibles (perception of physical facilities, equipment, personnel appearance)
- Empathy (personal contacts with the customers including communication, accessibility and awareness)
- Responsiveness (willingness of employees to help their customers and provide them with no-delay services) (Boella 2000, 277-278)

SERVQUAL model is easy to use for qualitative analysis and evaluation of customers’ experiences of the derived services. Moreover, this model is widely used by different organizations in order to reveal the differences between the granted and expected services (Grönroos 2000, 76).

The following table represents the conceptual model of service quality which goal is to estimate the customers’ realization and perception towards the service quality:

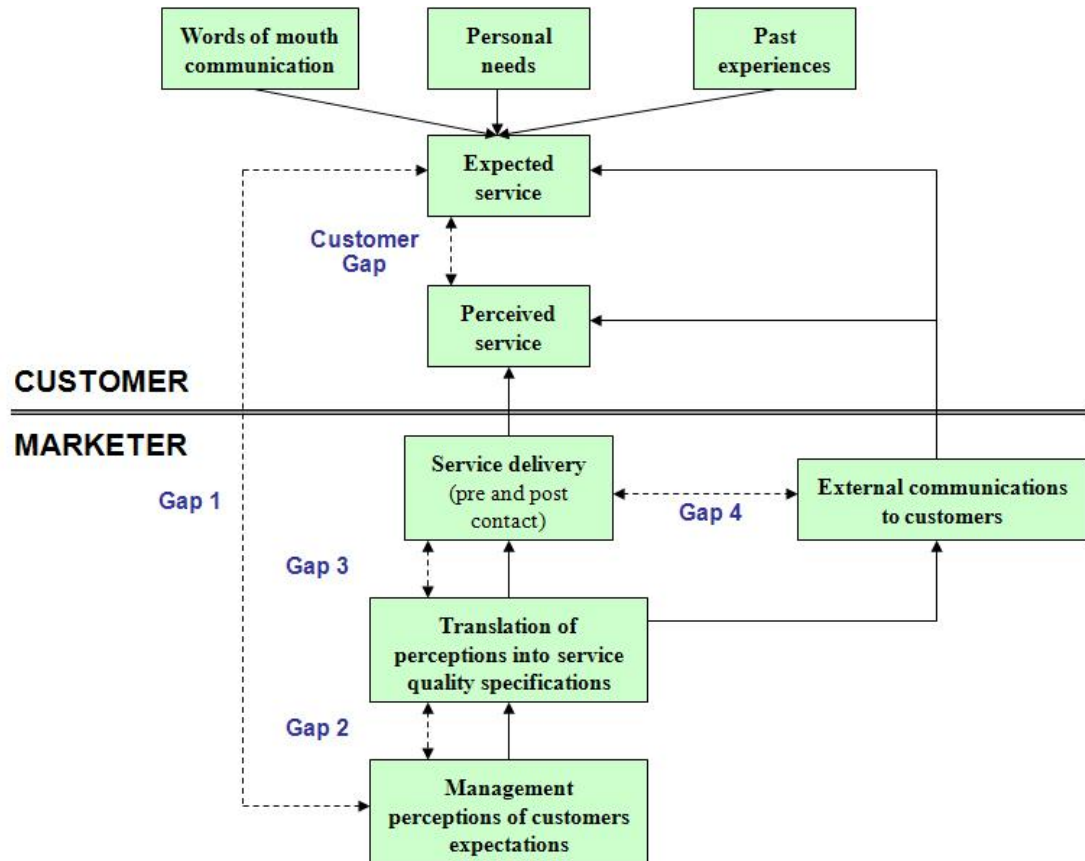


FIGURE 1. Conceptual model of Service Quality by Zeithaml, Parasuraman and Berry (The marketing association of Australia and New Zealand website, 2010)

Each gap area of SERVQUAL model of service quality influences on the final assessment of service quality:

- Customer Gap defines the differences between the customers' expectations and requirements and their personal experience of the perceived services
- Gap 1 demonstrates the differences between the customers' needs and expectations and the managers' thoughts concerning the customers' demands
- Gap 2 reflects the necessity of managers' awareness about the service standards for the customers
- Gap 3 represents the customers' experience of the service performance
- Gap 4 expresses the possible situation when obligations don't agree with the actual service performance (Boella 2000, 277-278).

The next model of service quality is a Grönroos's model which used two dimensions as a base:

- What customers receive from a service company
- How customers receive services (Grönroos 2007, 57)

FIGURE 2 reflects an idea of Grönroos's model where the customers' expectations represent interaction and co-operation between the market communications, image, word of mouth, consumer needs and learning. While the customers' experience is a result of technical and functional quality which are percolated through the image (Grönroos 2000, 67).

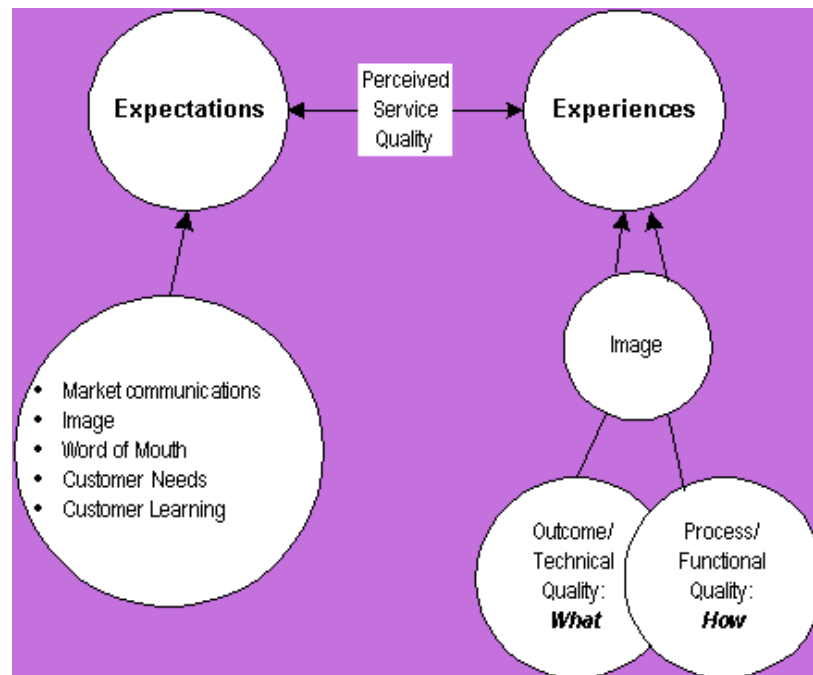


FIGURE 2. Grönroos's model of service quality (Effective customer service website, 2010)

Brotherton and Wood (2008) state that Grönroos's model of service quality is clearer and more universal one in comparison with SERVQUAL model as it explains more intelligibly the source of "perceived service quality" gap. Furthermore, Grönroos's model exposes the fact that service company controls and influences on both customers' expectations and experiences (pp. 317-318).

But, nevertheless, his model was highly criticized for a few reasons. According to Brotherton and Wood (2008) Moore (1994) claimed that, firstly, this model is mostly appropriate for North European nationals rather than for the whole world. Secondly, Grönroos's model of service quality used "perceived service quality" gap for measuring the service quality without considering different types of the customers' expectations that should be scaled and measured properly for the future service improvements. For instance, the managers of a service company would like to determine whether a service performance surpassed customers' expectations or, on the contrary, disappointed the customer at all (pp. 317-318).

3.3 Service quality dimensions at the hospitality industry

Nowadays scientists and researchers are still arguing about meaningfulness and significance of different service quality dimensions in the hospitality industry. According to Brotherton and Wood (2008, 319), Farsad and LeBruto (1994) claimed that customers are mostly interested in such components of service quality as physical and technical conditions of hotel, the conditions of rooms, the level of friendliness and affability of personnel toward the customers.

Also, Brotherton and Wood (2008, 320) stated that Nightingale (1983) assumed that the key constituent part of service quality in the hospitality industry was the customers' expectations of the physical characteristics. In this connection, he determined five service quality dimensions from the customers' point of view:

- Spaciousness
- Efficiency
- Guest control
- Ease of use
- Availability (pp. 319-320)

However, according to Brotherton and Wood (2008, 321) there were revealed various service quality dimensions by different researches and scientists, such as brand name of the hotel, the security level, surface appearance of the hotels' interior and exterior, location of the hotel, its facilities and comfort offered to the guests.

In addition, Brotherton and Wood (2008, 321) stated that Barsky and Labacgh (1992) discovered that customers' satisfaction level depended on the following quality dimensions:

- Employee attitude
- Location
- Room
- Price
- Facilities
- Reception
- Service
- Parking
- Food
- Beverage

Another study that Brotherton and Wood (2008) mentioned in their book was lead by Cadotte and Turgeon (1988) for exposure of the most frequently used aspects that influence on the perception of service quality:

- Employee friendliness and knowledge
- Availability of services
- Cleanliness and quietness level at the hotel
- Price level (pp. 320-321)

Furthermore, according to Brotherton and Wood (2008) Nikolich and Sparks (1995) stated that good communication skills of the hotel's staff are an imprescriptible part of the customers' satisfaction, while Juran (1979) formed the principal of "fitness for use" which consisted of three dimensions:

- Availability
- Reliability
- Maintainability (pp. 320-321)

The first dimension "availability" connects with the on-time service delivery and opportune location of the hotel. The second dimension "reliability" reflects the level of security and coherence of the service delivery. And "maintainability" dimension

displays the compliance with the customers' requirements and providing services (Brotherton & Wood 2008, p. 320-321).

The variety and diversity of service quality dimensions in the hospitality industry corroborates the constant fundamental problems and debates at the field of the connection between the customers' satisfaction and the level of service quality. Nevertheless, according to Brotherton and Wood (2008) Pizam (2004) claimed that for satisfying the consumers' needs and requirements concerning their expected services the hotel should inspect and audit thoroughly and on a daily base such signs of physical quality as attributes' conditions, cleanliness, comfort level, taste of food, characteristics of the interactive quality as friendliness and competence of the employees at the hotel, on-time services and proper Internet services in order to meet the customers' goals of the expected services (pp. 322-324).

But in spite of all studies concerning the service quality dimensions at the hospitality industry, there is still no clear realization of the correlation between the service quality, customers' satisfaction and customers' perception of the service company. According to Brotherton and Wood (2008), Oliver (1980) stated that the level of consumers' satisfaction should be regarded in the connection with the customers' overall appreciation of the service company while the service quality should be considered as a prerequisite of the customers' satisfaction. Therefore, different service quality researches should take into consideration such indicators as perceived value, self-congruence, desires congruence and the customers' perception of the service company to form a full-fledged belief concerning consumer satisfaction (pp. 327-328).

3.4 Seven 'P's of the marketing mix at the hospitality industry

Learning the area of service quality and the problems of the customers' satisfaction with the granted services it is necessary to examine and identify the traditional seven 'P's of the marketing mix as a part of service quality's dimension. As, according to Boella (2000, 279) the main reason for consumers' displeasure does not depend on the discontent with the core product as far as the problems are based on one or more 'P's of the marketing mix.

The seven 'P's are:

- Product
- Place
- Physical evidence
- Process
- Price
- Promotion
- People (Boella 2000, 279-284)

Product

The first element of the seven 'P's is product. The product at the hospitality industry is the services that a certain service company offers to its customers. According to Boella (2000, 278) for a successful and advantageous product development it is essential to consider and think over the underwritten questions:

- What are the main advantages of the product that differ you from your competitors?
- Does the product correspond to the customers' requirements and needs?
- Who are the target groups for the product?
- What kinds of special features and benefits does the product have?
- How will the company improve "after sales services"?

In addition, it is necessary to mention that because of the intense competition among the service companies and especially the hotels nowadays, the demand in a careful product development rises day by day to make sure that the customers get the services they require and expect (Haksever, Render, Russell and Murdick 2000, 132).

Place

The next element of the marketing mix is place. According to Boella (2000, 279) Conrad Nicholson Hilton the founder of the Hilton Corporation stated that "there are three rules to success in the hotel business: location, location, location". But, in fact, it is still a challenging question, as far as many successful hotels have prospered in business in spite of their location.

Nevertheless, when customers form their overall impression about a certain hotel they usually take into consideration such circumstances as the accessibility of the hotel, whether they need to spend much time to find the hotel or it has a convenient location and relatively easy to get to, whether it is situated in an attractive place with a fascinating entourage or it is located in an industrial district (Haksever et al. 2000, 133).

Physical evidence

Physical evidence or environment is a part of the marketing mix which lets the customers to observe and audit the ambience of the hotel and, as a consequence, to make a decision on the level of service quality. In fact, physical ambience constitutes a material composite of a service including such factors as clean and friendly atmosphere at the hotel, furnishing, hygiene level, social acknowledgement, respect, uniforms and etc. (Kotler, Bowen and Makens 2003, 54)

Moreover, the physical evidence applies to the customers' perception of the service quality through a combination of the taste of food and drinks, decorations, music, air quality, level of humidity which correspond to the customers' needs and requirements or not (Grönroos 2007, 47).

Process

Process part as an element of the marketing mix is destined for the reflection of the whole experience the customers receive to make a final decision about the service quality level and the core product itself. In fact, the process itself constitutes an integral part of the whole servicing process (Haksever et al. 2000, 135).

The "process" in hospitality industry consists of different elements, such as reservation systems, signage, parking possibilities and etc. Regarding the structure of "process" part in the marketing mix, it is necessary to consider the following questions and be prepared to find appropriate solutions for each of them:

- Is the reservation system easy to use and follow through?
- Does the booking process take long time?
- Is it easy to find all necessary information about the hotel and its services at the web page?

- Are all staff friendly and competence?
- Does the price list represent in a comprehensible and efficient way?
- Are the customers given advance notice about the check-in and check-out time?
- Is it easy for the customers to find the location of the hotel?
- Are the customers informed about the parking facilities?
- Are the signs of the hotel clear and presented in a friendly way to the customers?
- Does the hotel use international signage?
- Is menu in the restaurant clear, easy to follow and translated in different languages?
- Are there dishes “pictures” at the menu to have a visual base of the order?
(Boella 2000, 280; Haksever et al. 2000, 135)

Another part of the “process” that should be taken into consideration is queuing. The managers at the hotel should be on the point of solving the possible problems with queuing at the reception desk or at the restaurant. According to Boella (2000) there are some useful and effective approaches to learn about it. First of all, the feasible resolution of the queuing problem at the reception desk can be an introducing of a billing layout for the guests. It means that the customer can check the bill for the room on the bedroom TV and, consequently, reduce the check-out time. Moreover, if the customers are occupied in the queue “process”, their waiting time is appeared shorter and less irritating. That’s why, when people come to the restaurant the waiter gives menus to look through and offers various snacks to eat and water to drink (pp. 280-281).

The second point that serves as an imprescriptible part of understanding the queuing ”process” is “waiting time”. According to Boella (2000, 281) it was described in “Survey of Good Service in Fine-Dining Restaurants” (1988) that customers were prepared to wait for the greetings no more than two minutes. Otherwise, they lost all interest to stay at a certain place and became short-tempered and nervous. In this connection, a rational solution will be to inform the customers about the duration of the queuing to avoid the customers’ complaints and irritation.

In conclusion, Boella (2000, 282) states that a dominant element in the “process” part is to guarantee the customers that if the process goes to failure, for example, delay or cancellation of booking, the customer is kept informed and granted the following instructions as soon as possible. Moreover, the customer should be provided with assurance and possible findings according to the appointed situation.

Price

For many service companies the price level and the method of payment are key measures of the customers’ satisfaction level and final point of their choice. It is considered that price is a characteristic of quality level that is expected by the customers (Haksever et al. 2000, 132).

The prices at the hospitality industry should be intelligible and definite for the customers. For this reason, many continental countries have established “all-inclusive” prices and, for instance, the French “prix net” system explains the customer that VAT and all service charges are inscribed in the price and there is no need for extra fee, though tips are still awaited (Boella 2000, 282).

Discounting is also a part of “price” section in the marketing mix which should be examined and elaborated thoroughly as long as discount option can be a reason of the customers’ dissatisfaction and displeasure when they reveal that in comparison with the other customers they have paid higher price for the same products and services. It is a challenging question which can become a crucial part in the customers’ estimation of service quality (Op. cit. p. 282).

Promotion

According to Boella (2000, 283) promotion is usually a first experience and interaction that customer has with a service company. The success of the promotion campaign depends on an accurate exposure of the target market and application of the most relevant and suitable media.

The media may consist of different advertising, merchandising, public relations, and sales promotion tools and takes a considerable place at the company’s budget.

Whereas, “word of mouth” recommendations can be quite effective, resulting and beneficial for the service company’s promotion (Kotler et al. 2003, 542).

Moreover, in order to create a pleasant first impression about the service company and have a successful communication with the customers the following items should be taken into consideration and canvassed among the managers:

- Does the promotion campaign assist the customers' expectations?
- Is it usable and helpful for the customers?
- Is the service company's promotion an advantage or disadvantage for the company? (Boella 2000, 283; Haksever et al. 2000, 134)

People

Finally, an advantage that a service company can possess in comparison with its competitors is staff that grants the customers a high-quality services corresponding their expectations and requirements. According to Boella (2000) some employers emphasize strict procedures and regular staff training, while the others count on careful selection and staff personality. And other employers use both management approaches in recruiting process to succeed in customer relationships (pp. 282-283).

In the hospitality industry such skills as sociability and openness are an integral part for the company's success with the customers. Nowadays, many managers dispute that it is rather difficult to learn or to teach the staff to possess of these characteristics. That's why, the most suitable way to solve this problem is to recruit people with an accurate treatment of the customers. And to do this with a success means that employers should improve the managers' interviewing skills for perfection of the staff selection (Boella 2000, 283; Kotler et al. 2003, 56).

Some employers believe that it is obligatory for the staff to have an awareness of what the customer's expectations and needs are. Therefore, to attain this a service company should recruit staff that has the same life's perception as its customers. Besides, many employers claim that the staff must feel his/her belonging to the problem solving process that can affect the customers' overall impression about the service company. The general rules of the staff competence run:

- It is forbidden to leave a phone ringing if there is no free staff to answer it.

- It is prohibited to say a customer: “Sorry, this is not my duties and responsibilities and I can’t help you”.
- It is banned to leave customer without giving him/her necessary instructions concerning a certain problem (Boella 2000, 284; Haksever et al. 2000, 134).

Some service companies pay a great attention to train the staff of special appointed procedures which should be taken into consideration while communicating with the customers. According to Boella (2000, 284) Radisson Hotels implement a “Yes I Can” programme which determines a rule for the staff as “never say no to a customer”. For instance, Sheraton Hotels set a “Sheraton Guest Satisfaction Standards” which is shown at the FIGURE 3.

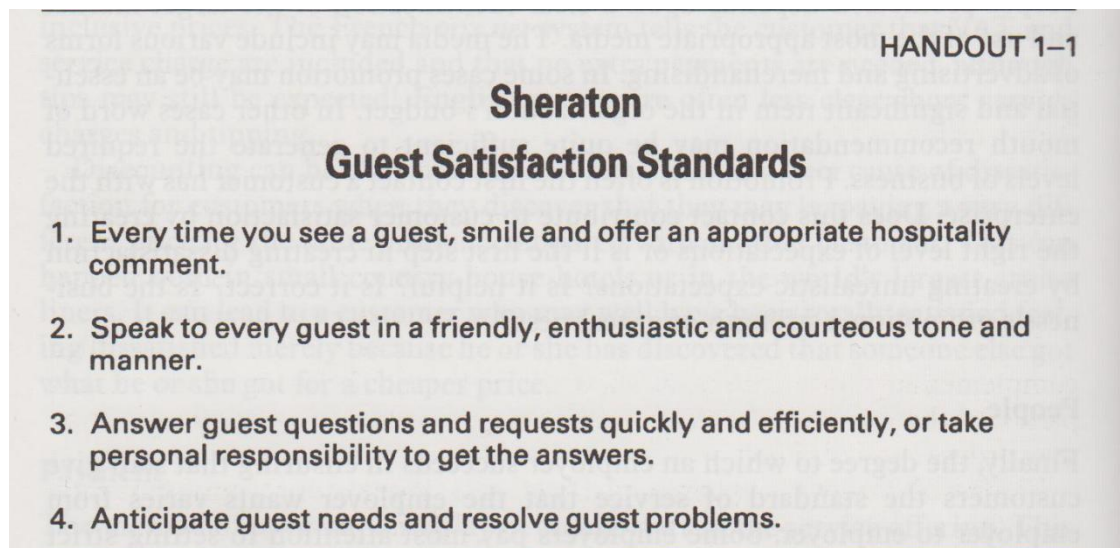


FIGURE 3. Sheraton Guest Satisfaction Standards (Boella 2000, 284)

In addition, Boella (2000, 284) stated that service companies should attempt to develop special selling skills of the staff. It means that the staff is trained to “sell one item more that the customer has ordered” but no more than one.

3.5 Different approaches to customer care

Selecting and motivating staff

It is an evident fact that different elements of the marketing mix, such as promotion, people, process and physical features have a significant relation between each other. However, it is essential for the service company to lead the correct staffing policy, including recruiting staff according to the correct focuses and orientations, then promote an effective staff training programs and, finally, organize an appropriate staff rewarding system. For example, Sheraton Hotels formed a kind of “customer care cycle” where employee recognition is a crucial and dominant feature of the whole customer care cycle (see FIGURE 4) (Boella 2000, 289).

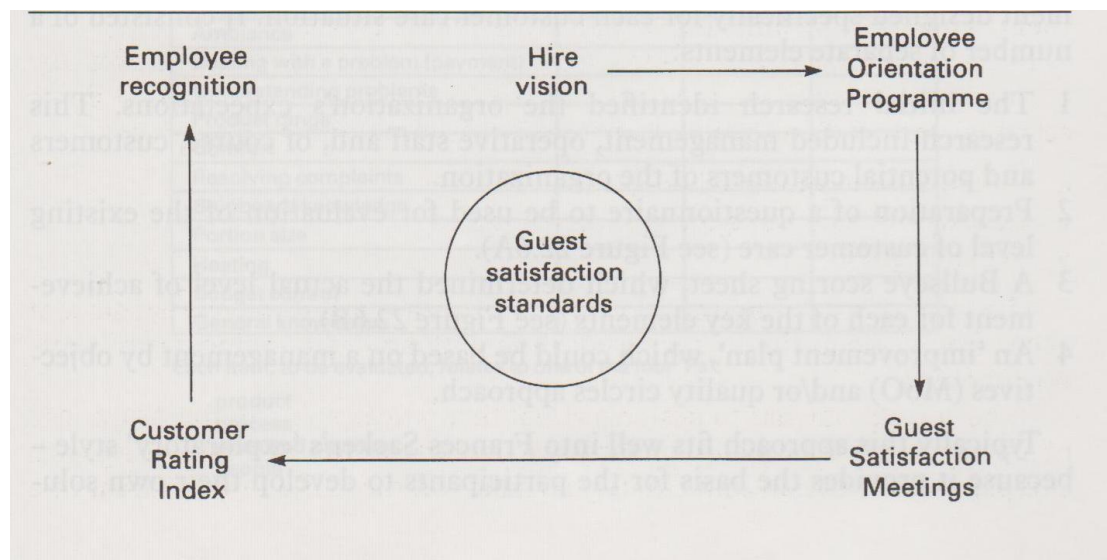


FIGURE 4. The Sheraton Customer Care Cycle (Boella 2000, 289)

According to Boella (2000, 290) if it is considered that a customer care is an integral part of the company’s success and effectiveness then the employer should render proper rewards to its staff which could be presented in the form of bonuses or selection of “employee of the month”. But, in fact, service companies should not forget that a well-developed and thoroughly formulated motivation program itself awakes staff interest and supplies with an appropriate motivation.

The need for a policy and diagnosis

Nowadays the major numbers of the service companies have “customer care policies” which are aimed to reveal and determine the main problems and achievements at the area of the customer care performance. For instance, Sheraton Hotels as well as many other service companies have a “customer rating process” on a regular base to indentify “each unit with its own customer rating index” for future comparison among the others Sheraton Hotels (Boella 2000, 290).

Boella (2000, 290) elaborated one united approach called “Bullseye” which represented the measurements concerning each “customer care situation” and consisted of the following components:

- The starting point of the research is to expose the company’s intentions and expectations which include “management, operative staff, customers and potential customers of the company”
- Designing a questionnaire for the assessment “the existing level of the customer care” (see FIGURE 5)
- A “Bullseye” scoring sheet which is necessary for the revelation of the factual level of progress for each key element (see FIGURE 6)
- An “improvement plan” which is based on the determination of the “improvement target area” (see FIGURE 7)

	Positive +	Neutral	Negative –
Food temperature			
Signposting			
Value for money			
Sensitivity towards customers			
Drink temperature			
Menu information/explanation			
Payment system			
Ability to adapt			
Presentation			
Queuing			
Bill clarity			
Cleanliness of uniform			
Aroma of food			
Waiting time			
Price display			
Appearance			
Freshness			
Service			
Exchange of money			
Skill			
Taste			
Opening time			
Methods of payment (cheque, cash)			
Language			
Value for money			
Hygiene			
Usefulness			
Courtesy			
Appropriateness of dishes			
Ambience			
Dealing with a problem (payment)			
Understanding problems			
Product range			
Comfort			
Resolving complaints			
Shipboard knowledge			
Portion size			
Heating			
Budget control			
General knowledge			

Each item, to be evaluated, relates to one of the four 'Ps':

- product
- process
- price and payment
- people

FIGURE 5. A customer care evaluation scheme. The questionnaire (Boella 2000, 291)

	Question	P	Question	P	Question	P	Question	P
	1		2		3		4	
	5		6		7		8	
	9		10		11		12	
	13		14		15		16	
	17		18		19		20	
	21		22		23		24	
	25		26		27		28	
	29		30		31		32	
	33		34		35		36	
	37		38		39		40	
TOTAL	(product)		(process)		(price/ payment)		(people)	

FIGURE 6. A customer care evaluation scheme. Score Sheet (Boella 2000, 292)

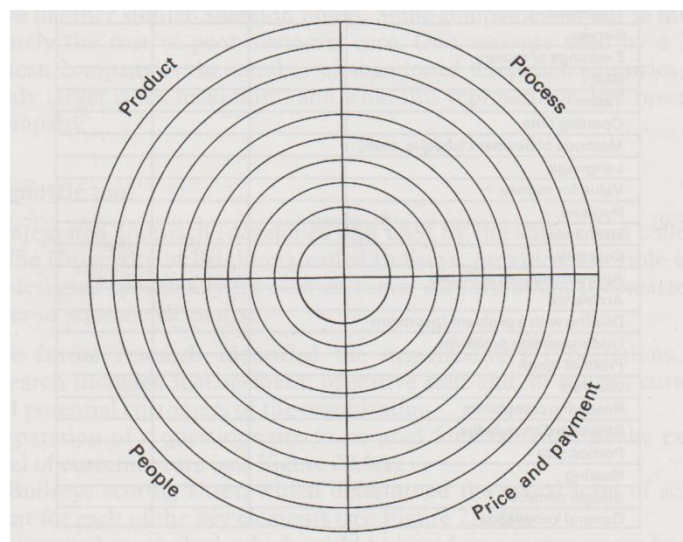


FIGURE 7. A customer care evaluation scheme. Improvement Target (Boella 2000, 292)

In fact, according to Boella (2000) “Bullseye” approach gives the framework for the staff to elaborate their own decisions according to the problems and disadvantages they have revealed during the evaluation process. Moreover, the above information discovers and explains that an effective customer care depends on close cooperation between senior managers and the whole staff (pp. 292-293).

4. Research Strategy and Methodology

4.1 Research problem

Business Hotel Karelia in Saint-Petersburg intends to improve the level of service quality in order to increase the competitive positions on the market and attract new customers at the nearest future. The main problems at the area of service quality should be determined on the basis of customers' points of view and, finally, the issues for the improvement of service quality should be developed and offered to the hotel.

4.2 Research questions

Based on the research problem that was determined earlier, the paramount research questions were formulated:

1. What are the basic problems of Business Hotel Karelia at the area of service quality in accordance with the customers' opinions and comments?
2. What are the most important activities for development of service quality at Business Hotel Karelia that could improve the level of the services at the hotel and increase the number of guests during the whole year round?

4.3 Research design and method

The most suitable and relevant data collection method for this research is questionnaires. Gray (2009) claims that a concept of questionnaires consists in interrogation of people concerning a set of questions which are organized in a certain order. Nevertheless, he advises to design a questionnaire no more than four or six pages long since most people are not interested in the questionnaires that take long time and, in this connection, people could give imprecise and false answers (pp. 337-338).

The most appropriate and relevant type of the questionnaire administration for this research is an interviewer-administrated questionnaire which involves face-to-face interview and promotes the highest return rate. In addition, the interviewer-administrated questionnaire makes it possible to use open questions or even additional ones to specify the respondents' positions and, what is more, face-to face interview is a great tool to "reveal underlying problems through observing body language or the verbal tones of the respondents" (Gray 2009, 339-366).

4.4 Data collection and analysis

In order to gather the necessary information concerning the customers' expectations and estimation of the service quality level at Business Hotel Karelia a special questionnaire for a structured interview was created (see Appendix 1). The questionnaire consisted of 10 different questions was made on the basis of "Bullseye" approach questionnaire form elaborated by Boella (2000, 290). There were different closed questions where the respondent was offered to choose a certain reply such as "Yes/No", multiple choice questions and scaling questions to specify personal opinion from '1' – absolutely disagree to '5' – absolutely agree concerning the statements. The last question was open question where the respondent could leave comments, wishes and recommendations for Business Hotel Karelia.

The interview-administrated questionnaire was conducted through a face-to-face contact. There were determined two different target groups: tourists and business guests at the hotel. As, in spite of the fact that Karelia is a 3-star Business Hotel, it is essential to take into consideration opinions, requirements and needs of both categories to have an overall concept of what the real problems of service quality at the hotel are.

From the beginning, it was planned to interview 30 business guests and 30 tourists. But in practice, I have faced with the problem that guests at the hotel were not eager to spend their time for the questionnaires and interviews even if it does not take too much time and is conducted anonymously. In this connection, finally I have interviewed and questioned 18 business guests and 15 leisure guests during their waiting time for the check-in or check-out at the reception desk.

An average time of the structured interview varies from 5 to 30 minutes depending on the respondent's personality, desire and interest in the participation in the research process. All participants were very nice to deal with, ready to answer extra questions and share their own observation concerning the service quality at Business Hotel Karelia.

The results of face-to-face interviews were analyzed with the help of Excel program to have a visual representation of the data collected.

5. The results of the interviews

The hospitality industry has a diversity of the customer groups which have their personal requirements and needs concerning the service quality at the hotel. For instance, according to Shaw and Morris (2000) leisure guests (tourists) would like to have good room facilities, effective cleaning, friendly staff, good variety of food, leisure activities. Their aim is not only to relax at the hotel but also to change an ordinary environment and get a new experience and emotions that they will remember for a long time with their friends and family. Whereas, business (conference) guests are more interested in well-equipped and efficiently organized conference rooms, coffee breaks and dinner offered by the hotel are operated properly, staff works efficiently and in a professional way (pp. 46-55).

In fact, to have a success among the customers the hotel should reveal its potential customer groups and take into consideration their initial demands and wishes in relation to their expected services.

During the interviews with the guests of Business Hotel Karelia the first question was to determine the purpose of their visit to the hotel.

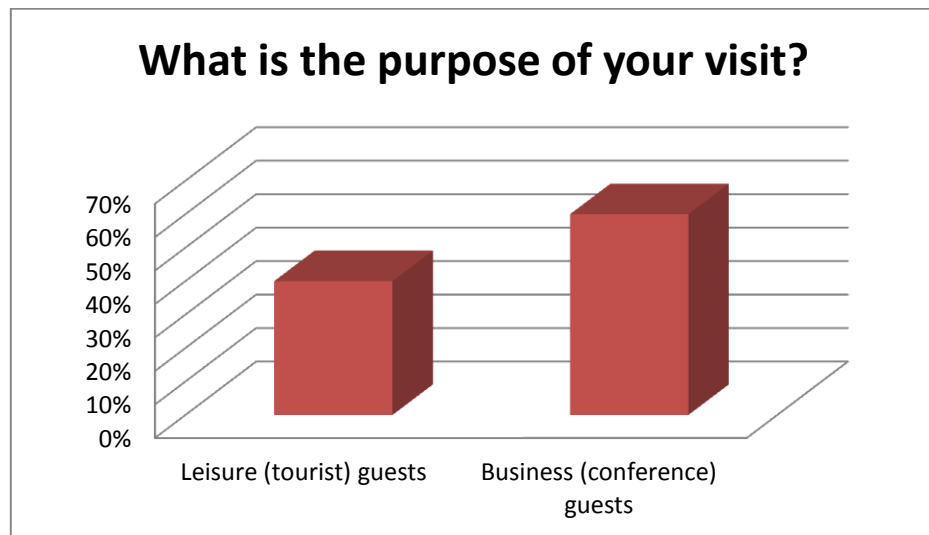


FIGURE 8. Purpose of the interviewed guests' visit at Business Hotel Karelia.

FIGURE 8 represents the percentage of the data collected and shows that among all respondents 60% were business guests and 40% were leisure guests. Therefore, according to the derived data it is essential to conclude that Business Hotel Karelia should focus on both leisure and business guests' requirements and needs about the level of service quality at the hotel to attract new customers and take the leading positions among its competitors.

The next question of the interview was to discover the main communication tools which are used by the customers to get the information about the hotel.

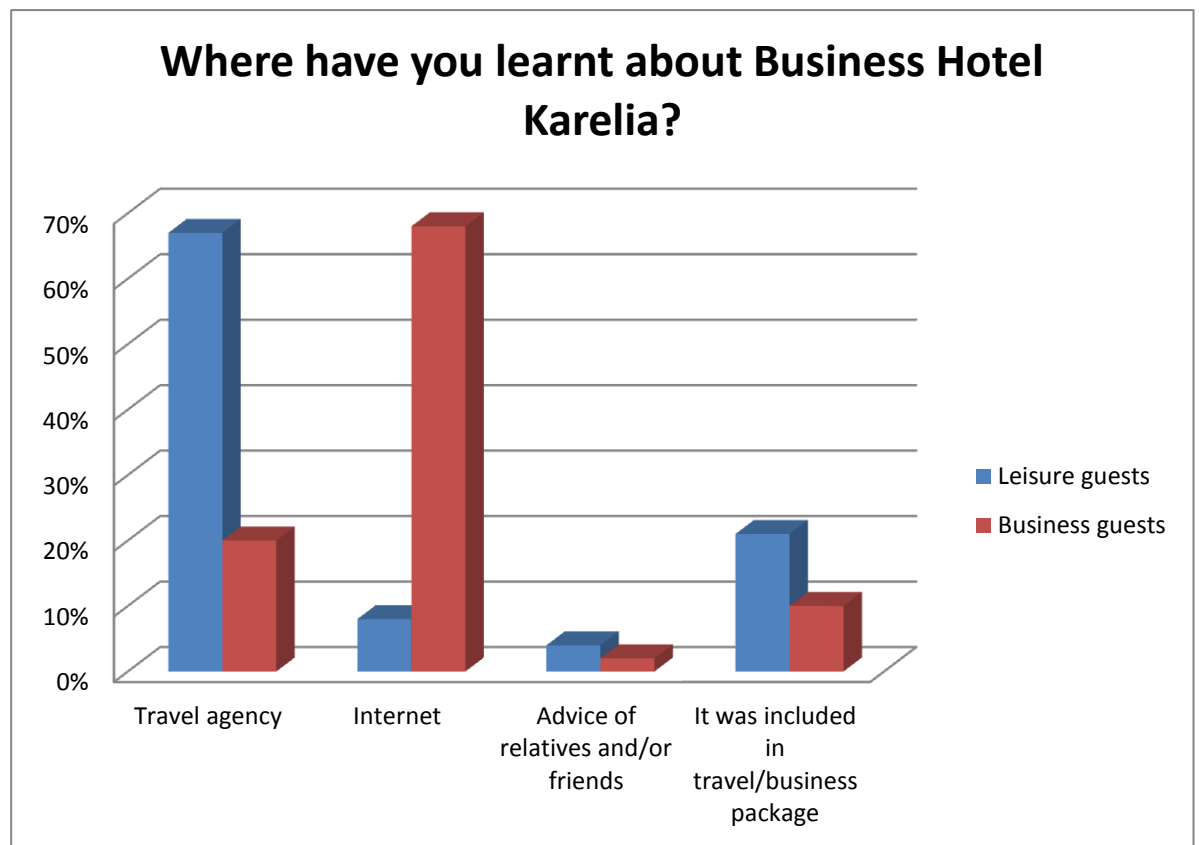


FIGURE 9. Where have the customers learnt about Business Hotel Karelia?

The diagram above discloses that the main source of information about Business Hotel Karelia for business guests is Internet, while leisure guests usually get to know about the hotel from the travel agencies or buy a readymade travel package which includes

an accommodation in Business Hotel Karelia. The data concerning communication tools is very helpful for the hotel to reveal and learn more how to reach a certain target group of the hotel.

The next point in the interviews was about the amount of the customers' visits at Business Hotel Karelia. FIGURE 10 shows that the main groups of business and leisure guests have their first experience at the hotel, whereas only 20% of leisure guests and 24% of business guests of Business Hotel Karelia decided to choose this hotel one more time for their accommodation and business purposes.

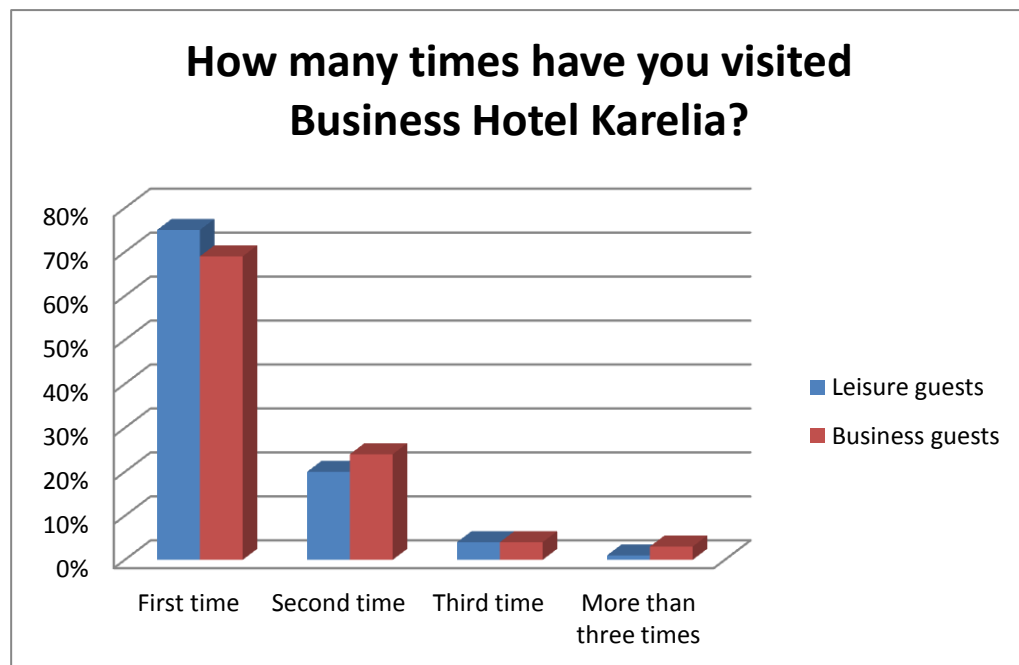


FIGURE 10. The amount of the customers' visits.

The following question was connected with the amount of nights that guests were planning to spend at the hotel. FIGURE 11 presents the percentage rate of leisure and business guests' period of the residence at Business Hotel Karelia. It is obvious that leisure guests mostly stay for two or three nights at the hotel as on the basis of the open questions of the questionnaire they prefer to have different excursions and sightseeing programs during their stay in Saint-Petersburg. While business guests

normally book the room only for one or two days to have business meetings or to participate in different conferences and then come back home.



FIGURE 11. How many nights do the guests spend at the hotel?

The further stage of the structured interview was connected with the estimation of the room and conference facilities, restaurant services, staff effectiveness, leisure facilities and the services that Business Hotel Karelia makes an offer to its customers. Also the physical ambience and the location of the hotel were discussed and evaluated. The respondents were offered to specify their opinion from '1' – absolutely disagree to '5' absolutely agree concerning different statements. There were nineteen statements that should be evaluated by the respondents. To reflect the results efficiently and accurately it is essential to combine the statements about each area and make a final assessment concerning the guests' overall impression about Business Hotel Karelia services.

Staff effectiveness

According to FIGURE 12, 13, 14 it is possible to draw a conclusion that both leisure and business guests didn't evaluate the service staff as perfect and irreproachable

services. As long as the majority of the respondents from both groups estimated staff friendliness and helpfulness with rate of '3' which signifies a good level of servicing but not an excellent one.

According to the open questions of the questionnaire where the respondents could leave their comments and remarks, the main reason for the customers' dissatisfaction was connected with the long check-in/out processes. As long as the guests had to wait in a queue at the reception desk for some time and this circumstance influenced a lot on the customers' overall impression about Business Hotel Karelia. Moreover, more than half of the respondents didn't get sufficient information about the hotel's services during their check-in process. The main guests' complain was related to the staff reserve as to get detailed data the guests had to ask everything that they needed by themselves but there was no initiative from the staff to explain and clarify the hotel's services description.



FIGURE 12. Evaluation of the staff friendliness.

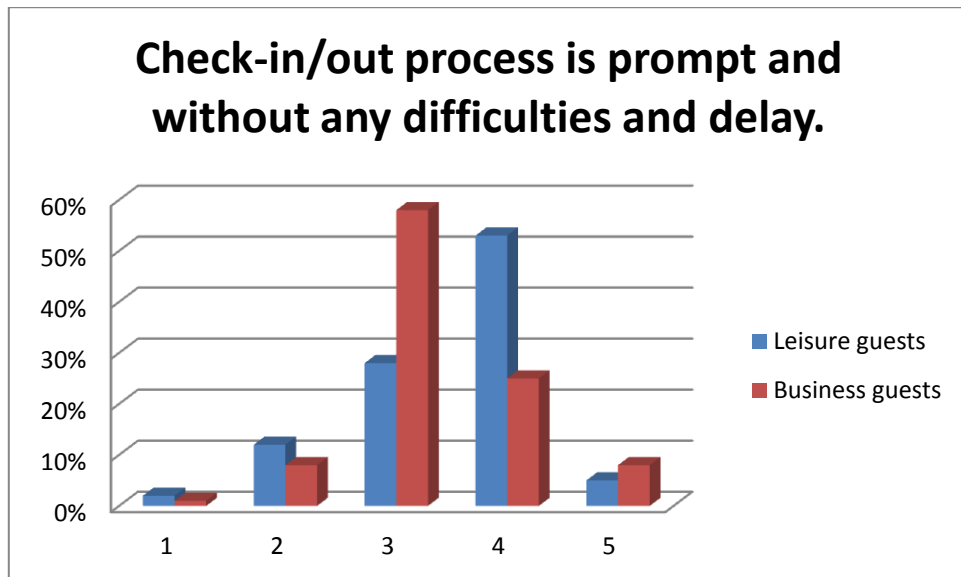


FIGURE 13. Promptness of check-in/out process.

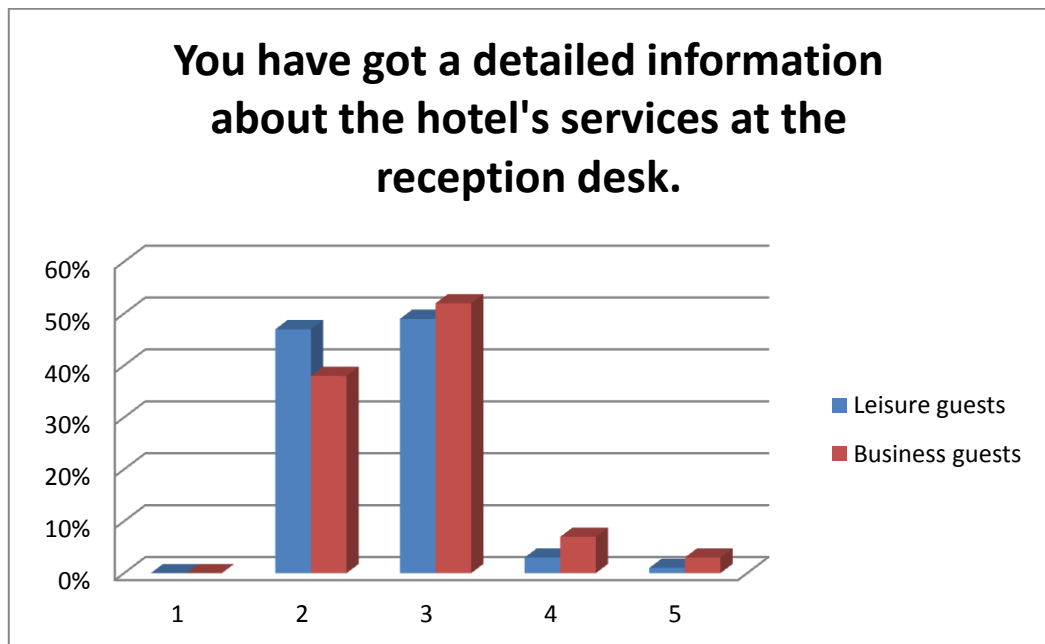


FIGURE 14. Customers' awareness about the hotel's services.

Room facilities

To reveal advantages and disadvantages of the room facilities the respondents were offered to express their opinion regarding the statements that are represented in FIGURE 15, 16, 17.

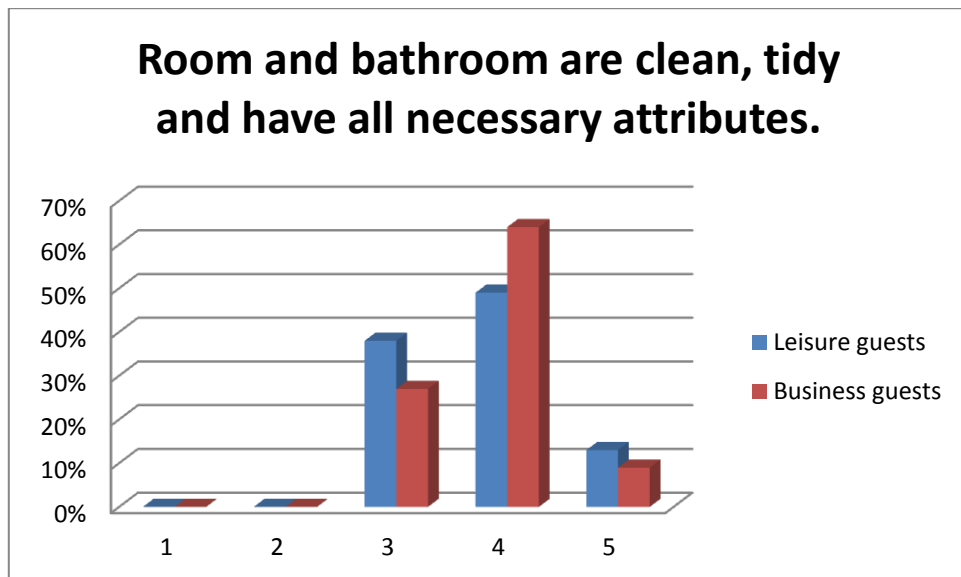


FIGURE 15. Room's cleanliness level.

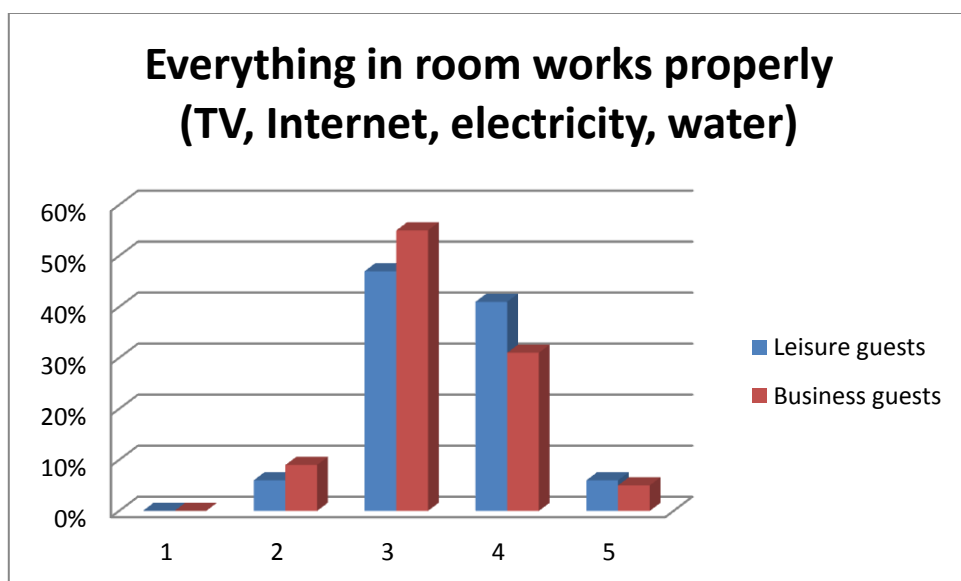


FIGURE 16. Functioning of the room facilities.

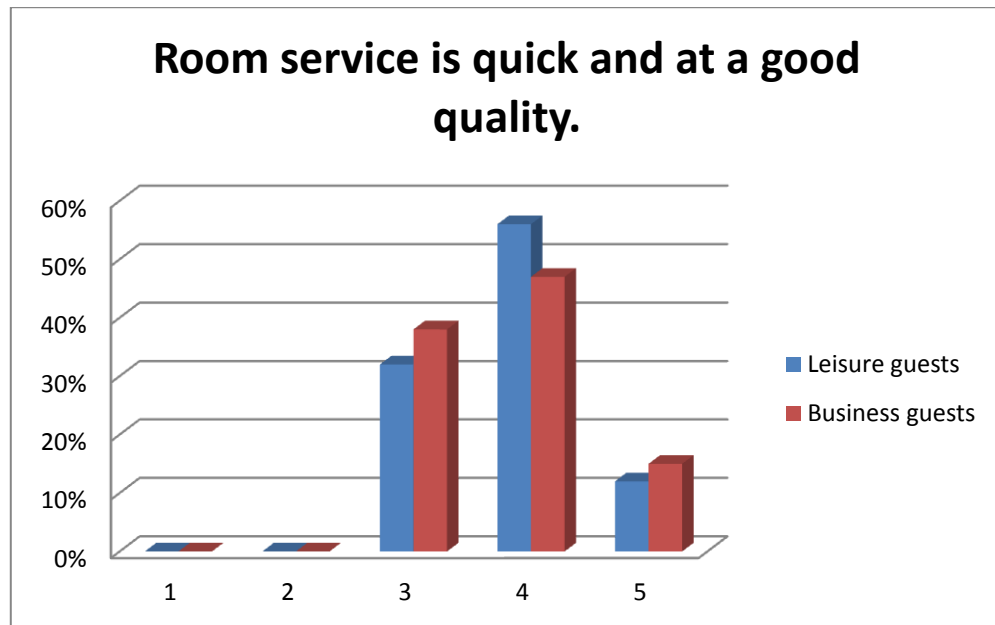


FIGURE 17. Promptness and efficiency of the room service.

The charts above present a visual base of the data collected concerning the room facilities. It is obvious that the leisure guests' opinion about the room facilities at Business Hotel Karelia is concurrent with the business guests' impression. It means that both groups of the respondents did not get any negative experience with the room facilities. The rooms were clean and well-prepared for their arrival; the room service was rather quick and prompt and did not keep waiting for a long time.

But, FIGURE 16 reflects that in spite of a good room service and performance, nevertheless, the customers faced with the problem of the room facilities' functioning. At the commentary part of the questionnaire both leisure and business guests observed that it was rather cold in their rooms and they had to address to the reception desk to solve this problem and increase the temperature level in their rooms. This distressing condition can have enormous influence on the customers' overall impression about their stay at Business Hotel Karelia.

Restaurant services

The guests' answers regarding the restaurant services were analyzed and reflected in FIGURE 18.



FIGURE 18. Evaluation of the restaurant services.

FIGURE 18 displays the main problems of the restaurant services. In fact, the high percentage rate of the respondents was contented with the menu selection and the variety of food that were offered to the customers at the restaurant. Furthermore, 79% of leisure guests and 84% of business guests stated that food and beverages were of a high quality and very appetizing. However, it was revealed that the guests of Business Hotel Karelia made a remark concerning the quality and speed of the servicing at the restaurant. A significant number of the respondents admitted that “waiting time” for a certain dishes was very long. Business guests, especially, were not content with this fact as long as they had a limited time for dinner and could not spend their time for waiting a main course or a dessert.

The following data is rather usable for the restaurant department as it is essential for them to improve the speed of servicing, in a different way, Business Hotel Karelia has a risk to lose its customers, both leisure and business.

Conference facilities

A set of special questions for business guests were designed to reveal the satisfaction level of the customers with the conference facilities and to find out what should be improved at the area of the conferences' and business meetings' organization process.

FIGURES 19, 20, 21 show that Business Hotel Karelia has a high quality conference facilities as more than 80% of business guests stated that they were offered well-equipped and professionally organized conference rooms. Moreover, 76% of the respondents evaluated Business Hotel Karelia as the most suitable place for leading the conferences and business meetings. According to the open questions and the business guests' comments, they are interested in the conference facilities of the hotel and are going to turn to Business Hotel Karelia to organize a business meeting or a conference one more time. Moreover, business guests assured that they would advice the conference facilities of the hotel to their business partners and friends. In addition, all business guests expressed their gratitude and appreciation concerning the experience of conducting a conference or business meeting in Business Hotel Karelia.

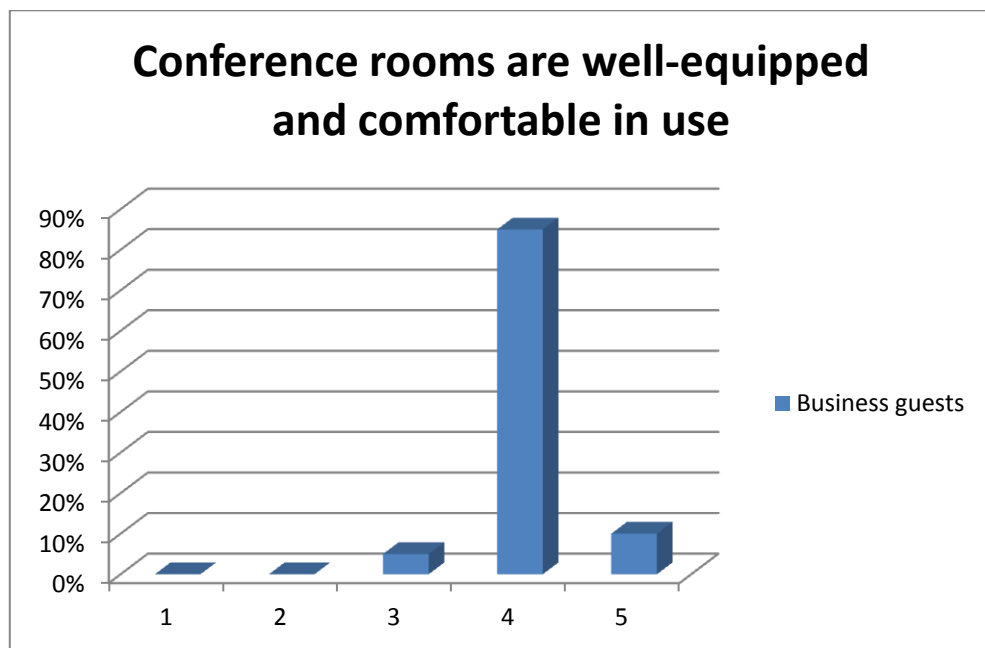


FIGURE 19. Evaluation of the conference rooms' equipment.

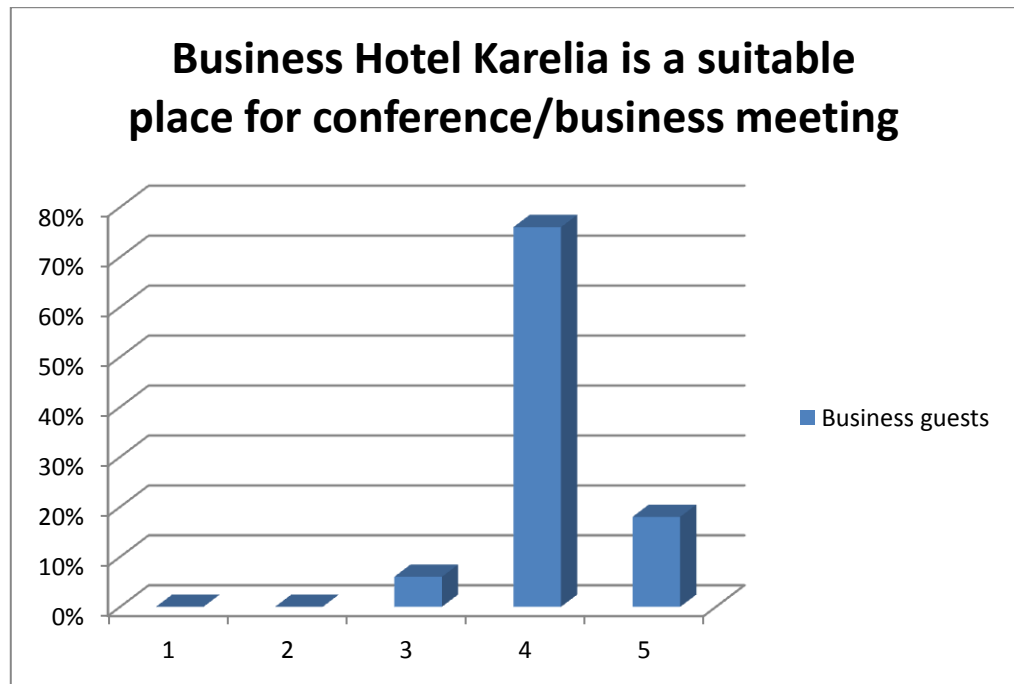


FIGURE 20. Business guests' opinion concerning the conference facilities.



FIGURE 21. Satisfaction level of the business guests with the conference facilities.

Leisure activities

During the interviews the leisure activities of Business Hotel Karelia were estimated based on the leisure and business guests' points of view. The results are presented in FIGURE 22.

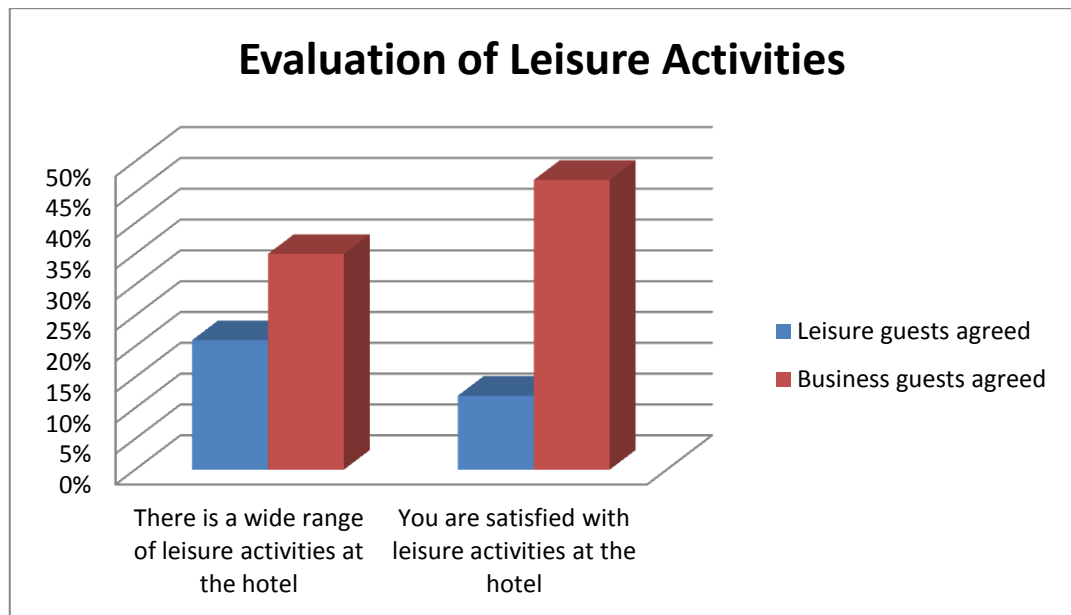


FIGURE 22. Evaluation of the leisure activities.

It is apparently that leisure guests were disappointed with the variety of the leisure activities offered at the hotel. At the commentary part the majority of the respondents expressed their wish concerning the availability of swimming pool or spa area at the hotel which was absence at Business Hotel Karelia at all. Leisure guests stated that they did not have possibility to relax at the hotel with their family after a long day of sightseeing and excursions. The only offer for them was to play billiard or to go to sauna.

However, business guests were not so strict about the leisure activities. According to the business guests' remarks they claimed that after the business meeting or conference it was rather suitable to spend their free time with the business partners playing snooker or pool, drinking some cocktails and watching sport events. But,

nevertheless, they also mentioned that swimming or spa area would be a great advantage for the hotel.

Physical ambience and location of the hotel

To have an objective idea of the customers' satisfaction level about the service quality at the hotel there is a need to take into consideration such points as physical ambience and location of the hotel as well.

According to FIGURE 23 concerning the evaluation of the physical ambience of the hotel it is possible to conclude that both customer groups (leisure and business guests) had positive emotions and experience at Business Hotel Karelia. More than 80% of the respondents reported that there was very welcoming atmosphere with appropriate and suitable decorations at the hotel. Moreover, they made special mention of the hotel's interior and exterior design.

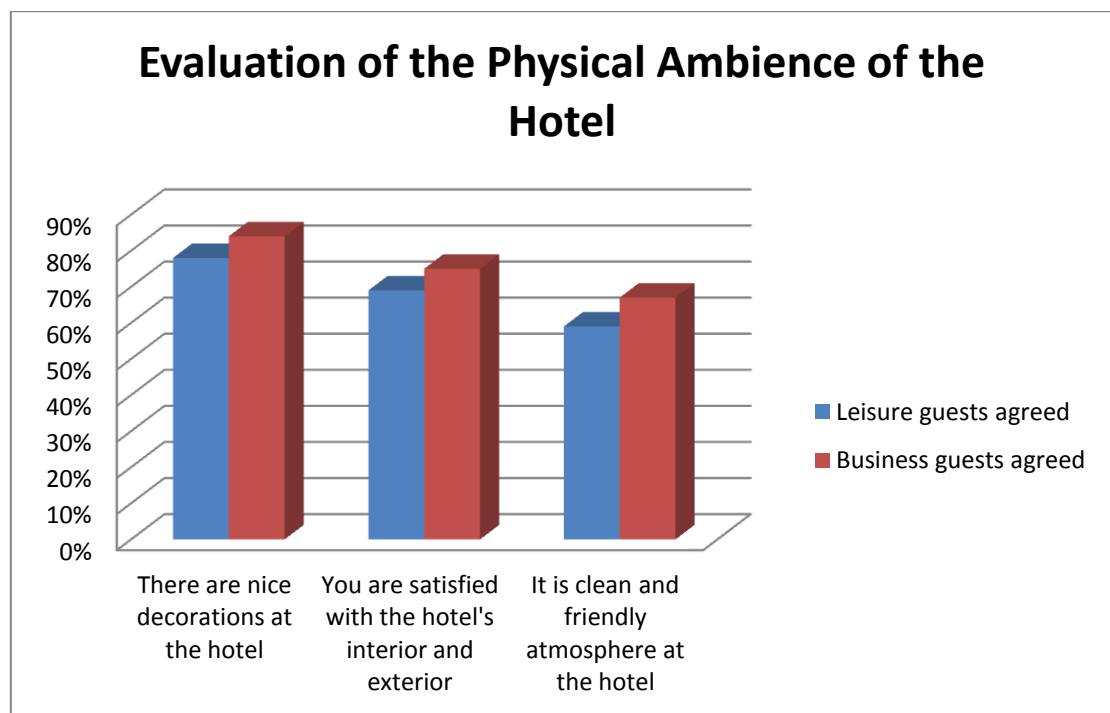


FIGURE 23. Evaluation of the physical ambience of the hotel.

As far as the hotel's location is concerned the respondents expressed their main observations and criticism. FIGURE 24 presents the results of the evaluation of the hotel's location by its customers. It is shown that both leisure and business guests made a remark about the hotel's location and its accessibility. The respondents mentioned at the commentary part that it was rather difficult to find the hotel on your own as it was not located at the city centre and to access the hotel it was necessary to use a taxi or a public transport.

Furthermore, leisure guests pointed out that the entourage of the hotel did not surpass their expectations as it was surrounded by different block of flats and shops. For this reason, they did not have an experience of tranquil environment.

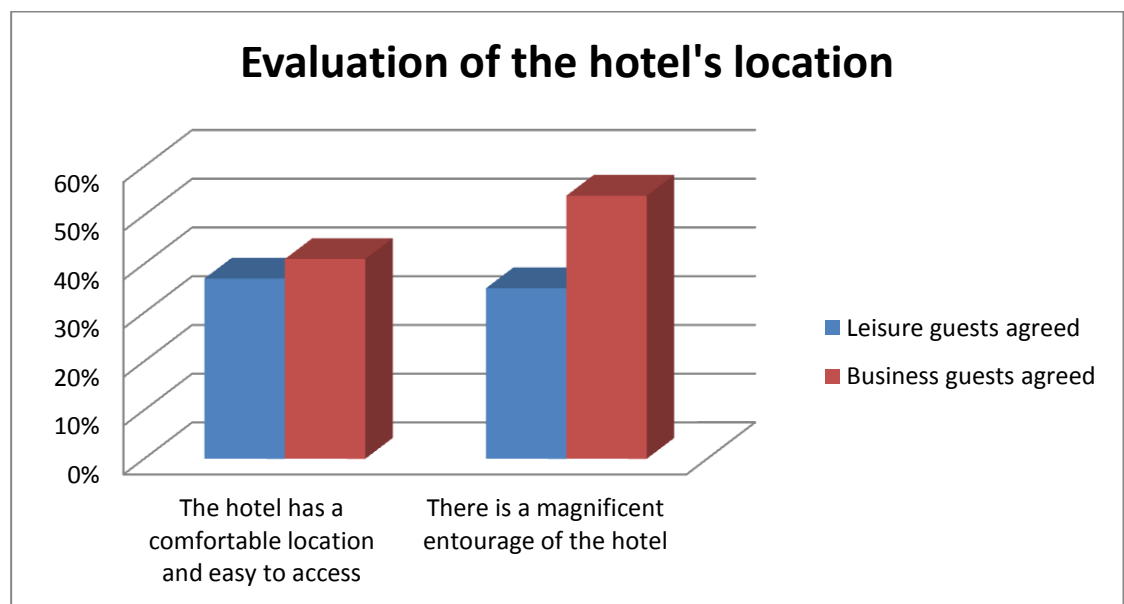


FIGURE 24. Evaluation of the hotel's location.

The next step of the questionnaire was to determine the main leisure and business guests' complaints about Business Hotel Karelia services. In this connection, the guests were offered to identify their opinion concerning the points that are presented in FIGURE 25.

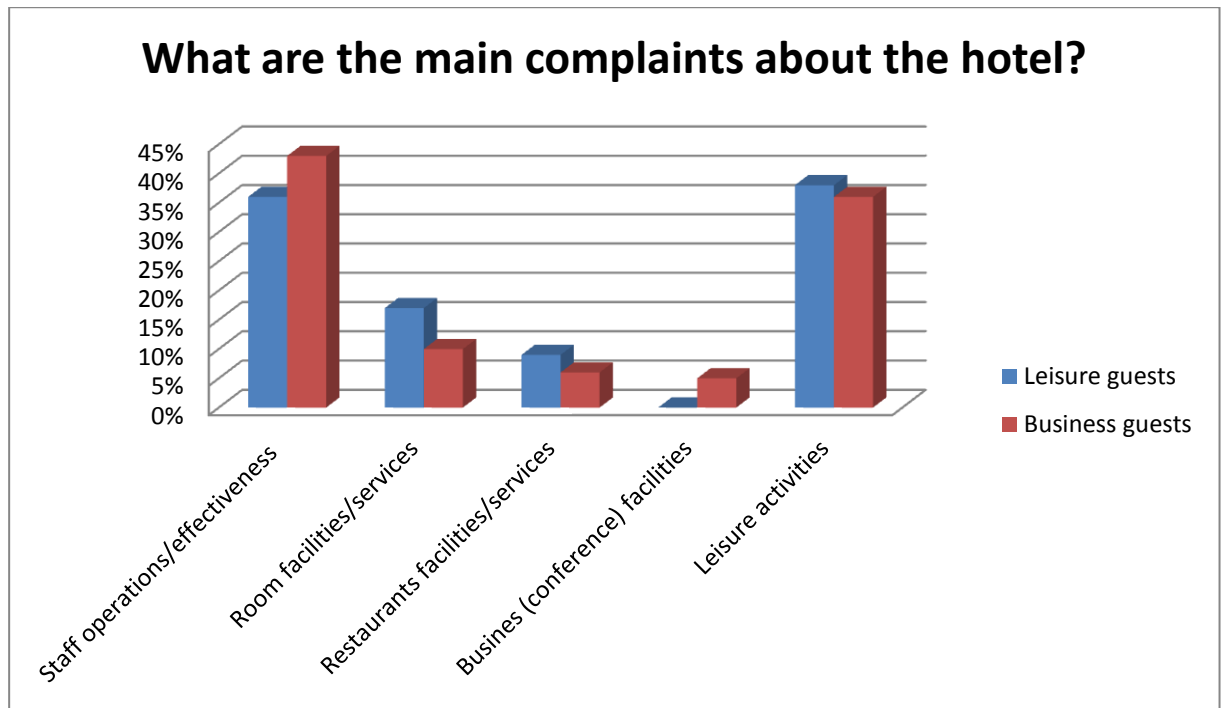


FIGURE 25. The main guests' complaints about the hotel's services.

According to this chart it is an evident fact that both leisure and business guests expressed their displeasure with the staff effectiveness and the leisure activities at the hotel. Based on the guests' comments and remarks during the interviews the main reason for such a big percentage rate of the customers' discontent was a lack of variety of the leisure activities. Most of the respondents (especially leisure guests) claimed that sauna and pool activities were not enough for them to relax and enjoy their stay at the hotel. They voiced their opinion about the necessity of a swimming pool or a spa area at the hotel. What is more, the respondents noted that staff did not operate efficiently and professionally in resolving some organizational problems with the guests.

The further stage was to evaluate and rate the customers' experience at Business Hotel Karelia. FIGURE 26 reflects the main results obtained through the interviews.

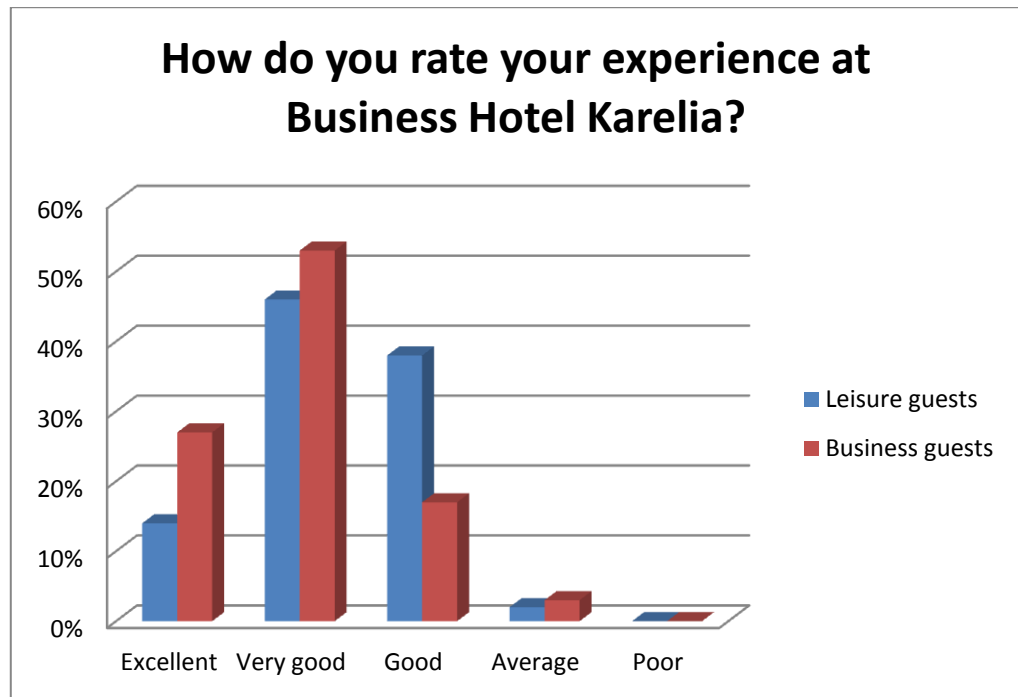


FIGURE 26. Rating of the guests' experience at the hotel.

FIGURE 26 displays that most of the leisure and business guests evaluate their experience at Business Hotel Karelia as “very good” one. Moreover, none of the guests estimated their visit as “poor” and only 2% of the leisure guests and 3% of the business guests assessed their stay at the hotel as “average” experience. It means, that in spite of some disadvantages of the hotel and guests' complaints concerning the hotel's services, their overall impression about Business Hotel Karelia is positive.

The final part of the structured interviews was to define the percentage rate of the respondents who would like to come back to Business Hotel Karelia once again and recommend this hotel to the relatives, friends and business partners as a perfect place to stay at and conduct a business meeting or conference. The data collected is presented in FIGURE 27.



FIGURE 27. Return rate of the customers to the hotel.

Despite the fact that more than 70% of the leisure guests and 90% of the business guests would like to visit Business Hotel Karelia one more time, this graph reflects that there are still 26% of the leisure guests and 4% of the business guests who are not interested in repeated apply to the hotel.

These figures are the results of all complaints and problems that the customers have faced during their stay at Business Hotel Karelia. For this reason, well thought-out development processes of service quality at the hotel should be developed and implemented as soon as possible in order to increase a return rate of leisure and business guests during the whole year-round.

6. Development process of service quality at Business Hotel Karelia

According to the results that were revealed during the structured interviews with the leisure and business guests of Business Hotel Karelia we can conclude that there are

some problem areas at the hotel's servicing system which should be improved, developed and advanced as soon as possible not to lose both the customers and money.

In this connection, a special concept of the development process of service quality was worked out and elaborated during the research work based on the customers' requirements, needs and comments concerning their main complaints about the service quality at Business Hotel Karelia.

To generate the most efficient and usable issues for the development process of service quality at the hotel it is necessary to examine and take into account the seven 'P's of the traditional marketing mix at the hospitality industry which are:

- Product
- Place
- Physical evidence
- Process
- Price
- Promotion
- People

During the development process specific and particular issues for every 'P' of the marketing mix were created and offered to Business Hotel Karelia for its future development and perfection at the service quality area in order to satisfy and even surpass the customers' expectations.

- *Product*

As it was mentioned before the product of Business Hotel Karelia is services that they offer to their clients. According to Boella (2000, 278) to have a success among the customers it is essential to understand and reveal correctly the benefits and advantages of the hotel's services. In this connection, regarding the product differentiation of Business Hotel Karelia, it is reasonable to accentuate that this hotel is granting the services both for leisure and business guests (based on the results of the interviews). It

means that in spite of the fact that Karelia is a business hotel, it also pay a great attention to leisure guests in order to satisfy their requirements, needs and aspirations.

In addition, Haksever, Render, Russell and Murdick (2000, 132) stated that such part of the product element of the marketing mix as “after-sales” services should be also taken into account for the effective operations on the market. For this reason, I’d like to recommend Business Hotel Karelia to improve “after-sales” services by making some corrections in their reservation system.

In fact, people have a possibility to book a room or a conference room in Business Hotel Karelia on-line through its official website. But, according to Shaw and Morris (2000, 22) sometimes the potential customers of the hotel could have a demand in additional information which is not presented on the web site. For this reason, it will be rather essential to organize a special telephone line where the customers could be consulted and get necessary information about the reservation 24 hours per day.

In that way, Business Hotel Karelia has a possibility to take leading positions on the hospitality market of 3-star hotels in Saint-Petersburg and attract more and more new customers a whole year round.

- *Place*

As Business Hotel Karelia is situated in a 15-minute drive from the city centre, the majority of the respondents expressed their complaints about inconvenience of the hotel’s location. In order to find and access the hotel they had to take a taxi or use a public transport that was very annoying after a long flight or trip, especially for the leisure guests with children.

In this connection, Business Hotel Karelia should think over a transfer system for its guests which would be organized by the hotel. It means, that before the arrival the leisure or business guests could inform the hotel (by calling to the reception desk or sending an e-mail to the hotel) about their exact arrival time and place (whether it is an airport or a train station) to be met by the hotel’s representative. Also, one day in advance before the customers’ departure they could reserve a transfer service from the reception desk to be at the airport or train station in time and without any difficulties.

This service will be included in accommodation price automatically so the guests do not need to pay extra money for a taxi. In fact, this transfer offer for the guests of the hotel will have a great and positive impact on the customers' experience and impression about their stay at Business Hotel Karelia as long as it can bring the customers a feeling of care and interest from the hotel's side.

In fact, Business Hotel Karelia could organize this transfer services in two different ways. Firstly, it is possible to hire professional taxi drivers who will be responsible for the transfer services and cooperate with the reception desk to get an arrival and departure time of the guests. And, secondly, there is an opportunity for the hotel to collaborate with different taxi stations to order a taxi for the guests' transfer. In this case, Business Hotel Karelia will have a special price list for a taxi based on the partnership agreement.

The next dissatisfaction that was mentioned by the respondents was connected with the hotel's entourage. They claimed that, in spite of the fact that Business Hotel Karelia was situated in a park area, it was also surrounded by different block of flats and local shops which made an impression of the industrial district.

For this reason, it is absolutely necessary for the hotel to create and design a kind of a background yard side. The initial idea is to plan a unique place at the hotel where the customers will have an opportunity to fall into tranquil environment for relaxation and recreation. Moreover, it will be the place where the guests could drink tea or coffee with the relatives or friends on the fresh air, read newspapers and have informal conversations with the business partners.

In my opinion, a cosy, comfortable and agreeable yard side at the hotel will be one of the most memorable customers' experiences with Business Hotel Karelia.

- *Physical evidence*

Physical evidence or ambience of the hotel plays an integral role in visual and emotional perception of the hotel by the customers. As it was mentioned before the evaluation of the hotel's physical evidence consisted in estimation of such components as decorations, level of temperature and humidity, the overall atmosphere at the hotel and etc. In accordance with the guests' responses there was a high

percentage level of the guests (both leisure and business) who were satisfied with the hotel's interior and exterior design. Most of them mentioned that they had a positive experience at the hotel with its clean and friendly atmosphere.

Nevertheless, despite of such affirmative responses it was found out that guests had complaints about the temperature level at their rooms. More than half of all the respondents stated that it was very cold at their rooms so that they had to apply to the reception desk with a request to increase the temperature level. In particular, the leisure guests with little children were absolutely dissatisfied with this circumstance.

In fact, it is a big challenge for the hotel to solve heating problem as Business Hotel Karelia is a 16-store building which was opened in 1978. It means that there is an old heating system installed at the whole hotel which is not able to control and make stable the temperature level in rooms. For this reason, it is essential to reconstruct heating system at the hotel. But, unfortunately, it costs money and, probably, there is no possibility for the hotel to spend a considerable sum of money at the nearest future for repair and reconstruction.

That's why I would like to offer one more solution of the heating problem. I strongly believe that it is necessary to place detached heaters in every room. Hence, the guests could control the temperature level at their rooms. If it is needed to increase the temperature at the room customers turn on the heater and in 2 or 5 minutes it will get warm in the room. On this basis, it will be also possible to turn colder by decreasing or turning off the heater's power.

From my point of view, the heating problem should be of current importance as it greatly influences on the customers' overall impression about the hotel's service quality. As, when it is cold at the rooms the guests could not enjoy their stay at the hotel and, finally, will assess their experience with Business Hotel Karelia as negative one.

In addition, a high percentage rate of the respondents (more than 60%) mentioned that absence of the swimming or spa area at the hotel is a great disadvantage especially for the leisure guests. In fact, opening a swimming area at the hotel costs money and probably now there is no possibility for Business Hotel Karelia to allocate a certain sum of money from its budget. For this reason, I'd like to offer to the hotel the following proposals in order to expand the list of the hotel's leisure activities.

First of all, it is possible to set tables for ping-pong game at the hotel which will be popular among both leisure and business guests. Secondly, in winter time the hotel could offer the guests the renting of ski's equipment as there is a parking zone not far from Business Hotel Karelia where the customers could go skiing. At summer time the hotel could rent the guests badminton sets or balls for playing football or volleyball outside.

- *Process*

In fact, servicing process plays an imprescriptible role in the customers' satisfaction level. In accordance with the interviews among the leisure and business guests of the hotel there were mentioned lots of the complaints concerning the long check-in/out processes, absence of the detailed information about the hotel's services and offers from the reception desk, queuing at the restaurant, long "waiting time" for dishes and etc. Because of a high dissatisfaction level among the guests it is a risk for Business Hotel Karelia to have a reputation of the hotel with low service quality which finally leads to losses of the market segments and the customers.

This factor signifies a great demand in implementation of the development issues of service quality. I would like to offer Business Hotel Karelia the following issues and actions concerning the processes' improvements which are the most relevant and suitable ones.

From the beginning, it is necessary to reduce "waiting time" at the restaurant. It is possible for the hotel to hire more waiters, especially, for evening and weekend time when it is "rush hours" at the restaurant. Moreover, it is reasonable to put on the tables some free snacks (candies, rolls or biscuits) to eat and water to drink so that the customers could be a little bit distracted and "waiting time" would seem shorter for them than it is in reality. In addition, it is a perfect solution to let the guests know beforehand about a probable "waiting time" of a certain dish or desert.

The next step of the improvements concerns the area of check-in/out processes. To make check-in process quicker and more efficient it is rationally to have more than two receptionists during the check-in hours. Furthermore, organization of the free snacks and water at the waiting area will be an advantageous offer for incoming customers.

As far as the check-out process is concerned it will be appropriate to place “check-out” boxes at the reception desk where the customers could leave their keys to save time and reduce the queuing at the lobby area.

In conclusion, I’d like to add that approaches and issues regarding the process part improvements will be highly usable and effective in work of Business Hotel Karelia.

- *Price*

Price as a part of the marketing mix has a significant effect on the customers’ perception of service quality at the hotel as clients are always interested in money saving (Shaw and Morris 2000, 146). Therefore, the hotel’s goal is to set the prices correctly and in a proper way to attract more customers during the year round. On this basis, the following offers and discount programmes could be offered and applied.

According to Business Hotel Karelia statistics there are two main target groups of the customers at the hotel: business and leisure travellers. For this reason, Business Hotel Karelia should develop and grant special programmes both for leisure and business customers considering their personal requirements and needs.

Regarding leisure guests who arrive to Saint-Petersburg for sightseeing or excursions, it will be sensibly to make special offers and discounts during the “off season”. Usually this “off season” lasts from February till April when there are no holidays or official festive in Russia. Whereas, business customers could get a discount for the accommodation and reservation of the conference rooms when there are no special forums, trade fairs and exhibitions which taking place in Saint-Petersburg. Normally, this “off season” for the business guests lasts from November till February.

In addition, Business Hotel Karelia could activate and promote a kind of “bonus” system for its guests. It means that the more nights the customer spends at the hotel the less money it will cost. Furthermore, this “bonus” system will be an accumulative one so that the guests will have their individual registration guest number at the hotel and will be able to get the special offers as a “regular” customer when they come back to Business Hotel Karelia again.

All development issues mentioned above will be able to reduce a seasonal unsteadiness at the hotel and propose beneficial offers both for leisure and business guests.

- *Promotion*

The promotion part of the marketing mix for Business Hotel Karelia aims at the drawing target groups' attention by using the most effective and usable media. Moreover, one of the goals of the promotion is to increase the level of the "word of mouth" recommendations among the guests of the hotel. As it could both attract new customers and save the hotel's budget.

In order to determine what kind of media will be the most resulting and beneficial one it is essential to turn to the interviews' results. It was ascertained that more than 60% of the leisure guests have learnt about Business Hotel Karelia from Travel agencies. It means that to promote the hotel it will be reasonable to cooperate with the Travel agencies on the following terms: the Travel agencies advertise and propose Business Hotel Karelia offers to its customers and get a personal share from the sales (from 5% to 10%). Moreover, based on this partnership agreement Business Hotel Karelia will be also able to display different placards, brochures and advertisements of the hotel in the Travel agencies not only in Saint-Petersburg but also in other cities of Russia.

In order to reach the business guests we also should base on the derived results. It was discovered that more than 60% of the business guests have got to know about Business Hotel Karelia from the Internet as it is the most convenient and the quickest way for them to make the reservations and get all necessary information about the hotel and its services. In this connection, it will be rather efficiently to place advertisements of the hotel's offers and "conference packages" for business people in different web-sites concerning the leading of business conferences and negotiations in Saint-Petersburg and various booking sites.

Furthermore, as it was revealed and analysed at the results' part Business Hotel Karelia offered its business guests a high quality conference facilities with well-equipped and professionally organized conference rooms. More than half of the business respondents noted that it was the most suitable place for conducting the business meetings and conferences. It means that granting services for business guests is an advantageous and priority area for the future development of Business Hotel Karelia.

The question is how to promote competently these beneficial conditions for the business guests in order to increase the number of the regular and potential customers.

In fact, it is possible to advertise Business Hotel Karelia services on different trade fairs, exhibitions and forums which taking place several times per year in Saint-Petersburg. Thousands of the business people come to Saint-Petersburg to take part in different business meetings and conferences, and usually face with the problem of accommodation. Therefore, an active promotion of the conference and accommodation facilities will help to improve the hotel's image and obtain new customers.

In addition, I'd like to mention other possible promotion methods for Business Hotel Karelia. It is a well-known fact that Saint-Petersburg is a city of universities which lead different educational and training seminars and conferences every year with getting involved various specialists from different regions of Russia. It means, that Business Hotel Karelia could conclude treaties with universities of Saint-Petersburg on the terms of granting the "conference packages" and accommodation for them with discounts and bonuses to reach and set contacts with the new market segments.

Moreover, there are lots of the enterprises and firms in Saint-Petersburg which have business partners in different parts of Russia and even abroad. Several times per year they organize business trips and meetings in Saint-Petersburg to set contracts and discuss the business development processes. Therefore, reaching and drawing attention of this target group will be rather beneficial and resulting for Business Hotel Karelia future development and promotion as they will get more regular customers and promote their image in different cities both in Russia and abroad.

In conclusion, I'd like to add that promotion methods mentioned above could stimulate and encourage the flow of business guests in Business Hotel Karelia.

- *People*

People (staff) at the hotel represent a connecting link between the hotel and its customers. Therefore, the staff effectiveness, friendliness and competence can influence a lot on the guests' experience and impression of the hotel's services (Haksever et al. 2000, 134).

According to the some respondents' answers and comments it was found out that staff at the reception desk was reserved, unsociable and did not show initiative toward customers' requirements and appeals.

The data collected and analyzed concerning the staff effectiveness accentuates the importance and necessity of the implementation of the development issues to improve and modernize the service quality. It is an evident fact that Business Hotel Karelia should organize and provide special trainings for the staff to improve and develop both their personal and professional skills.

Moreover, it will be productive to set specific programmes and procedures which establish rules and regulations for the staff about the communication with the customers. It should be written rules of the staff behaviour which are obligatory to be applied and observed. It could consist of the following statements:

1. When you meet a guest smile, be friendly and polite.
2. Well-mannered attitude to the guests is a key factor of the success with the customers.
3. Always be prepared to answer the guests' questions and never leave the customers without any answer or instruction.
4. Act quickly and professionally during the interaction with the guests.

In conclusion, it is necessary to stress that staff at the hotel is responsible for the high quality services and the customers' satisfaction level. That's why to have a success among the target groups it is reasonable for Business Hotel Karelia to recruit sociable and well-educated personnel.

To finalize, I would like to list all development issues concerning the improvement of service quality at the hotel that should be considered by General Director of Business Hotel Karelia at the nearest future:

- Development of service quality taking into consideration both leisure and business guests' requirements;
- Transfer system for the guests;
- Create and design a background yard side;
- Reconstruction of the heating system/placement of the detached heaters in the rooms;
- Construction of the swimming/Spa area;

- Reduce “waiting time” at the reception desk and restaurant (hire additional staff/free snacks and water);
- Special offers and discounts for the guests;
- Implementation of a “bonus” system;
- Cooperation with the Travel agencies (to promote the hotel’s services);
- Placement of the advertisement on the web-sites concerning the organisation of business meetings and negotiations + booking sites;
- Advertise the hotel’s services at various forums, trade fairs and exhibitions in Saint-Petersburg;
- Conclude treaties with the Universities of Saint-Petersburg (“conference packages” and accommodation);
- Collaboration with the enterprises and firms;
- Special trainings for the staff development;
- Written rules of the staff behaviour.

In conclusion, I’d like to add that the whole research process including data gathering and analyzing, and elaboration of the development issues of service quality at Business Hotel Karelia were based on the idea of the gap model of service quality (see Chapter 3).

In fact, each gap was taken into consideration on a certain stage of the research to offer finally the most relevant, efficient and resulting development issues of service quality of the hotel to satisfy the customers’ needs and requirements, and surpass their expectations.

Firstly, during the interviews the differences between the customers’ main expectations and requirements, and their experience of the “perceived” services were defined. Secondly, based on the structured interviews the guests’ experience of the service performance was revealed and analyzed. Thirdly, the influence of the “external communication” was determined.

As a result, with the help of the gap theory and the results collected during the interviews it was possible to form the perception of what the customers’ needs are, what they did not get during their experience at the hotel, and therefore, what should be improved or implemented at Business Hotel Karelia at the nearest future.

7. Conclusion

The initial idea of this thesis was to reveal and determine the main problems of Business Hotel Karelia at the area of service quality based on the guests' points of view. As long as the Top managers together with the General Director of the hotel are worried about the level of service quality at Business Hotel Karelia and are interested whether they satisfy the customers' requirements and needs or not.

For this reason, the structured interviews with both leisure and business guests were conducted. As a result it was found out that in spite of the customers' positive comments concerning their experience at Business Hotel Karelia there were still various problems which considerably influenced on the clients' overall impression about the hotel.

In this connection, the most relevant, usable and efficient development issues of the service quality at the hotel were elaborated and offered to Business Hotel Karelia. The hotel should draw a great attention on such problems as the staff effectiveness, heating problems, absence of the swimming and Spa area, queuing and "waiting" time problems at the reception desk and at the restaurant. Moreover, it is reasonable for the hotel to place a high emphasis on the collaboration with various Travel agencies, trade fairs, forums, Universities and enterprises for promotion and advertising of Business Hotel Karelia services.

In addition, I'd like to add that development issues of the service quality which are examined during the research work play an integral role in the composing and organizing good hotel's reputation among its customers. Since a high level of the service quality contributes to the growth of the hotel's popularity on the market.

In conclusion, it is necessary to mention that this thesis has a practical value as all the results and issues worked out and proposed to Business Hotel Karelia could be very effective and beneficial ones also for other business hotels who are interested in improvement and development of the service quality at their hotels.

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Appendix 1. Guest Questionnaire

1. What is the purpose of your visit?
 - Tourism/Sightseeing
 - Business/Conference
 - Other (please mention _____)

2. Where have you learnt about Business Hotel Karelia?
 - Travel Agency
 - Internet
 - Advice of relatives and/or friends
 - The reservation for the hotel was included in your travel/business package

3. How many times have you visited Business Hotel Karelia?
 - First time
 - Second time
 - Third time
 - More than three times

4. How many nights would you spend at the hotel?
 - One night
 - Two nights
 - Three nights
 - More than three nights

5. Please, specify your personal opinion from “1” - absolutely disagree to “5” - absolutely agree, concerning the following statements

Statement	Criteria				
	1	2	3	4	5
1.The hotel’s staff is very welcoming, friendly and helpful					
2.Check-in/out process is prompt and without any difficulties and delay					
3.You have got a detailed information about the hotel’s services at the reception desk					
4.Room and bathroom are clean, tidy and have all necessary attributes					
5.Everything in room works properly (TV, Internet, electricity, water)					
6.Room service is quick and at a good quality					
7.Restaurant offers a good menu selection and variety of food					
8.Food and beverages are of high-quality					
9.Quality and speed of restaurant services are satisfied your					

requirements					
10. Conference rooms are well-equipped and comfortable in use (for business guests)					
11. Business Hotel Karelia is a suitable place for conference/business meeting (for business guests)					
12. You are satisfied with the provided "conference package" (for business guests)					
13. There is a wide range of leisure activities at the hotel					
14. You are satisfied with leisure activities of the hotel					
15. There are nice decorations at the hotel					
16. You are satisfied with the hotel's interior and exterior					
17. It is clean and friendly atmosphere at the hotel					
18. The hotel has a comfortable location and easy to access					
19. There is a magnificent entourage at the hotel					

6. What are your main complaints about the hotel?

- Staff operations/effectiveness
- Rooms facilities/services
- Restaurant facilities/services
- Business (conference) facilities
- Leisure activities
- Others (please mention _____)

7. How do you rate your experience at Business Hotel Karelia?

- Excellent
- Very good
- Good
- Average
- Poor

8. Would you like to come back to this hotel once again?

- Yes
- No → Why? _____

9. Would you like to recommend Business Hotel Karelia to your relatives, friends and/or business partners?

- Yes
- No → Why? _____

10. Comments? _____

Thank you for your time!