



**ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES**

**THE EFFECT OF MARKETING MIX STRATEGY ON  
CUSTOMER SATISFACTION: IN THE CASE OF SELECTED  
FIVE - STAR HOTELS**

**IN**

**ADDIS ABABA**

**BY ROBEL MEHRET**

**DECEMBER 2024**

**ADDIS ABABA**

**THE EFFECT OF MARKETING MIX ON CUSTOMER  
SATISFACTION:  
IN THE CASE OF SELECTED 5- STAR HOTELS IN ADDIS ABABA**

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## Declaration

I, Robel Mehret, hereby declare that this thesis, entitled **“The Effect of Marketing Mix Strategy on Customer Satisfaction: In the Case of Selected Five-Star Hotels in Addis Ababa,”** is my original work and has not been submitted for a degree or diploma at any other university. All sources of materials used in this thesis have been duly acknowledged.

Furthermore, I confirm that the work is a result of my own efforts and has been carried out in compliance with the academic and ethical standards required by St. Mary’s University.

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Date: \_\_\_\_\_

## Endorsement

This thesis has been submitted to the school of Graduate at St. Mary's University for examination with my endorsement as the university advisor.

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St. Mary's University

Addis Ababa, Ethiopia

December, 2024

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## **ABBREVIATIONS AND ACRONYMS**

<b>7Ps:</b>	Product, Price, Place, Promotion, People, Process, Physical Evidence
<b>CAGR:</b>	Compound Annual Growth Rate
<b>EFE:</b>	External Factor Evaluation
<b>FPC:</b>	Finite Population Correlation
<b>IATA:</b>	International Air Transport Association
<b>I/O:</b>	Industrial Organization
<b>KPI:</b>	Key Performance Indicator
<b>NPS:</b>	Net Promoter Score
<b>SPSS:</b>	Statistical Package for the Social Sciences
<b>SERVQUAL:</b>	Service Quality Model
<b>SEM:</b>	Structural Equation Modeling
<b>UN:</b>	United Nations
<b>UNECA:</b>	United Nations Economic Commission for Africa
<b>WTTC:</b>	World Travel & Tourism Council
<b>ANOVA:</b>	Analysis of Variance

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## **Abstract**

*The hospitality industry plays a significant role in fostering tourism and economic growth, with five-star hotels serving as key drivers of local economies by creating jobs, enhancing infrastructure, and attracting high-value tourists. This study explores the impact of marketing mix elements—Product, Price, Place, Promotion, People, Process, and Physical Evidence—on customer satisfaction in selected five-star hotels in Addis Ababa, Ethiopia, a rapidly growing hub for luxury hospitality. Using a quantitative research approach, data was gathered from 250 hotel guests through structured questionnaires, revealing significant correlations between marketing mix strategies and customer satisfaction. The study provides actionable recommendations for hotel managers, including enhancing service quality, optimizing pricing strategies, and leveraging promotional activities to foster customer loyalty and maintain a competitive edge. By focusing on an emerging market, this research fills a critical gap in the literature and underscores the importance of tailoring marketing efforts to align with customer expectations, thereby contributing to sustainable growth in the hospitality sector.*

**Keywords: Marketing Mix, Customer Satisfaction, Five-Star Hotels, Hospitality Industry, Addis Ababa, Ethiopia, Marketing Strategy, Service Quality.**

# CHAPTER ONE

## INTRODUCTION

### 1.1 Introduction

The hospitality industry is vital to economic growth and tourism development. As global competition intensifies and customer expectations evolve, five-star hotels must implement effective marketing strategies to attract high-end customers while ensuring their satisfaction and loyalty. The marketing mix, consisting of Product, Price, Place, Promotion, People, Process, and Physical Evidence (7Ps), provides a comprehensive framework for delivering value to customers while meeting operational and business objectives.

Customer satisfaction is a critical determinant of long-term success in the luxury hotel sector. Satisfied customers are more likely to return, recommend the hotel, and enhance its reputation. However, there is limited research on how the 7Ps influence customer satisfaction in Ethiopian five-star hotels, particularly within emerging markets.

Addis Ababa, Ethiopia's economic and political hub, has seen a rise in high-end hotels catering to both business and leisure travelers. As competition in this sector grows, understanding how marketing strategies impact customer satisfaction is crucial. Research on this subject can help hotel managers optimize their marketing strategies and create exceptional guest experiences.

This study examines how the 7Ps influence customer satisfaction in five-star hotels in Addis Ababa. By analyzing how these marketing mix elements contribute to guest experiences, the research provides actionable insights for hotel managers to improve customer satisfaction and gain a sustainable competitive advantage.

### 1.2 Background of the study

The global hospitality industry serves as a cornerstone of economic growth, employment creation, and cultural exchange. In 2023, its market value reached \$1.5 trillion, demonstrating resilience and adaptability to evolving market dynamics (Statista, 2023). Five-star hotels

represent a key segment within this industry, providing premium services to affluent travelers while contributing to local economic development and setting benchmarks for service excellence.

Ethiopia's hospitality sector mirrors these global trends, with Addis Ababa emerging as a strategic hub for political, economic, and cultural activities. This growth is influenced by Ethiopia's rich cultural heritage, economic challenges, and an emerging middle class with increasing demand for luxury services. The city's growing prominence in international conferences and luxury tourism has driven high-end hotel development. By 2024, Ethiopia's hotel industry is projected to generate \$0.99 billion in revenue, reflecting its strategic importance to the national economy (Statista, 2023).

In a competitive market, marketing strategies play a vital role in helping five-star hotels differentiate themselves. Marketing involves identifying customer needs, creating value, and building lasting relationships (Kotler & Keller, 2016). Central to this is the 7Ps framework—Product, Price, Place, Promotion, People, Process, and Physical Evidence—which provides a structured approach for aligning service delivery with customer expectations. When implemented effectively, this framework enhances customer experience, optimizes resource allocation, and fosters loyalty (Kotler & Armstrong, 2018).

Customer satisfaction is a critical performance metric, commonly measured through guest surveys, online reviews, retention rates, and other feedback mechanisms. It reflects how well services align with or exceed guest expectations. High satisfaction levels drive repeat business, positive word-of-mouth, and brand loyalty, whereas dissatisfaction can lead to negative reviews and revenue loss (McKinsey & Company, 2023). To achieve sustainable success, hotels must continuously adapt to guest preferences and deliver consistent service excellence (Mara Solutions, 2023).

While international studies highlight the positive impact of the 7Ps framework on customer satisfaction, particularly in Malaysia and Bangladesh (Kadhim et al., 2016), the lack of localized research on Ethiopian five-star hotels reflects a gap in understanding the country's distinct market dynamics. This study addresses this gap by exploring how marketing mix strategies influence customer satisfaction in Addis Ababa's five-star hotels, offering actionable insights to refine marketing strategies and enhance business sustainability.

### 1.3. Overview of the Study Area

Addis Ababa, Ethiopia's capital and largest city, is a dynamic hub of political, economic, and cultural activities. Renowned for hosting international conferences, trade delegations, and diplomatic missions, the city is pivotal to Ethiopia's hospitality industry. This sector's growth trajectory underscores Addis Ababa's role as a focal point for Ethiopia's burgeoning luxury hospitality market, driven by international events and an increasing demand for high-end accommodations.

Five-star hotels in Addis Ababa, such as the Sheraton Addis, contribute significantly to the local economy by creating jobs, enhancing infrastructure, and attracting high-value tourists to the city. These establishments face increasing competition, necessitating innovative marketing strategies to maintain their competitive edge. The 7Ps framework has proven instrumental in this context, enabling hotels to align their offerings with customer expectations. For example, "People" emphasizes professional and personalized service, "Process" ensures seamless operations, and "Physical Evidence" enhances the overall guest experience.

Customer satisfaction serves as a vital indicator of success in this competitive landscape. Satisfied guests are more likely to return, recommend the hotel, and leave positive reviews, which directly impact reputation and profitability. Conversely, dissatisfaction can harm business performance through reduced loyalty and negative feedback (Kotler & Keller, 2017; Kim & Kim, 2022). Understanding the specific drivers of customer satisfaction in Addis Ababa's luxury hospitality sector, such as cultural preferences for personalized hospitality and high service expectations, is essential for fostering long-term success and customer loyalty.

While studies in other markets, such as Malaysia and Bangladesh, demonstrate a strong relationship between the marketing mix and customer satisfaction (Kadhim et al., 2016; Hossain et al., 2024), Ethiopia's unique cultural and economic dynamics necessitate localized research. This study aims to bridge this gap by examining how the 7Ps framework influences customer satisfaction in Addis Ababa's five-star hotels. It seeks to provide actionable insights that inform broader strategies for Ethiopia's growing luxury hospitality sector. The findings will offer actionable recommendations for hotel managers while contributing to broader academic discussions on hospitality management in emerging markets, with a particular focus on culturally informed service strategies in Ethiopia.

## **1.4 Statement of the Problem**

The five-star hotel sector in Addis Ababa faces increasing competition and evolving customer expectations. A critical challenge lies in the lack of a comprehensive understanding of how the marketing mix—Product, Price, Place, Promotion, People, Process, and Physical Evidence (7Ps)—influences customer satisfaction. While international studies highlight the effectiveness of the 7Ps framework, their findings are often context-specific and may not directly apply to Ethiopia.

Local research has largely examined individual aspects of customer satisfaction without incorporating the full marketing mix. Studies such as Alemneh and Gebremichael (2018) and Kelbessa (2018) focus on service quality, while others, including Daniel (2021) and Mezgebe (2020), explore promotional and e-marketing strategies but do not assess their collective impact. Additionally, Eshete (2019) and Daniel (2021) examine CRM and promotional mix elements but lack a comprehensive analysis of how all 7Ps interact to influence satisfaction in five-star hotels. These studies provide valuable insights but do not present a complete picture of marketing mix effectiveness.

Internationally, studies such as Xu and Yao (2022) and Khalayleh and Al-Hawary (2022) demonstrate the importance of price fairness and demand-driven pricing in guest satisfaction, while Kotler and Keller (2016) and Ellitan (2021) emphasize integrating all marketing mix elements. However, these studies do not account for Ethiopia's unique market conditions. Furthermore, much of the available research analyzes marketing mix elements in isolation rather than as an integrated strategy. For example, focusing solely on promotional efforts without pricing considerations may overlook how customer perceptions of value influence satisfaction, while emphasizing service quality without addressing accessibility may fail to capture the full guest experience.

Despite increasing competition in Addis Ababa's luxury hotel sector, there is limited empirical research on the role of the marketing mix in customer satisfaction. While international studies emphasize the importance of an integrated approach, local research remains fragmented. Hospitality experts interviewed for this research noted that many Ethiopian hotel managers overlook the influence of the 7Ps, leading to inconsistent strategic implementation. This gap highlights the need for a localized study that evaluates how each marketing mix element shapes

guest experiences. Additionally, previous research has relied mainly on quantitative approaches, missing qualitative insights from industry experts. Insights from the Addis Ababa Hotels Owners Association help contextualize survey data by providing a broader industry perspective on marketing practices and customer satisfaction drivers.

This study addresses these gaps by investigating how the marketing mix influences customer satisfaction in selected five-star hotels in Addis Ababa. It applies the 7Ps framework within the Ethiopian hospitality industry, offering empirical insights tailored to this market. By adopting a mixed-methods approach, this study validates existing marketing theories while adapting them to an under-researched economic and cultural environment. The findings aim to equip hotel managers with actionable strategies to enhance marketing effectiveness, improve guest satisfaction, and strengthen competitive positioning in Ethiopia's luxury hotel market.

## **1.5. Research Objectives**

### **1.5.1 General Objective**

The primary objective of this study is to examine the impact of the marketing mix strategy on customer satisfaction in selected five-star hotels in Addis Ababa. Specifically, this research seeks to explore how the various elements of the marketing mix—Product, Price, Place, Promotion, People, Process, and Physical Evidence—influence customer satisfaction in the luxury hotel sector, providing insights to enhance hotel management practices and improve guest experiences.

### **1.5.2 Specific Objectives**

To achieve the general objective, the study will focus on the following specific objectives:

1. To examine the impact of Product strategy: Analyze how hotel amenities, services, and product quality affect customer satisfaction, and determine if the hotel's offerings meet or exceed customer expectations.
2. To assess the role of Price strategy: Evaluate how pricing strategies influence customer satisfaction, focusing on the relationship between perceived value for money and guest satisfaction.

3. To investigate the influence of Place strategy: Explore how the location and accessibility of five-star hotels in Addis Ababa impact customer satisfaction, and analyze the hotel's physical setting and convenience in shaping guest experiences.
4. To evaluate the effectiveness of Promotion strategy: Assess the impact of promotional activities, including advertising and special offers, on customer satisfaction, focusing on how these efforts shape customer perceptions and influence their satisfaction levels.
5. To analyze the impact of People strategy: Investigate the role of staff behavior and service quality in shaping customer satisfaction, examining how staff interactions and service delivery contribute to overall guest satisfaction.
6. To explore the effect of Process strategy: Examine how the efficiency and effectiveness of service delivery processes, such as check-in/check-out procedures and service management, impact customer satisfaction, and identify areas for improvement.
7. To assess the influence of Physical Evidence strategy: Evaluate how the hotel's physical environment and tangible elements, such as décor, cleanliness, and ambiance, contribute to customer satisfaction, and how these aspects shape guest perceptions.

### **1.6 Research Questions:**

This thesis seeks to address the following research questions to explore the effect of the 7Ps of the marketing mix strategy on customer satisfaction in selected 5-star hotels in Addis Ababa:

1. How do the products and services offered by 5-star hotels in Addis Ababa influence customer satisfaction?
2. What is the effect of pricing strategy on customer satisfaction in 5-star hotels in Addis Ababa?
3. How do promotional activities and strategies impact customer satisfaction in 5-star hotels in Addis Ababa?

4. To what extent do the location and accessibility affect satisfaction of customers of 5-star hotels in Addis Ababa ?
5. How does the behavior and interaction of hotel staff (people) influence satisfaction of customers in 5-star hotels in Addis Ababa?
6. What is the effect of the physical environment on customer satisfaction in 5-star hotels in Addis Ababa?
7. How does service delivery processes impact customer satisfaction in 5-star hotels in Addis Ababa?

### **1.7 Hypotheses**

Based on the review of theoretical and empirical literature regarding the effect of the marketing mix on customer satisfaction (refer to Chapter 2) the following hypotheses are developed to guide the empirical work of this study:

1. Product quality have a significant positive effect on customer satisfaction in 5-star hotels in Addis Ababa.
2. Pricing strategies have significant positive effect on customer satisfaction in 5-star hotels in Addis Ababa.
3. Promotional activities have significant positive effect on customer satisfaction in 5-star hotels in Addis Ababa.
4. Location and accessibility have significant positive effect on customer satisfaction in 5-star hotels in Addis Ababa.
5. Hotel staff behavior (people) have a significant positive effect on customer satisfaction in 5-star hotels in Addis Ababa.
6. The physical environment have a significant positive effect on customer satisfaction in 5-star hotels in Addis Ababa.
7. Service delivery processes have significant positive effect on customer satisfaction in 5-star hotels in Addis Ababa.

## **1.8 Significance of the Study**

This study is significant because it offers a deeper understanding of how the various elements of the marketing mix impact customer satisfaction within the five-star hotel sector in Addis Ababa. As the hospitality industry in Addis Ababa becomes increasingly competitive, customer satisfaction is critical to the success and longevity of hotels. By investigating the influence of the 7Ps (Product, Price, Place, Promotion, People, Process, and Physical Evidence), this research will provide hotel managers with actionable insights to optimize their marketing strategies, enhance customer loyalty, improve service quality, and strengthen market positioning.

Additionally, this study contributes to the academic field by addressing a specific gap in the literature. While global studies have explored the relationship between the marketing mix and customer satisfaction, research focusing on Ethiopia, particularly within the five-star hotel segment, is limited. By offering a localized perspective, this research enriches the academic understanding of marketing strategies in emerging markets. The findings will not only support hotel managers and marketers in Addis Ababa but will also serve as a reference for future research in similar emerging markets, potentially influencing hospitality management practices and marketing strategies globally.

## **1.9 Scope of the Study**

This study focuses on assessing the impact of the marketing mix strategy on customer satisfaction within selected five-star hotels in Addis Ababa, Ethiopia. The geographical scope is confined to Addis Ababa, the capital city and an international hub with a rapidly expanding hospitality industry. Specifically, the study examines how each element of the marketing mix—Product, Price, Place, Promotion, People, Process, and Physical Evidence—influences customer satisfaction within the context of five-star hotels.

The target population consists of customers who have recently stayed in five-star hotels in Addis Ababa. Data will be collected from a representative sample of hotel guests to explore their perceptions and satisfaction levels. By focusing on these hotels and customers, the study addresses the unique challenges and opportunities within the Ethiopian hospitality sector, offering actionable recommendations for hotel managers to improve service quality and customer satisfaction.

## **1.10 Organization of the Study**

This study is organized into five chapters. Chapter One introduces the research, including the background, statement of the problem, research objectives, research questions, hypothesis, significance, and scope. Chapter Two provides a review of the relevant literature, including key definitions, theoretical and empirical studies, and the conceptual framework. Chapter Three outlines the research methodology, covering the research design, data collection methods, and analysis techniques. Chapter Four presents and discusses the study's findings, comparing them to existing research and theories. Finally, Chapter Five summarizes the findings, draws conclusions, and offers recommendations. The thesis concludes with references and appendices, including the survey questionnaire and additional relevant documents.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1.Theoretical Review**

The objective of this chapter is to review the existing literature on the impact of marketing mix strategy on customer satisfaction. The chapter will explore key concepts and definitions related to the marketing mix, theories of customer satisfaction, the study's theoretical framework, and empirical research on the topic. By synthesizing previous research, this chapter aims to provide the theoretical and conceptual foundation for understanding how marketing mix strategies influence customer satisfaction in five-star hotels, particularly in the context of Addis Ababa..

#### **2.2.The Concepts and Definitions**

Marketing is defined as the process of creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large (Kotler & Keller, 2016).

To conceptualize is to decide what metrics to use to determine how the marketing mix strategy affects customer satisfaction in particular 5-star hotels. Product, price, promotion, and placement variables at the chosen 5-star hotels will be examined to determine the effect of the marketing mix strategy on customer satisfaction. In the hospitality sector, marketing plays a pivotal role in attracting and retaining customers by aligning services with their evolving needs and expectations. Effective marketing strategies enable hotels to differentiate themselves in a competitive market, build strong customer relationships, and achieve long-term profitability.

#### **2.3. Marketing Mix**

##### **Marketing Mix and its Relevance in Customer Satisfaction**

The marketing mix, a concept first introduced by Borden and later refined into the 4Ps by McCarthy, serves as a cornerstone of marketing strategy. It includes Product, Price, Place, and Promotion as its primary elements. Over time, the model has been extended, particularly in the service industry, to include People, Process, and Physical Evidence, creating the 7Ps framework. These additional elements are crucial in sectors like hospitality, where the intangible nature of

services requires more attention to how services are delivered and perceived (Ongsiriorn & Maleewat, 2024; Maleewat, 2023).

### **2.3.1 Product**

The product in the context of five-star hotels includes both tangible and intangible offerings, such as luxurious accommodations, gourmet dining, wellness facilities, and exceptional customer experiences. The success of a product strategy hinges on its ability to meet and exceed the expectations of a discerning clientele. For instance, high-quality amenities, state-of-the-art technology, and personalized services play a crucial role in differentiating five-star hotels from their competitors (Kotler & Armstrong, 2018).

In Addis Ababa, where the hospitality industry is rapidly expanding, hotels often integrate local traditions and cultural aesthetics into their product offerings. This includes Ethiopian cuisine, decor featuring indigenous art, and experiences that reflect the country's rich heritage. Incorporating these elements creates a sense of authenticity, which is increasingly valued by international and domestic guests (Alemneh & Gebremichael, 2018). Consistent delivery of high-quality products is critical for fostering customer satisfaction, enhancing brand loyalty, and maintaining competitiveness in the luxury hotel market.

### **2.3.2 Price**

Price represents the monetary value guests associate with the services provided and reflects their perceived value. In the luxury hotel sector, pricing strategies must balance profitability with customer satisfaction by ensuring prices align with the quality of services offered. Five-star hotels often use dynamic pricing models, which adjust room rates based on factors such as demand, seasonality, and market trends (Kotler & Armstrong, 2018). For example, hotels may charge premium prices during peak tourist seasons or offer discounts during off-peak periods to attract guests and maintain occupancy.

In Addis Ababa, local economic conditions, such as fluctuating currency exchange rates and inflation, further influence pricing strategies. Additionally, bundling services, such as combining accommodation with spa or dining packages, provides guests with perceived added value, which can enhance satisfaction and loyalty. Research highlights that transparent and value-based pricing is a key driver of customer trust and satisfaction, particularly in competitive markets (Xu

& Yao, 2022). Effective pricing strategies not only ensure profitability but also reinforce the brand's luxury positioning.

### **2.3.3 Place**

Place, also referred to as distribution, involves the accessibility of a hotel's services to its customers, both physically and digitally. In the hospitality industry, the physical location of a hotel is critical to its success. Five-star hotels strategically position themselves near business districts, cultural landmarks, and transportation hubs to enhance convenience for both business and leisure travelers (Lee, Kim, & Shin, 2023). In Addis Ababa, many luxury hotels are located near key economic hubs, such as the African Union headquarters and Bole International Airport, making them attractive to international guests and diplomats.

In addition to physical location, digital distribution channels play an essential role in modern hotel marketing. User-friendly websites, mobile apps, and partnerships with online travel agencies (OTAs) such as Booking.com and Expedia make it easier for customers to book services from anywhere in the world. The increasing reliance on digital platforms underscores the need for five-star hotels in Addis Ababa to optimize their online presence and streamline the booking process. Research indicates that effective distribution strategies significantly improve customer satisfaction by ensuring ease of access and convenience (Kotler & Armstrong, 2018).

### **2.3.4 Promotion**

Promotion encompasses the activities used to communicate a hotel's value proposition to its target audience, aiming to attract and retain customers. Five-star hotels use an integrated approach to promotion, combining traditional methods like print advertising and event sponsorships with modern techniques such as digital marketing and influencer collaborations (Kotler & Armstrong, 2018). In Addis Ababa, promotional campaigns often highlight unique features of luxury hotels, such as cultural experiences, world-class amenities, and exceptional service quality, to appeal to international travelers and local high-value guests.

Digital marketing has become a dominant tool in hotel promotion. Platforms like Instagram and Facebook allow hotels to showcase visually appealing content, including luxurious interiors, culinary experiences, and customer testimonials. Personalized email marketing and loyalty programs are also effective in fostering repeat bookings. Research by Jasmani and Sunarsi (2020)

shows that hotels with well-executed digital campaigns experience higher engagement rates and customer loyalty. In addition, partnerships with travel agencies and event organizers further amplify promotional efforts, creating a competitive advantage in the growing Ethiopian hospitality market.

Let's discuss the additional 3 Ps.

### **2.3.5 People**

The "people" component of the marketing mix refers to the employees who interact with customers and play a critical role in delivering high-quality services. In five-star hotels, the professionalism, demeanor, and skills of staff directly influence customer satisfaction and loyalty. Employees act as the face of the brand, and their ability to deliver personalized and culturally sensitive services significantly enhances guest experiences (Kotler & Armstrong, 2018).

In Addis Ababa, a unique blend of Ethiopian hospitality and global service standards shapes guest interactions. Continuous staff training programs focusing on cultural awareness, communication skills, and service excellence are essential to maintaining high standards in five-star hotels. Research by Emir et al. (2018) highlights the positive correlation between employee satisfaction and customer satisfaction, emphasizing the importance of empowering staff through favorable working conditions and incentives. Well-trained and motivated employees not only ensure consistent service delivery but also contribute to the hotel's reputation and competitiveness in the luxury hospitality sector.

### **2.3.6 Process**

Process refers to the structured systems and workflows that ensure seamless service delivery in the hospitality industry. Efficient processes are essential for creating a positive customer experience by minimizing bottlenecks and ensuring consistency in service quality. Critical processes in five-star hotels include check-in and check-out systems, room service, and complaint handling. Effective management of these processes directly impacts customer satisfaction by reducing wait times and enhancing convenience (Zeithaml, Bitner, & Gremler, 2018).

Technological advancements have transformed service delivery in luxury hotels, with innovations such as mobile check-ins, digital concierge services, and automated billing systems becoming increasingly popular. These tools streamline operations and allow guests to personalize their experiences. According to Ivanov and Webster (2019), service automation and artificial intelligence further enhance operational efficiency by optimizing resource allocation and improving responsiveness. However, in Addis Ababa, the adoption of such technologies remains limited due to infrastructural challenges and financial constraints. Strategic investments in process improvements and technological integration are critical for five-star hotels in Addis Ababa to meet the expectations of modern travelers and align with global standards.

### **2.3.7 Physical Evidence**

Physical evidence encompasses the tangible elements of a hotel's environment that influence guest perceptions, such as design, cleanliness, ambiance, and facilities. These aspects serve as visual and sensory cues that help guests assess service quality in an otherwise intangible service setting. In five-star hotels, meticulous attention to physical evidence reinforces the brand's luxury image and enhances the overall guest experience.

In Addis Ababa, luxury hotels often integrate local cultural elements, such as Ethiopian art and traditional designs, to create a unique and authentic atmosphere. Well-maintained facilities, high-quality furnishings, and attention to detail in guest rooms contribute significantly to positive guest perceptions. Cleanliness is particularly critical, as it directly impacts customer comfort and safety. A study by Ali and Ahmed (2019) found that sensory marketing elements, including visual and olfactory cues, significantly affect customer perceptions and behaviors in five-star hotels. Furthermore, sensory elements like lighting, scent, and sound are strategically utilized to create a welcoming and memorable environment. By consistently aligning physical evidence with guest expectations, luxury hotels in Addis Ababa can strengthen their competitive positioning and foster customer loyalty.

### **2.4 Customer Satisfaction**

Customer satisfaction is a key metric that reflects how well a product or service meets or exceeds customer expectations. It is defined as the emotional response a customer experiences after comparing actual product performance with their expectations. Understanding and enhancing

this satisfaction is critical for businesses, as it directly influences customer loyalty, repeat business, and positive word-of-mouth. Successful companies aim to exceed customer expectations, ensuring a lasting and positive impact on customer satisfaction (Mittal et al., 2023).

Research has shown that the cost of attracting new customers is significantly higher than retaining existing ones, making customer satisfaction and loyalty essential for long-term business success. Recent studies highlight that retaining existing customers is far more cost-effective and contributes significantly to sustainable profitability (Mittal et al., 2023). In the competitive hotel industry, especially in emerging markets, customer satisfaction is central to achieving a sustainable advantage. The dynamic nature of the tourism industry requires hotels to continuously adapt to evolving customer expectations to remain competitive (Lepistö et al., 2022). The ISO 9001:2015 standard further reinforces the importance of consistently evaluating customer satisfaction and identifying the elements that influence it, highlighting its critical role in achieving service excellence (ISO, 2015).

In the context of luxury hotels, customer satisfaction has become a strategic tool for differentiation and success. Hotels must not only meet basic customer expectations but exceed them to build customer loyalty and enhance their reputation. This goes beyond providing a comfortable stay and includes offering personalized experiences, high-quality services, and a responsive staff. With the growing number of high-end hotels in Addis Ababa, achieving high customer satisfaction is essential for staying competitive.

This study will explore how different elements of the marketing mix contribute to customer satisfaction in five-star hotels in Addis Ababa. By understanding the factors that influence guest perceptions and satisfaction levels, hotel managers can better tailor their marketing strategies to meet customer expectations and gain a competitive edge in the market.

## **2.5 Marketing Mix Strategy in the Hospitality Industry**

The marketing mix is a cornerstone of marketing theory, providing a strategic framework that companies use to design and implement effective marketing strategies. Initially introduced as the 4Ps—Product, Price, Place, and Promotion—by Jerome McCarthy in 1964, this framework has been expanded to include People, Process, and Physical Evidence to address the unique characteristics of service-based industries like hospitality. The 7Ps framework offers a

comprehensive approach to managing customer satisfaction by emphasizing both tangible and intangible factors that shape customer perceptions and experiences. Recent studies highlight the importance of effectively implementing the 7Ps to enhance customer satisfaction and gain a competitive advantage in the hospitality industry (Maleewat, 2023).

In the Ethiopian hospitality sector, pricing and service quality are critical components of the marketing mix that significantly influence competitiveness. Currency devaluation has made local prices more attractive to foreign tourists; however, high operational costs continue to pose challenges for domestic customers. For instance, the 2017 devaluation of the Ethiopian Birr by 15% aimed to enhance export competitiveness, yet it also contributed to inflationary pressures that affected local consumers (World Bank, 2017).

Additionally, limited technological adoption and evolving customer expectations present challenges for maintaining service quality. Studies have shown that the adoption of Information Communication Technology (ICT) in Ethiopian hotels has been slow, impacting service delivery and customer satisfaction (Gashaw, 2021). Addressing these gaps through strategic pricing and staff training initiatives is essential for improving competitiveness. Developing service and quality standards in Ethiopia's hospitality sector is crucial to meet international expectations and attract high-value tourists (UNWTO, 2012).

### **2.5.1 Product Strategy in the Hospitality Industry**

Products in the hospitality sector encompass both tangible offerings, such as accommodations and dining, and intangible experiences, such as ambiance and customer service. In the context of five-star hotels, the product strategy revolves around creating a differentiated portfolio of services that cater to the needs and expectations of high-value customers.

According to Kotler and Keller (2016), a comprehensive product strategy includes four levels: the core product, facilitating product, supporting product, and augmented product. The core product represents the primary benefit sought by the customer, such as luxurious accommodations. Facilitating products include essential services that enable guests to use the core product effectively, such as room service and concierge assistance. Supporting products, such as spa services and fine dining options, add value and differentiate the hotel from

competitors. Augmented products, such as personalized experiences or exclusive loyalty benefits, further enhance customer satisfaction and loyalty.

In the Ethiopian context, tailored offerings that align with cultural and international guest expectations are critical for enhancing customer satisfaction and loyalty. For instance, Ethiopian five-star hotels can incorporate local art, traditional design, and cuisine into their product offerings to provide an authentic yet luxurious experience. By continuously innovating and adapting their product strategies to reflect cultural uniqueness, hotels can exceed customer expectations and foster long-term loyalty (Alemneh, 2018).

### **2.5.2 Price Strategy in the Hospitality Industry**

Price Pricing plays a critical role in shaping customer perceptions and driving satisfaction. As the only element of the marketing mix that generates revenue, price must strike a balance between perceived value and profitability (Kotler & Armstrong, 2018). In the hospitality industry, dynamic pricing strategies are commonly employed to optimize revenue based on fluctuating demand.

Studies by Xu and Yao (2022) demonstrate that perceived price fairness significantly influences customer satisfaction in luxury hotels. In Addis Ababa, where income levels and price sensitivities vary, hotels must adopt pricing strategies that reflect value for money while remaining competitive. For example, bundling services into packages or offering tiered pricing for different room categories can attract diverse customer segments.

Dynamic pricing and promotional pricing, such as discounts during off-peak seasons, are particularly effective in attracting price-sensitive guests without compromising profitability. However, maintaining transparency in pricing is key to ensuring customer trust and avoiding dissatisfaction with perceived pricing inconsistencies. Studies emphasize that clear communication of dynamic pricing strategies helps build trust and improves customer perceptions, ultimately enhancing satisfaction and loyalty (Iris, 2023; EHL Insights, 2024).

### **2.5.3 Place (Distribution) Strategy in the Hospitality Industry**

The distribution strategy in hospitality focuses on ensuring that services are easily accessible to target customers. This includes both digital and physical channels, such as online booking

platforms, direct reservations, and partnerships with travel agencies. In the Ethiopian market, digital transformation has played a pivotal role in enhancing service accessibility, with many hotels adopting user-friendly websites and mobile apps for bookings. Initiatives such as online hotel platforms and digital tourism tools have significantly improved the booking experience for both local and international travelers (Mekonnen & Tsehay, 2022; Iceaddis, 2023).

Physical location also remains a critical factor. Five-star hotels in Addis Ababa benefit from proximity to key landmarks, such as Bole International Airport and the African Union headquarters, which attract both business and leisure travelers. By strategically positioning their properties and streamlining booking processes, hotels can enhance convenience and satisfaction for their guests.

#### **2.5.4 Promotion Strategy in the Hospitality Industry**

Promotion serves as a bridge between the hotel's offerings and its target audience. Effective promotional strategies combine digital and traditional methods to create awareness, build interest, and drive bookings. For five-star hotels, the focus often lies on targeted campaigns that highlight luxury experiences and exclusive services. Digital marketing, including social media advertisements and influencer collaborations, has become increasingly important in the hospitality industry. For example, hotels can use Instagram to showcase visually appealing aspects of their properties, such as elegant interiors and gourmet dining. Additionally, loyalty programs and personalized email campaigns are effective in retaining high-value customers and fostering repeat business. Research indicates that social media engagement significantly enhances customer satisfaction and loyalty by providing interactive platforms for communication and brand promotion (Harrigan et al., 2017).

Traditional promotional methods, such as hosting events or collaborating with local businesses, also play a role in enhancing brand visibility. For instance, partnering with cultural festivals or offering special packages for conference attendees can attract diverse customer segments.

#### **2.5.5 People, Process, and Physical Evidence in the Hospitality Industry**

The People, process, and physical evidence are essential components of the marketing mix in the hospitality industry, each contributing significantly to customer satisfaction. Employees, as the "people" element, represent the face of the hotel brand. Their professionalism, interpersonal

skills, and ability to personalize service directly impact guest experiences. Training programs focused on cultural sensitivity, problem-solving, and delivering personalized services are essential to maintain high standards and foster positive interactions with guests (Ali et al., 2021).

The "process" element encompasses the procedures, mechanisms, and activities involved in service delivery. Efficient processes, such as smooth check-ins and rapid room service, enhance customer convenience and satisfaction. Technological advancements, such as mobile check-ins and digital concierge services, have streamlined these processes in many five-star hotels, improving operational efficiency while meeting modern customer expectations (Khalayleh & Al-Hawary, 2022).

Physical evidence refers to the tangible elements of the service environment, such as design, cleanliness, and ambiance. These aspects play a critical role in shaping customer perceptions, particularly in luxury hotels where attention to detail reinforces the brand's premium image. For example, Ethiopian hotels that incorporate local cultural elements into their design and maintain high standards of cleanliness create a distinctive and memorable guest experience (Xu & Yao, 2022).

## **2.6 Measurement of Customer Satisfaction in the Hospitality Industry**

In the hospitality industry, measuring customer satisfaction is crucial for evaluating the success of service delivery and identifying areas for improvement. Customer satisfaction indices provide insights into the extent to which organizations meet or exceed guest expectations, enabling them to refine their operations and enhance overall service quality. Regular data collection and analysis help hotels implement strategies that foster loyalty and improve booking rates. Various tools and methods are commonly employed to measure customer satisfaction in the hospitality sector, including surveys, the Net Promoter Score (NPS), online reviews, service quality models like SERVQUAL, and mystery shopping (Sureshchandar et al., 2002).

### **2.6.1 Customer Satisfaction Surveys**

Surveys remain one of the most widely used methods for collecting direct feedback from guests. These can be administered before, during, or after a stay through face-to-face interviews, email, or mobile applications. Guest satisfaction questionnaires typically cover various aspects, such as room quality, staff behavior, and facilities, enabling hotels to identify strengths and weaknesses.

According to Priporas et al. (2020), surveys are an effective tool for understanding customer preferences and improving service delivery. Analyzing survey responses provides actionable insights that can inform management decisions and enhance guest experiences

### **2.6.1.1 Net Promoter Score (NPS)**

The NPS is a widely adopted metric in the hospitality industry for gauging customer loyalty and satisfaction. This method involves asking guests, "How likely are you to recommend our hotel to a friend or colleague?" Responses are categorized into promoters (scores of 9–10), passives (scores of 7–8), and detractors (scores of 0–6). The NPS is calculated by subtracting the percentage of detractors from the percentage of promoters, providing a clear measure of customer loyalty. High NPS scores indicate guest satisfaction and their willingness to recommend the hotel, while low scores highlight areas for improvement. As noted by Baquero (2022), NPS offers valuable insights for monitoring guest perceptions and adjusting service strategies.

### **2.6.1.2 Use of Customer Feedback on Social Networking Sites**

In the digital age, online reviews and social media have become critical tools for assessing customer satisfaction. Platforms like TripAdvisor, Google Reviews, and Yelp allow guests to share their experiences, providing valuable feedback for both potential customers and hotel management. Positive reviews indicate high satisfaction levels, while negative feedback highlights areas requiring attention. Additionally, engagement metrics such as likes, shares, and comments on social media can reflect customer perceptions and brand popularity. Xie et al. (2017) emphasize that data mining from online platforms offers real-time insights into guest satisfaction, making it an essential tool for modern hospitality management.

### **2.6.1.3 Service Quality Models (SERVQUAL)**

The SERVQUAL model, developed by Parasuraman, Zeithaml, and Berry, is a comprehensive framework for assessing service quality and its impact on customer satisfaction. The model evaluates five dimensions: tangibles, reliability, responsiveness, assurance, and empathy. By identifying gaps between guest expectations and actual service delivery, SERVQUAL helps hotels pinpoint specific areas for improvement. For example, high scores for tangibles, such as cleanliness and decor, but low scores for responsiveness, such as delayed room service, can

guide targeted interventions (Buttle, 2020). Widely applied in the hospitality sector, SERVQUAL has proven effective in linking service quality to customer satisfaction (Abdulrab & Hezam, 2024).

#### **2.6.1.4 Mystery Shopping**

Mystery shopping involves trained evaluators posing as ordinary guests to assess hotel services. This method provides an objective and comprehensive view of customer experiences, covering aspects like check-in procedures, room conditions, and staff behavior. Unlike surveys or reviews, mystery shopping offers unfiltered insights into daily operations, ensuring compliance with service standards. As noted by McIntyre (2023), mystery shopping is particularly valuable for identifying operational inefficiencies and enhancing service delivery.

#### **2.6.1.5 Combining Multiple Measurement Tools**

While each measurement tool offers unique insights, combining multiple approaches provides a holistic view of customer satisfaction. Integrating methods such as surveys, Net Promoter Score (NPS), online feedback, and SERVQUAL results in a more accurate understanding of guest perceptions. Such comprehensive evaluations enable hotels to implement targeted improvements, enhancing overall satisfaction and loyalty. By leveraging these tools effectively, hotels can better understand guest expectations, address shortcomings, and deliver exceptional service experiences. This proactive approach not only enhances customer satisfaction but also strengthens brand loyalty and competitive positioning in the hospitality market (Pizam et al., 2016).

### **2.7 Empirical Review of the Marketing Mix and Customer Satisfaction**

The marketing mix remains a cornerstone of marketing theory, extensively explored across industries, including the hospitality sector. Empirical research has consistently demonstrated its significant impact on customer satisfaction, particularly in five-star hotels. This section critically reviews the literature on the relationship between the 7Ps of the marketing mix and customer satisfaction, emphasizing gaps in existing studies and aligning them with the Ethiopian context.

### **2.7.1 Product**

The quality of hotel products, including rooms, amenities, and additional services such as spas and dining, is a major determinant of customer satisfaction. A study focusing on Ethiopian hotels identified the superior quality of hotel amenities as a critical factor influencing guest satisfaction. Using regression analysis, the study revealed that hotel amenities and room comfort contributed significantly to overall satisfaction, with a beta coefficient of 0.72 ( $p < 0.05$ ). While these findings highlight the importance of product quality, the focus on foreign guests limits the generalizability of results to local customers.

Similarly, product differentiation plays a critical role in enhancing customer loyalty in luxury hotels. Unique offerings, such as tailored room designs and specialized services, significantly impact customer retention. For instance, studies have highlighted the importance of differentiated services in fostering loyalty by meeting diverse customer needs and expectations. However, reliance on qualitative methodologies alone, such as interviews, may limit the generalizability of findings. Mixed-method approaches that integrate qualitative insights with quantitative validation are essential, particularly in under-researched markets like Ethiopia (Pizam et al., 2016; McIntyre, 2023).

### **2.7.2 Price**

Pricing strategies in the hospitality industry directly influence customer perceptions of value. Xu and Yao (2022) found a significant correlation between perceived price fairness and customer satisfaction in luxury hotels, with a correlation coefficient of 0.65 ( $p < 0.01$ ). Their structural equation modeling (SEM) analysis revealed that transparent pricing strategies improved customer trust and loyalty. However, the study's focus on Chinese luxury hotels highlights the need for localized research to explore how pricing perceptions vary in emerging markets like Ethiopia, where economic factors such as income disparities and purchasing power significantly influence value perceptions.

Khalayleh and Al-Hawary (2022) demonstrated that dynamic pricing strategies positively impacted customer satisfaction among Jordanian business travelers. Their study reported a 15% increase in satisfaction levels among respondents who perceived pricing adjustments as fair and

value-driven. These findings align with Ethiopian market dynamics, where customers value affordability alongside premium experiences, highlighting an area ripe for further exploration.

### **2.7.3 Place (Distribution)**

Accessibility and convenience of hotel services play a pivotal role in shaping customer satisfaction. Research by Shelash Al-Hawary et al. (2022) indicated that seamless online booking platforms and user-friendly digital interfaces significantly enhanced satisfaction in luxury hotels. In their study, 68% of respondents rated digital convenience as a key driver of their positive experiences. While these insights emphasize digital accessibility, the Ethiopian context necessitates examining the role of traditional distribution channels, such as direct in-person bookings and partnerships with travel agencies.

### **2.7.4 Promotion**

Effective promotional strategies, particularly those leveraging digital platforms, are critical for customer engagement. Shelash Al-Hawary et al. (2022) highlighted that social media campaigns and personalized advertisements increased customer satisfaction in luxury hotels, with an SEM path coefficient of 0.78 ( $p < 0.01$ ). However, the study overlooked the role of traditional promotional methods, such as in-hotel promotions or community engagement programs, which are particularly relevant in Ethiopia, where digital penetration remains uneven across demographics.

Similarly, loyalty programs tailored to high-end customers have been shown to significantly boost repeat bookings. A study on Hilton Honors members at Hilton Addis Ababa found that higher-tier members exhibited greater willingness to return and recommend the hotel, indicating increased retention (Bekele, 2020). While these findings are robust, the study's focus on a single hotel limits external validity. Larger-scale research incorporating diverse demographic segments is essential for drawing broader conclusions, particularly in Ethiopia's growing hospitality sector.

### **2.7.5 People**

Staff professionalism and interpersonal skills are critical to delivering exceptional guest experiences. Alemneh and Gebremichael (2018) found that service quality in five-star hotels in Addis Ababa, Ethiopia, was below customer expectations, particularly in responsiveness and

reliability, highlighting the need for improved staff attentiveness and personalized service. The study emphasized the necessity for continuous staff training and development to bridge service quality gaps and enhance customer satisfaction.

Similarly, Xu and Yao (2022) provided a global perspective, noting that well-trained staff contribute to a 30% increase in customer satisfaction in luxury hotels. These findings underscore the importance of staff development programs tailored to cultural nuances, an area Ethiopian hotels can leverage to differentiate themselves in a competitive market.

market.

### **2.7.6 Process**

Streamlined service delivery processes are essential for enhancing customer experiences. Khalayleh and Al-Hawary (2022) emphasized the importance of automated check-ins and mobile concierge services, reporting a 25% reduction in wait times and a corresponding increase in satisfaction levels. While such advancements align with global trends, Ethiopian five-star hotels face unique challenges, including limited technological infrastructure and varying guest preferences for traditional versus automated processes.

Similarly, a study by Deneke (2015) highlighted that inefficiencies in service processes, such as delays in check-in and room service, were common pain points for guests in Ethiopian hotels. Addressing these gaps through investments in technology and process optimization could significantly enhance satisfaction levels.

### **2.7.7 Physical Evidence**

The tangible elements of hotel environments, such as design, cleanliness, and ambiance, significantly impact guest satisfaction. Simpong et al. (2022) found that facility aesthetics play an essential role in shaping guest perceptions, with well-designed physical environments enhancing customer satisfaction. Similarly, Bekele and Singh (2016) highlighted that the physical environment, including cleanliness, ambiance, and overall servicescape, has a significant positive effect on customer loyalty in the Ethiopian hotel industry. Well-maintained and aesthetically pleasing facilities were found to contribute to higher satisfaction ratings from guests.

These findings highlight the importance of aligning physical evidence with guest expectations. For Ethiopian hotels, incorporating cultural elements into design and decor could further enhance the guest experience, providing a unique competitive advantage in the growing hospitality market.

### **Synthesis and Gaps**

Empirical research underscores the critical role of the 7Ps in shaping customer satisfaction across various contexts. However, significant gaps remain in the literature that warrant further investigation. First, there is limited research specifically focused on the Ethiopian hospitality sector, particularly studies that incorporate diverse samples encompassing both local and international guests. This narrow focus limits the generalizability of findings and their applicability to the dynamic market environment in Addis Ababa.

Second, existing studies predominantly rely on either quantitative or qualitative methods, rarely integrating the two to provide a comprehensive, mixed-method understanding of customer satisfaction. Such an approach would offer deeper insights by capturing both statistical relationships and the nuanced perceptions of hotel guests.

Finally, traditional promotional methods and non-digital processes, which are often crucial in emerging markets like Ethiopia, remain underexplored. These aspects are particularly relevant given the region's reliance on interpersonal interactions and localized marketing strategies. Addressing these gaps is essential to developing a holistic understanding of how the marketing mix influences customer satisfaction in Addis Ababa's five-star hotels, thereby contributing to both academic knowledge and practical applications in the hospitality industry.

### **2.8 Conceptual Framework of the Study**

The conceptual framework illustrates the relationships between the 7Ps of the marketing mix—Product, Price, Place, Promotion, People, Process, and Physical Evidence—and customer satisfaction in the context of five-star hotels in Addis Ababa. Each of the 7Ps is considered an independent variable, while customer satisfaction serves as the dependent variable. The framework underscores how high-quality products, fair pricing, accessible services, effective promotional activities, professional staff interactions, efficient processes, and well-maintained physical environments collectively contribute to shaping the customer experience.

Additionally, the framework acknowledges the potential interactions between certain elements. For instance, a well-priced promotional offer might attract a larger customer base, while superior product offerings combined with aesthetically pleasing physical environments could amplify customer satisfaction. These relationships highlight the importance of managing the marketing mix elements cohesively to achieve a significant impact.

This framework provides a structured approach for testing the hypotheses of this study. It is particularly relevant in the Ethiopian context, where the hospitality industry is expanding, and customer expectations are becoming increasingly sophisticated. By focusing on the 7Ps, this study aims to offer actionable insights into how marketing strategies can be optimized to enhance customer satisfaction in five-star hotels. Managing these elements in harmony can foster guest loyalty, improve service delivery, and address the diverse needs of both local and international

**Figure 2.1: A Framework of Marketing Mix Strategy on Customer Satisfaction**



**Note.** Adapted from Kotler and Keller (2016), Parasuraman, Zeithaml, and Berry (1988), and the SERVQUAL model; further conceptualized by the author.

As shown in Figure 2.1, the 7Ps of the marketing mix each directly influence customer satisfaction. These elements not only function individually but may also interact to create synergies. For example, the effectiveness of promotional activities might depend on fair pricing, and the appeal of physical evidence could enhance the perceived quality of a product. This interdependence emphasizes the need for an integrated marketing approach in achieving high levels of customer satisfaction in the competitive landscape of Addis Ababa's five-star hotels.

By aligning marketing strategies with these elements, hotels can better meet guest expectations, enhance service delivery, and achieve a sustainable competitive advantage. This conceptual framework serves as the foundation for the research, guiding the analysis and interpretation of how marketing mix strategies influence customer satisfaction.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

The chapter on methodology is critical in any research because it describes the methods and instruments through which the goals of the study were met. A structured research design and approach to sample collection and analysis made the process sequential, rigorous, and easily repeatable, which increased the accuracy and credibility of the results of the study (Saunders et al., 2016). In this study, the role of the methodology was to analyze the impact of marketing mix strategy on customer satisfaction with reference to selected five-star hotels in Addis Ababa.

Customer satisfaction is a critical element in the success of service industries, especially in the hospitality industry, where customers' experiences are a result of a variety of services (Kotler & Keller, 2016). Moreover, the key customers for these services are often very demanding, particularly in five-star hotels; hence, success based on the 7Ps model was essential to ensure that the expectations of the customers were well met. These elements of the marketing mix enabled hotels to effectively position their brands in the highly competitive hospitality industry, thereby controlling the perceived quality and satisfaction of their guests.

This research employed a quantitative research strategy to examine the link between the marketing mix strategy and customer satisfaction. The cross-sectional research design was utilized to collect data at a specific point in time from guests of the selected hotels, offering an understanding of how the modern marketing mix influenced customer experiences. This approach was applicable in studying the relationship between variables and, therefore, fit well in examining the impact that the marketing mix components had on the level of customer satisfaction.

This chapter explains the research design, data collection techniques, and sampling procedures that were used in this study. It also describes how the independent variables—the 7Ps—and the dependent variable—customer satisfaction—were measured. Participants' rights of participation were respected alongside the ethical considerations to protect data collected by ensuring that the validity and reliability of the data collection tools were properly tested and validated. By

following these methodological steps, the study was able to present insights into which marketing strategies affected customer satisfaction in the luxury hotel sector in Addis Ababa.

### **3. 2 Research Approach**

This study employs a mixed-methods approach to analyze the impact of the 7Ps marketing mix on customer satisfaction in five-star hotels in Addis Ababa. This approach integrates both quantitative and qualitative methods to provide a more comprehensive understanding of the research problem.

The quantitative approach is the primary method used, as it allows for the collection of numerical data that can be statistically analyzed to determine relationships between the marketing mix elements and customer satisfaction. A structured survey was distributed to guests at selected five-star hotels in Addis Ababa, measuring their perceptions of each element of the 7Ps framework. This aligns with the recommendations of Saunders et al. (2019), who emphasize that structured surveys are effective tools for collecting standardized data in business research. The use of quantitative analysis ensures objectivity and enables the identification of key patterns and correlations.

To complement the quantitative data, a qualitative approach was incorporated through expert insights obtained from tourism and hospitality experts within the Addis Ababa Hotels Owners Association. These insights help contextualize the findings by providing industry-level perspectives on how marketing mix strategies are implemented in the luxury hotel sector. Given the challenges in obtaining interviews with hotel managers, these expert views serve as an alternative source of qualitative information, adding depth to the analysis. According to Creswell and Creswell (2023), combining qualitative insights with quantitative data enhances the validity of research findings by offering a richer interpretation of the results.

The research follows a positivist paradigm for the quantitative component, as it focuses on measurable data, hypothesis testing, and statistical analysis. A cross-sectional research design was used to collect data at a specific point in time, capturing customer perceptions of the 7Ps within the selected hotels. This design is particularly suitable for analyzing consumer behavior and marketing effectiveness in dynamic market environments (Bryman & Bell, 2021).

By employing a mixed-methods approach, this study ensures a comprehensive and well-balanced analysis of marketing mix strategies in the Ethiopian hospitality industry. The integration of quantitative survey data and qualitative industry insights strengthens the reliability of the findings, offering valuable recommendations for hotel managers to optimize their marketing practices and enhance customer satisfaction in the competitive luxury hospitality sector.

### **3.3 Research Design**

This study employed a descriptive and explanatory research design to analyze the effect of the 7Ps marketing mix on customer satisfaction in selected five-star hotels in Addis Ababa. The descriptive aspect aimed to capture customer perceptions of marketing mix strategies, while the explanatory component sought to examine the relationships between these strategies and customer satisfaction. The study relied on guest survey responses as an indirect measure of marketing effectiveness.

A cross-sectional survey design was chosen for data collection, capturing customer perceptions at a single point in time immediately after their hotel stay. This approach is particularly suitable for analyzing associations between variables without the need for longitudinal tracking (Creswell & Creswell, 2018). Saunders et al. (2019) highlight that cross-sectional research is widely used in business studies due to its efficiency in providing timely insights and its ability to establish relationships between key marketing factors and customer responses.

To facilitate a quantitative assessment, data was collected using a structured questionnaire that measured customer satisfaction across the 7Ps—Product, Price, Place, Promotion, People, Process, and Physical Evidence. Responses were analyzed using SPSS version 26, employing statistical tests such as regression analysis and correlation analysis to examine the relationships between marketing mix components and customer satisfaction, enabling statistical tests to determine the influence of each marketing mix component on customer satisfaction. The structured nature of the questionnaire ensured comparability and reliability across responses.

While the study acknowledges limitations, such as the reliance on customer-reported data instead of direct managerial insights, While this study provides valuable insights into customer satisfaction using guest feedback and expert opinions from the Addis Ababa Hotels Owners Association, future research could further enrich the analysis by incorporating direct perspectives

from hotel managers. This would allow for a more comprehensive evaluation of marketing mix implementation and its impact on guest experiences within five-star hotels in Addis Ababa. for a more comprehensive understanding of marketing effectiveness.

### **3.4 Source of Data**

This research utilized both primary and secondary data to ensure a comprehensive investigation of the hypotheses regarding the marketing mix and customer satisfaction in five-star hotels in Addis Ababa.

The primary data was derived from structured self-completion questionnaires administered to hotel guests who had patronized the selected establishments within the previous week. Participants were selected using a systematic random sampling method to ensure a representative sample of the target population. The questionnaire was designed based on validated constructs from prior studies and included a mix of closed-ended questions and Likert scale items to facilitate quantitative analysis. To enhance reliability and validity, the questionnaire underwent a pilot test involving twenty five respondents, and minor adjustments were made based on their feedback. The primary data captured respondents' perceptions of the seven Ps of the marketing mix and their overall satisfaction with the services provided. This approach enabled the researcher to gather insights directly from customers, allowing for the exploration of causal relationships between marketing strategies and satisfaction levels (Creswell & Creswell, 2018).

The secondary data was collected through a comprehensive review of relevant academic literature, industry reports, hotel websites, and promotional materials. Resources such as Google Scholar, JSTOR, and Emerald Insight were used to access peer-reviewed articles on hospitality marketing and customer satisfaction. Additionally, reports from reputable sources like the World Travel & Tourism Council and Statista provided industry insights into the performance of the hospitality sector in Ethiopia and globally. For instance, the World Travel & Tourism Council's 2023 report on African tourism trends was instrumental in contextualizing the findings. The secondary data complemented the primary findings by offering broader contextual information, enabling comparisons with global and regional benchmarks, and enhancing the depth of analysis (Saunders et al., 2019).

By incorporating both primary data from hotel guests and secondary data from scholarly articles, journals, and industry reports, the study ensured well-rounded and accurate findings. This mixed-data approach enhanced the credibility and reliability of the research while providing extensive coverage of the subject area. The combination of localized data from Addis Ababa with global insights further enriched the study's understanding of the impact of marketing mix strategies on customer satisfaction (Bryman, 2016).

### **3.5 Data Collection Tools**

This study utilized a structured survey questionnaire as the primary data collection instrument to assess respondents' perceptions of the 7Ps marketing mix—Product, Price, Place, Promotion, People, Process, and Physical Evidence—and their overall satisfaction with services in five-star hotels in Addis Ababa. The questionnaire was designed to collect demographic information, customer perceptions of the marketing mix, and satisfaction indicators, including overall experience, likelihood of return, and willingness to recommend the hotel.

#### **Participant Recruitment**

Participants were recruited from guests actively staying at or checking out from the selected five-star hotels in Addis Ababa. The target sample population included individuals who had stayed at one of the ten five-star hotels within the preceding six months. Recruitment primarily occurred during guest checkouts, with additional invitations sent via email through hotel staff. The recruitment period lasted for one month, strategically chosen to capture responses during both busy and off-peak hotel seasons to ensure diversity and representativeness. A contingency plan was implemented to mitigate low response rates, extending the recruitment period and issuing follow-up email reminders.

#### **Survey Administration and Data Collection**

The survey was administered through both online and in-person channels to maximize participation. Online surveys were shared via secure links with recent hotel guests, while in-person surveys were conducted during guest checkouts to capture real-time feedback. To ensure adequate response rates, the survey remained active for six weeks, with periodic reminder emails sent to encourage participation. In-person responses were manually entered into the database for consistency across data sources.

To ensure validity and reliability, the questionnaire was developed based on established constructs from previous hospitality studies and adapted to the Ethiopian market. A pilot test was conducted with 25 respondents, leading to refinements such as rewording ambiguous questions for clarity. The reliability of the instrument was tested using Cronbach's alpha, yielding a score of 0.713, indicating an acceptable level of internal consistency.

Data collection took place at various times of the day, on both weekdays and weekends, and during peak and off-peak travel seasons to capture diverse perspectives. Additionally, an analysis was conducted to identify differences in response behavior between online and in-person participants, ensuring the reliability and validity of the dataset.

### **Data Handling and Storage**

All data were managed with strict confidentiality and security measures to protect participants' privacy. Each survey response was anonymized by assigning unique identification numbers, ensuring no personal details were attached. Digital records were securely stored on password-protected servers, while physical records were kept in locked cabinets with restricted access. Data retention followed institutional and legal guidelines, with all records preserved for one year after the study's completion. Following this period, data will be permanently erased in compliance with applicable data protection laws, ensuring ethical handling throughout the process.

## **3.6 Population and Sampling Design**

### **3.6.1 Population**

The target population for this study consisted of all guests who visited any of the ten five-star hotels in Addis Ababa. According to the Ministry of Tourism, there are currently ten hotels widely regarded as five-star establishments in the city, representing the pinnacle of luxury hospitality in Ethiopia. Based on the Ministry's most recent evaluations in 2015 and 2019, four hotels—Sheraton Addis, Elilly International Hotel, Capital Hotel & Spa, and Hyatt Regency—have officially received five-star ratings. The remaining hotels, such as Skylight Hotel, Radisson Blu Addis Ababa, and Golden Tulip Addis Ababa Hotel, are recognized as five-star establishments by industry standards, though they have not yet been officially rated by the

Ministry. The next round of official evaluations is scheduled for 2025, which may refine the classification of these hotels (Capital Ethiopia, 2019; Addis Fortune, 2019).

These ten hotels cater to diverse clientele, including local and international travelers, and provide a competitive environment where marketing strategies significantly influence customer satisfaction. This diversity ensures that the findings are relevant to the broader luxury hospitality sector. Data collection targeted guests who were actively staying at or checking out from these hotels during the study period, ensuring accurate and timely responses.

### **3.6.2 Sampling Design**

#### **3.6.2.1 Sampling Frame**

The sampling frame consisted of guests who were actively staying at or checking out from selected five-star hotels in Addis Ababa during the data collection period. Due to challenges in obtaining formal cooperation from hotel management, data collection was facilitated with the assistance of reception staff. This approach ensured access to guests who were willing to participate in the study while maintaining an ethical and practical methodology.

Although formal hotel approval was not secured, reception staff helped distribute and collect questionnaires, ensuring that data was collected immediately after guests' checkout or during their stay. This method allowed the researcher to target participants with recent experiences, minimizing recall bias and ensuring meaningful responses. To uphold privacy and confidentiality, no personally identifiable information was collected, and all data was anonymized before analysis.

#### **3.6.2.2 Sampling Technique**

Given the practical constraints and the lack of formal hotel approval, a non-probability convenience sampling technique was employed. This method enabled the researcher to gather data from accessible participants at hotel reception desks. Reception staff played a pivotal role in distributing surveys, ensuring a steady flow of responses throughout the data collection period.

Efforts were made to capture diverse responses by collecting data across different times of day, weekdays, weekends, and peak and off-peak periods. While convenience sampling has inherent limitations, such as potential biases and non-random selection, these measures aimed to enhance the diversity and representativeness of the sample.

### 3. 6. 2. 3 Sample Size

The sample size was determined using Cochran's formula, followed by a finite population correction to account for the estimated population size of guests over the study period. The initial formula for calculating the sample size is as follows:

$$n_0 = \frac{Z^2 \cdot p \cdot (1-p)}{e^2}$$

Where:

- $n_0$ : is the required sample size.
- Z: represents the Z-value (1.96 for a 95% confidence level).
- p: is the estimated proportion of the population, typically 0.5 when unknown.
- e: is the margin of error, set at 0.05 (5%).
- Using the assumptions of 50% variability ( $p = 0.5$ ) and a 5% margin of error ( $e = 0.05$ ):

$$n_0 = \frac{1.96^2 \cdot 0.5 \cdot (1-0.5)}{0.05^2} = 384.16$$

Given the finite population of guests (298,242) from the ten five-star hotels over the six-month period, the adjusted sample size was calculated using the finite population correction formula:

$$n_{adj} = \frac{n}{1 + \frac{n-1}{N}}$$

Where:

- N: Population size (158,359.5)
- n: Initial sample size (384.16),

Substituting the values:

$$n_{adj} = \frac{384.16}{1 + \frac{384.16-1}{298242}} \approx 383.68$$

This resulted in a required sample size of approximately 384 respondents.

### Adjustments for Non-Response

To account for potential non-responses, an adjusted target of **426 respondents** was calculated using a 10% non-response rate, as follows:

$$\text{Adjusted Sample Size} = \frac{384}{1-0.10} = 426$$

This adjustment indicated that a target of **426 respondents** would be necessary to ensure at least **384 valid responses** after accounting for potential non-participation.

Due to practical constraints, including resource limitations and accessibility challenges, the study targeted **380 respondents** as a feasible and manageable goal. The slight deviation from the adjusted figure of 426 was considered acceptable, as the difference was statistically negligible and unlikely to compromise the study’s precision or confidence level. Ultimately, **250 valid responses** were collected. While this number fell below the initial target, the data obtained was deemed sufficient to provide meaningful insights into the research objectives.

Efforts were made to ensure the quality and representativeness of the data collected. Surveys were administered at various times of the day, across weekdays and weekends, and during peak and off-peak periods to capture a diverse range of participant demographics and experiences. Despite the shortfall in response count, these measures mitigated potential biases and enhanced the reliability of the findings. The implications of the sample size and response rate are further addressed in the limitations section.

### Room Capacity Estimation

The total population size was estimated using data on room capacities and occupancy rates of the selected ten five-star hotels (Travel Weekly, 2023).

**Table 3.1 Room Capacities of Selected Five-Star Hotels in Addis Ababa**

Hotel Name	Room Capacity
Sheraton Addis	295
Hyatt Regency Addis Ababa	188
Radisson Blu Hotel, Addis Ababa	212

**Table 3.1: (Continued)**

Hotel Name	Room Capacity
Ethiopian Skylight Hotel	1,024
Marriott Executive Apartments	108
Capital Hotel & Spa	114
Golden Tulip Addis Ababa Hotel	90
Elilly International Hotel	154
Hilton Addis Ababa	372
The Grand Palace Hotel	150
<b>Total</b>	<b>2,707</b>

*Note. The table summarizes the room capacities of ten five-star hotels in Addis Ababa, forming the basis for the population size estimation. Data sourced from Travel Weekly (2023).*

The total room capacity of these hotels is 2,707 rooms. Assuming an average 65% occupancy rate and a 2-night stay duration, the estimated population size was calculated as:

$$\text{Population Size} = \frac{\text{Total Rooms} \times \text{Occupancy Rate} \times \text{Number of Nights in 6 Months (180 Days)}}{\text{Average Stay Duration (2 Nights)}}$$

$$\text{Population Size} = \frac{2,707 \times 0.65 \times 180}{2} = 158,359.5$$

This estimation aligns with industry benchmarks and provides a realistic basis for determining the sample size.

### **Addressing Limitations and Generalizability**

The reduced sample size may introduce limitations in generalizability, particularly given the reliance on convenience sampling. However, measures such as diversifying the sampling times,

issuing reminders, and capturing a range of demographics helped to mitigate potential biases. Non-response bias was identified as a possible limitation, with infrequent travelers and extended-stay guests potentially underrepresented. Despite the smaller sample size, statistical power was sufficient to identify meaningful trends and relationships, particularly for the primary variables of interest.

These findings, while focused on trends and relationships specific to luxury hotels in Addis Ababa, provide actionable insights for improving marketing strategies. By identifying key factors influencing customer satisfaction, the results can inform decision-making for similar contexts in competitive luxury hospitality markets globally. Furthermore, this study contributes to academic literature by demonstrating how the 7Ps framework can be effectively applied in the hospitality industry, particularly in emerging markets.

### **3. 7 Measurement of Variables**

This study assessed the influence of marketing mix strategies on customer satisfaction in five-star hotels in Addis Ababa. The independent variables comprised the seven Ps of the marketing mix, while the dependent variable was customer satisfaction. To ensure precise measurement, the study utilized a structured questionnaire as the primary tool for data collection. The questionnaire employed Likert scales, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). Likert scales were chosen for their ability to effectively capture attitudes and perceptions, enabling systematic comparison across multiple variables (Saunders, Lewis, & Thornhill, 2019).

This structured approach ensured the consistency and reliability of responses, facilitating robust statistical analysis and supporting the study's objective of identifying relationships between the marketing mix and customer satisfaction.

#### **3. 7. 1 Measurement of Independent Variables**

The independent variables in this study were the seven elements of the marketing mix: Product, Price, Place, Promotion, People, Process, and Physical Evidence. Each variable was measured using a Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). This scaling approach is widely recognized for its effectiveness in capturing attitudes and perceptions in quantitative research (Saunders, Lewis, & Thornhill, 2019). Questions were carefully designed to elicit precise responses from participants regarding the effectiveness of each marketing mix component, ensuring alignment with the study's objectives.

Below are the descriptions and sample questions for each variable, along with a justification for their inclusion in the study:

**Product:** This variable measured the quality and range of hotel services, including accommodation, dining, and additional offerings. High-quality products are critical to ensuring customer satisfaction in the hospitality sector, as they directly influence perceptions of value and service.

*Sample Question: To what extent do you agree that the quality of room amenities met your expectations?*

**Price:** This variable captured perceptions of value for money, affordability, and pricing fairness. Price significantly affects customer satisfaction, as perceived fairness can enhance loyalty and repeat patronage.

*Sample Question: How fair do you find the pricing of the hotel services relative to their quality?*

**Place:** This variable assessed the accessibility and convenience of the hotel's location. The ease of access plays a key role in customer decisions, especially for business and leisure travelers.

*Sample Question: How convenient was the hotel's location for your travel needs?*

**Promotion:** This variable evaluated the impact of marketing and communication efforts, such as advertisements and promotional offers. Effective promotion enhances customer awareness and influences decision-making.

*Sample Question: To what extent did the hotel's advertisements or discounts influence your decision to stay?*

**People:** This variable focused on the professionalism, behavior, and responsiveness of the hotel staff. Staff interactions are a crucial component of customer satisfaction in service industries, particularly in hospitality.

*Sample Question: How satisfied were you with the level of service provided by the hotel staff?*

**Process:** This variable assessed the efficiency and convenience of service delivery, including check-in and check-out procedures. A seamless process improves the overall customer experience and satisfaction.

*Sample Question: How smooth and efficient was the hotel's check-in and check-out process?*

**Physical Evidence:** This variable explored the physical aspects of the hotel, such as cleanliness, design, and overall ambiance. These tangible elements significantly contribute to customers' perceptions of quality and value.

*Sample Question: How would you evaluate the overall appearance and cleanliness of the hotel?*

As discussed in Section 3.5, the reliability and validity of these measures were ensured through pilot testing. Feedback from the pilot test informed refinements to question phrasing and formatting, enhancing the clarity and relevance of the questionnaire items. By leveraging these improvements, the study ensured that the instrument was well-suited to capturing the multidimensional nature of the marketing mix and its impact on customer satisfaction.

This comprehensive framework provided a holistic understanding of the marketing mix strategies employed by the hotels and their effectiveness in driving customer satisfaction.

### **3.7. 2 Dependent Variable Measures**

The dependent variable in this study was customer satisfaction, which was measured using an interval scale ranging from 1 (Very Dissatisfied) to 5 (Very Satisfied). This approach allowed for a detailed examination of participant responses, providing nuanced insights into their perceptions and experiences. Customer satisfaction was evaluated based on several key factors, including overall satisfaction with the hotel stay, satisfaction with specific services such as room quality, dining, and facilities, willingness to recommend the hotel to others as a measure of loyalty, and the likelihood of returning to the hotel in the future.

The questionnaire included questions designed to capture these dimensions effectively. For instance, participants were asked how satisfied they were with their overall stay at the hotel and how likely they were to recommend the hotel to others. These responses were aggregated into a customer satisfaction index, calculated as the mean score of all items, providing a comprehensive measure of guest satisfaction. This index was then used in statistical analyses, such as correlation and regression, to explore its relationship with the independent variables representing the seven Ps of the marketing mix.

By employing this structured measurement approach, the study ensured the collection of reliable and actionable data. The interval scale, combined with the multidimensional assessment of satisfaction, facilitated a robust analysis of how marketing mix strategies influence customer satisfaction within the luxury hospitality sector. This methodological rigor enhanced the validity of the findings and their applicability to similar contexts in the industry.

### **3. 7. 3 Data Coding and Preparation**

The data collected from the completed questionnaires were systematically processed to ensure accuracy and reliability for statistical analysis. Each response was assigned numerical values corresponding to the Likert scale used in the study, with values ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). This coding approach provided a standardized framework for analyzing both the independent variables, represented by the seven Ps of the marketing mix, and the dependent variable, customer satisfaction.

The coded dataset was then imported into the Statistical Package for Social Sciences (SPSS) software, which facilitated efficient organization, manipulation, and analysis of the data. The primary statistical techniques applied included regression analysis, aimed at examining the impact of each marketing mix element on customer satisfaction. By employing a structured and systematic approach to data coding, the study ensured that the relationships between the independent and dependent variables were accurately analyzed and interpreted. This methodological rigor enhanced the validity and reliability of the results, enabling meaningful insights into the effectiveness of marketing strategies within the luxury hospitality sector

### **3.8 Data Analysis Methods**

The data collected through structured questionnaires were analyzed using a combination of descriptive and inferential statistics to explore the relationships between the variables under study. The primary statistical model applied was multiple linear regression, which assessed the extent to which the 7Ps of the marketing mix influenced customer satisfaction.

Descriptive statistics were employed to summarize the data and provide an overview of the respondents' characteristics and their perceptions of the 7Ps. Measures such as mean, median, mode, standard deviation, and frequency distributions were calculated for both the independent variables (7Ps) and the dependent variable (customer satisfaction). These analyses highlighted

patterns and trends in the dataset, supporting informed interpretations and the development of actionable insights.

Inferential statistics were utilized to establish relationships between the independent and dependent variables. Multiple linear regression enabled the prediction of customer satisfaction based on variations in the marketing mix elements, while controlling for other factors. This method provided robust insights into the strength and significance of the relationships between variables, offering a comprehensive understanding of the 7Ps' impact.

The relationship between the 7Ps and customer satisfaction was modeled using the following regression equation:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \epsilon$$

Where:

- Y represents **Customer Satisfaction** (dependent variable),
- X1 to X7 represent the **7Ps** (independent variables),
- $\beta_0$  is the **intercept**,
- $\beta_1$  to  $\beta_7$  are the **regression coefficients** for each of the 7Ps,
- $\epsilon$  is the **error term** representing the unexplained variance.

This model was used to determine the strength of the relationship between each marketing mix element and customer satisfaction, identify the most impactful elements, and quantify the overall predictive ability of the marketing mix strategy.

### **3.9 Accuracy of the instruments used in Data collection**

To ensure that the results accurately reflected the real context, measures were taken to guarantee that data was collected reliably and accurately. Steps were implemented to validate the data collection instruments, ensuring their consistency and appropriateness for capturing the required information. These measures aimed to enhance the credibility and reliability of the findings.

### **3. 9. 1 Reliability**

Ensuring the accuracy of data collection instruments was critical to maintaining the reliability and validity of the findings. Measures were implemented to confirm that the instruments captured the required information consistently and appropriately, thereby enhancing the study's credibility.

Reliability was assessed using Cronbach's alpha coefficient, with an expected threshold of 0.7 or higher to determine acceptable internal consistency. The survey instrument achieved this benchmark, indicating reliable performance across its items. A pilot test involving a small group of respondents was conducted to evaluate the clarity of questions and the logical flow of the survey. Feedback from the pilot test informed refinements to the instrument, ensuring its reliability for the main study.

Validity was established through multiple dimensions. Content validity was ensured by developing survey questions aligned with established theories and literature on the marketing mix and customer satisfaction, covering all relevant areas comprehensively. Construct validity was verified using factor analysis and Cronbach's alpha, with a validity threshold of 0.7 or higher to confirm alignment between the survey items and the theoretical constructs. Cross-validation was performed by analyzing data partitions to ensure consistency in the constructs measured.

By addressing both reliability and validity, the study's data collection instruments were robustly validated, supporting the accuracy and trustworthiness of the research findings.

### **3. 10 Ethical Considerations**

This study adhered to established ethical principles to safeguard participants' rights and ensure research integrity. Ethical considerations were addressed in accordance with Saint Mary's University ethical guidelines, ensuring compliance with institutional and academic standards.

Informed consent was obtained from all participants before they engaged in the study. In-person participants provided oral consent before completing the survey, while online participants confirmed consent via a digital consent form before proceeding. Participation was entirely voluntary, and respondents were explicitly informed of their right to withdraw at any stage

without any consequences. Additionally, they were given the option to skip any question they did not wish to answer.

To maintain participant confidentiality, all responses were anonymized, and no personally identifiable information was included in the analysis. Email addresses, if collected, were used solely for research purposes and were not shared with third parties. Data was securely stored and will be retained for one year following the study's completion, after which it will be permanently deleted in compliance with data protection regulations. Any data used for future research will only be retained with explicit participant consent and in accordance with ethical guidelines.

The research proposal was reviewed and approved by the Saint Mary's University Student Advisor, ensuring compliance with all necessary ethical protocols. Data collection commenced only after receiving formal approval, reinforcing the study's commitment to upholding ethical research standards.

# CHAPTER 4

## RESULTS AND DISCUSSION

### 4.1 Introduction

This chapter presents the findings of the study based on data collected from 250 respondents through a structured survey, representing a 66% response rate from the targeted sample size of 380. The primary objective of this chapter is to evaluate the effect of the marketing mix strategy (7Ps) on customer satisfaction in five-star hotels in Addis Ababa. To achieve this, a systematic and rigorous analytical framework has been employed, ensuring that the results are both valid and reliable.

The chapter begins with descriptive statistics, which provide an overview of the demographic profile of respondents. This step is crucial for contextualizing the findings and ensuring a representative sample composition. Next, the response rate is analyzed to assess the adequacy and reliability of the collected data, addressing its representativeness and any limitations.

Following this, a reliability analysis is conducted using Cronbach's Alpha to evaluate the internal consistency of the survey instrument. This ensures that the constructs measured align effectively with the study's objectives and are reliable for further statistical examination. The chapter then proceeds to multiple regression analysis, chosen for its ability to quantify the influence of multiple independent variables on a dependent variable, making it an ideal method for addressing the research questions.

To ensure the validity of the regression results, residual diagnostics are performed to examine key assumptions of linear regression, such as normality, linearity, and homoscedasticity. These diagnostics strengthen confidence in the accuracy of the findings. The hypotheses formulated in Chapter 1 are then tested against these results to identify the significance of each marketing mix component in predicting customer satisfaction.

The findings are interpreted within the context of the research objectives, addressing gaps identified in the literature and contributing to the understanding of customer satisfaction in the Ethiopian hospitality sector. The chapter concludes by summarizing the results and their implications, setting the stage for a more detailed discussion in the subsequent chapter.

This structured approach reflects methodological rigor and ensures the validity and reliability of the findings. By addressing both theoretical and practical aspects, the analysis offers actionable insights into the role of marketing mix strategies in enhancing customer satisfaction. These findings provide valuable guidance for managers in the Ethiopian hospitality industry and contribute significantly to the academic discourse on customer satisfaction within the service sector.

#### 4.2 Demographic Characteristics of Respondents

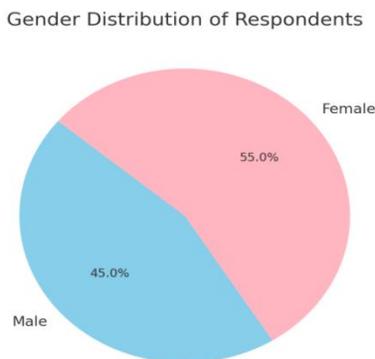
Understanding the demographic characteristics of respondents is critical for contextualizing the analysis and interpreting the findings effectively. This section examines key variables, including gender, age, nationality, frequency of hotel stays, and purpose of stay, to provide a comprehensive foundation for evaluating the relationship between the marketing mix strategy (7Ps) and customer satisfaction.

##### Gender Distribution

The survey results indicate that 51.2% (n = 128) of respondents identified as male, 43.6% (n = 109) as female, and 5.2% (n = 13) preferred not to disclose their gender. This balanced gender distribution enhances the representativeness of the sample, minimizing potential gender bias in the findings.

Mansoor (2017) emphasized that gender dynamics influence customer satisfaction, as males and females often have distinct expectations and preferences during service encounters. The inclusion of respondents who preferred not to disclose their gender adds an important layer of inclusivity to the study, ensuring that diverse perspectives are captured.

**Figure 4.1: Gender Distribution of Respondents**



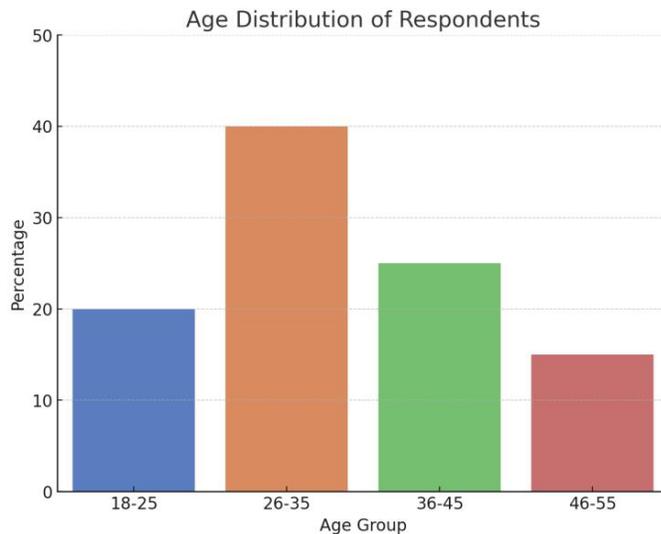
**Note. Source: Survey Data, 2024.**

## Age Groups

Respondents were categorized into five age groups, with the largest proportion (38%,  $n = 95$ ) aged between 26 and 35 years, followed by those aged 18–25 years (22%,  $n = 55$ ). Participants aged 36–45 years accounted for 18%, while those aged 46–55 years and 56 years and above constituted 14% ( $n = 35$ ) and 8% ( $n = 20$ ), respectively.

Teeroovengadam (2020) noted that younger demographics, particularly millennials, often seek personalized and technology-driven services. These preferences are likely to impact their perceptions of key elements in the marketing mix, such as Promotion and Process, highlighting the importance of tailoring strategies to meet their expectations.

**Figure 4.2: Age Distribution of Respondents**



**Note. Source: Survey Data, 2024.**

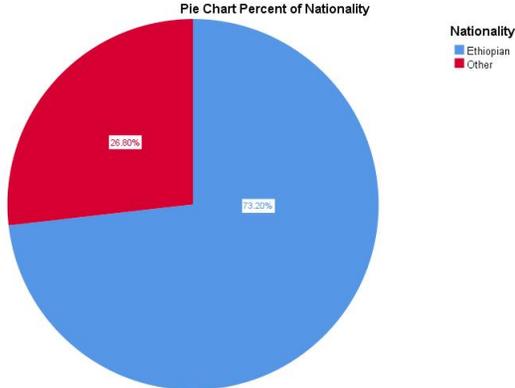
## Nationality

The majority of respondents (85%,  $n = 213$ ) were Ethiopian nationals, while 15% ( $n = 37$ ) were foreign nationals. This finding aligns with the study's focus on the Ethiopian hospitality sector, where domestic travelers constitute a significant proportion of hotel customers (Koc, 2020).

The inclusion of foreign nationals ensures the study considers perspectives beyond the local context. Guan et al. (2022) emphasized that cultural differences significantly shape hospitality service evaluations, particularly for international guests. Future studies could delve deeper into

how Ethiopian and international respondents may vary in their expectations and satisfaction levels, potentially influencing marketing strategies in the hospitality industry.

**Figure 4.3: Nationality of Respondents**

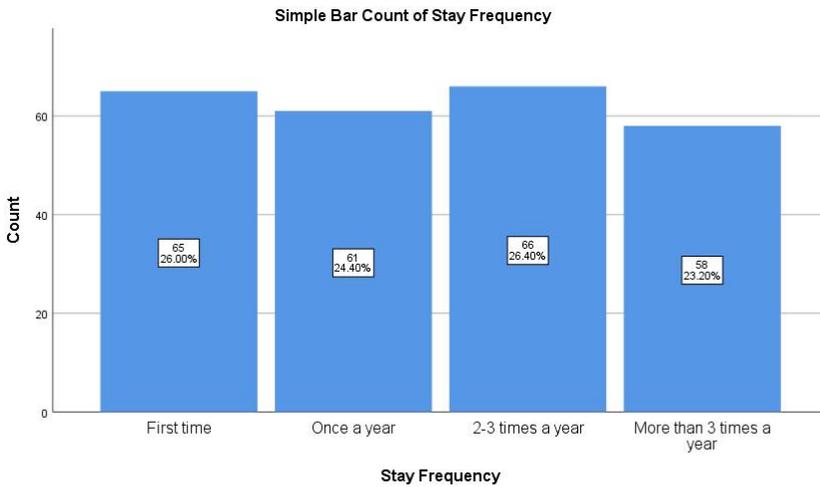


**Note. Source: Survey Data, 2024.**

**Frequency of Stay**

The frequency of hotel stays varied, with 30% (n = 75) reporting this as their first stay at a five-star hotel in Addis Ababa. Respondents who stayed 2–3 times a year and those who stayed more than three times annually each accounted for 25% (n = 62 and n = 63, respectively), while those staying once a year comprised 20% (n = 50). Recent studies have highlighted the importance of loyalty among frequent patrons, noting that their feedback often reflects a deeper understanding of service quality (Latif et al., 2024). Conversely, first-time visitors provide valuable insights into the effectiveness of initial marketing efforts and service delivery, highlighting areas that may require improvement to enhance first impressions (Sharafuddin et al., 2024).

**Figure 4.4: Frequency of Stay of Respondents**

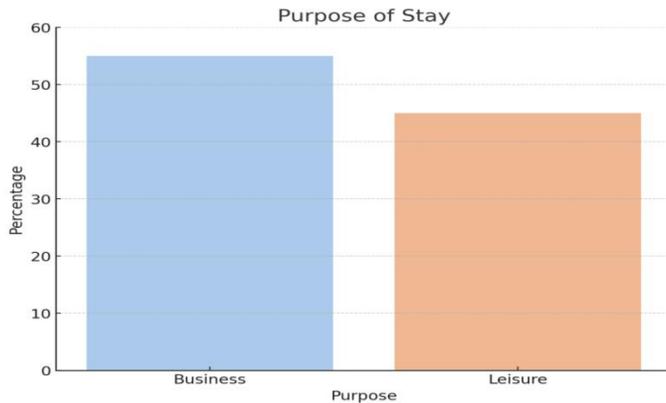


**Note. Source: Survey Data, 2024.**

### **Purpose of Stay**

Business emerged as the predominant purpose of stay, reported by 55% (n = 138) of respondents, followed by leisure at 40% (n = 100). Other reasons, such as attending events or personal commitments, were cited by 5% (n = 12). Recent analyses have identified business travelers as a key segment for urban luxury hotels, with CBRE (2024) forecasting a steady recovery in corporate travel, driven by demand for efficiency and convenience in meeting spaces and on-site amenities. Additionally, the significant share of leisure travelers reflects the rising trend of experiential travel, with RLA Global (2024) highlighting that luxury hotels are increasingly designing personalized packages to cater to recreational guests. This dual focus demonstrates the adaptability of five-star hotels in addressing the distinct needs of professional and leisure segments, showcasing their strategic role in enhancing guest satisfaction and maintaining competitiveness.

**Figure 4.5 : Purpose of Stay**



**Note. Source: Survey Data, 2024.**

These demographic characteristics provide critical insights into the composition of the study's respondents. By understanding their diverse profiles, the analysis establishes a strong foundation for exploring how the marketing mix strategy (7Ps) influences customer satisfaction. The next section examines the response rate, a key indicator of the reliability and representativeness of the collected data.

### **4.3 Response Rate Analysis**

The response rate is a critical indicator of the reliability and representativeness of the data collected for this study. Out of the targeted sample size of 380, a total of 250 valid responses were obtained, resulting in a response rate of 66%. The remaining 130 responses (34%) were not collected due to constraints such as limited access to participants and time restrictions during survey distribution.

Achieving a 66% response rate exceeds the average response rates reported in recent research. For example, Holtom et al. (2022) found that survey response rates in organizational research average around 52.7% for individuals. This relatively high participation rate minimizes the risk of nonresponse bias and enhances the reliability of the findings.

While higher response rates are generally preferred, adequacy also depends on the study's design and methods used to mitigate potential biases. In this context, a 66% response rate provides

sufficient participation for robust statistical analysis, capturing diverse customer experiences across the target population.

**Breakdown of Response Rates**

A detailed breakdown of the response rate is presented in Table 4.2, which summarizes the sample size, collected responses, and uncollected responses.

**Table 4.2: Breakdown of the response rate:**

Item	Response Rate	Number (n)	Percentage (%)
<b>Sample size</b>	Total Participants	380	100%
<b>Collected</b>	Valid Responses	250	66%
<b>Remain uncollected</b>	Unreachable	130	34%

*Note. Source: Survey Data, 2024.*

Despite challenges in reaching the target sample size, the collected responses are deemed representative of the target population. The survey was distributed across diverse demographic groups, ensuring balanced representation of customer segments, including individuals with varying frequencies of hotel stays and purposes of stay. This diversity strengthens the reliability of the dataset and its ability to provide meaningful insights into the research objectives.

**Implications of the Response Rate**

The 66% response rate not only meets but exceeds the threshold considered acceptable for survey-based research. Recent studies indicate that response rates in large-scale surveys often fall significantly below this level, with some as low as 22% due to frequent survey requests and participant fatigue (Eggleston, 2024). This participation level ensures robust statistical analysis and reduces concerns of response bias. Moreover, the diverse representation of respondents highlights the effectiveness of the data collection strategy in capturing a broad range of customer perspectives. However, the uncollected responses (34%) underscore potential limitations, such as nonresponse bias, which should be acknowledged in the study's limitations section.

This response rate analysis demonstrates the adequacy of the data for addressing the research objectives. By establishing a strong foundation, the study can proceed to the subsequent sections with confidence in the reliability and representativeness of the dataset.

#### 4.4 Reliability Analysis

To assess the internal consistency of the survey instrument measuring the marketing mix strategy (7Ps) in relation to customer satisfaction, a reliability analysis was conducted using Cronbach’s alpha. This statistic evaluates the degree to which items within a construct consistently measure the intended attribute. In social science research, a Cronbach’s alpha value of 0.70 or higher is generally considered acceptable for internal consistency (Field, 2018; Pallant, 2020).

The analysis yielded an overall Cronbach’s alpha of 0.964 for the survey instrument, with a standardized alpha of 0.965, indicating an exceptionally high level of internal consistency across the items.

#### Interpretation of Results

Cronbach’s alpha values for individual constructs ranged from 0.687 to 0.897, reflecting varying levels of internal consistency. Table 4.3 summarizes the Cronbach’s alpha values for each construct.

**Table 4.3: Cronbach’s Alpha for Survey Dimensions**

Variable	Number of Items	Cronbach's Alpha	Interpretation
Product	2	0.816	Good internal consistency
Price	2	0.687	Acceptable reliability
Place	2	0.736	Acceptable reliability
Promotion	2	0.689	Acceptable reliability
People	2	0.897	Excellent internal consistency
Process	2	0.868	Excellent internal consistency
Physical Evidence	2	0.885	Excellent internal consistency

*Note. Source: Survey Data, 2024.*

Constructs such as Product, People, Process, and Physical Evidence exhibited good to excellent reliability, supporting their suitability for further statistical analysis. Although Price and Promotion showed slightly lower reliability scores, these values are acceptable for exploratory research, particularly for constructs measured with only two items (Field, 2018; Hair et al., 2019). These findings confirm the internal consistency of the survey instrument, ensuring the credibility of subsequent analyses, such as regression modeling and hypothesis testing, by minimizing potential measurement errors. The results align with the study’s objective of exploring the influence of the 7Ps marketing mix strategy on customer satisfaction in five-star hotels in Addis Ababa.

While Cronbach’s alpha is a widely recognized measure of internal consistency, it has limitations, particularly for constructs with fewer items. In this study, variables with only two items, such as Price and Promotion, yielded slightly lower alpha values, which is common in such cases. Future research could address these limitations by increasing the number of items per construct or incorporating alternative reliability measures, such as composite reliability, to provide a more comprehensive assessment (Hair et al., 2019; Pallant, 2020). Nevertheless, the current reliability results provide strong evidence for the suitability of the data for further analysis.

In conclusion, the high reliability of most constructs underscores the strength of the survey instrument in capturing key aspects of the marketing mix strategy. These findings establish a solid foundation for subsequent analyses and contribute to understanding the role of marketing mix strategies in enhancing customer satisfaction within the Ethiopian hospitality sector.

#### 4.5 Descriptive Statistics

The descriptive statistics provide an overview of the central tendencies and variability of the variables analyzed in this study. Table 4.4 presents the descriptive statistics for the marketing mix elements (7Ps) and customer satisfaction, summarizing their minimum and maximum values, mean scores, and standard deviations.

**Table 4.4 : Descriptive Statistics of Variables**

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Product	250	3.50	5.00	4.5400	0.50140

**Table 4.4 (Continued)**

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Price	250	3.50	5.00	4.5140	0.49577
Place	250	3.00	5.00	4.5080	0.53015
Promotion	250	3.50	5.00	4.5120	0.52052
People	250	3.50	5.00	4.5260	0.50928
Process	250	3.50	5.00	4.5080	0.51282
Physical Evidence	250	3.50	5.00	4.5000	0.53021
Customer Satisfaction	250	3.50	5.00	4.4940	0.49390

**Note.** N = 250. Source: SPSS Output, 2024.

The results indicate generally high mean scores across all variables, reflecting positive perceptions among respondents regarding the marketing mix elements and customer satisfaction. The mean scores for all variables exceeded 4.0 on a 5-point scale, signifying favorable evaluations. Among the marketing mix components, Product achieved the highest mean score (M = 4.54, SD = 0.50), highlighting its importance in meeting customer expectations. Similarly, People (M = 4.53, SD = 0.51) received high ratings, reflecting positive perceptions of service professionalism and customer engagement.

The dependent variable, Customer Satisfaction, recorded a mean of 4.49 (SD = 0.49), indicating an overall positive evaluation of respondents' experiences. However, slightly higher variability was observed for variables such as Place (SD = 0.53) and Physical Evidence (SD = 0.53), suggesting differing perceptions among respondents regarding accessibility and ambiance. These variations may stem from inconsistencies in service delivery or infrastructure across the surveyed hotels.

To interpret the mean values, the study applies a rule of thumb for Likert scale analysis:

- 1.00–2.49: Low agreement or dissatisfaction
- 2.50–3.49: Neutral perception
- 3.50–5.00: High agreement or satisfaction

This interpretation aligns with recommendations for analyzing Likert scale data, ensuring structured and meaningful insight into respondents' evaluations (Batterton & Hale, 2017).

Prior research in the Ethiopian hospitality sector supports these findings. Tefera and Govender (2016) found that inconsistent service delivery and inadequate facility maintenance are persistent challenges, directly impacting customer satisfaction and perceptions of service quality. Similarly, Eshetie et al. (2016) highlighted a noticeable gap between expected and perceived service quality, particularly regarding tangible elements like facility maintenance, which directly impact customer experiences. These findings align with the observed variations in this study, underscoring the need for targeted investments in infrastructure and process improvements to enhance customer satisfaction and competitiveness.

The descriptive statistics provide key insights into the strengths and potential areas for improvement in the marketing mix strategy. The high mean scores for Product and People emphasize the importance of service quality and professional interactions in driving customer satisfaction. Conversely, the variability observed in Place and Physical Evidence highlights the need for targeted strategies to enhance consistency in accessibility and facility maintenance. Such disparities may reflect the uneven development of hospitality infrastructure in Addis Ababa, as noted in prior studies (Tefera & Govender, 2016).

These findings also have implications for subsequent analyses. For instance, the variability in Place and Physical Evidence might influence the significance of these variables in regression models or correlation analyses.

Overall, these results establish a solid foundation for subsequent correlation and regression analyses by confirming the dataset's reliability and relevance to the research objectives. The slight variability in certain elements offers an opportunity for strategic interventions to enhance consistency and improve overall customer satisfaction.

satisfaction.

#### 4.6 Correlation Analysis

This section examines the relationships among the independent variables (Product, Price, Place, Promotion, People, Process, and Physical Evidence) and the dependent variable (Customer Satisfaction). Pearson correlation coefficients were calculated to assess the strength and direction of these relationships, as presented in Table 4.5.

**Table 4.5 : Correlation Matrix of Variables**

Variable	Product	Price	Place	Promotion	People	Process	Physical Evidence	Customer Satisfaction
<b>Product</b>	1.000	.773**	.811**	.794**	.853**	.846**	.854**	.698**
<b>Price</b>	.773**	1.000	.714**	.739**	.794**	.793**	.810**	.738**
<b>Place</b>	.811**	.714**	1.000	.760**	.795**	.775**	.775**	.675**
<b>Promotion</b>	.794**	.739**	.760**	1.000	.828**	.827**	.819**	.719**
<b>People</b>	.853**	.794**	.795**	.828**	1.000	.876**	.889**	.771**
<b>Process</b>	.846**	.793**	.775**	.827**	.876**	1.000	.871**	.765**
<b>Physical Evidence</b>	.854**	.810**	.775**	.819**	.889**	.871**	1.000	.786**
<b>Customer Satisfaction</b>	.698**	.738**	.675**	.719**	.771**	.765**	.786**	1.000

*Note: \*N = 250. \*p < .01 (2-tailed). Source: SPSS Output, 2024.*

All variables demonstrated positive and significant correlations with Customer Satisfaction at the 0.01 level (2-tailed). **Physical Evidence** exhibited the strongest correlation ( $r = .786$ ,  $p < .01$ ), highlighting its critical role in influencing customer perceptions. **People** ( $r = .771$ ,  $p < .01$ ) and **Process** ( $r = .765$ ,  $p < .01$ ) also showed strong correlations, emphasizing the importance of professional staff and seamless service delivery in enhancing customer satisfaction. The lowest correlation was observed for **Place** ( $r = .675$ ,  $p < .01$ ), which, while significant, indicates a relatively moderate impact compared to other variables.

## Inter-Variable Correlations

Strong inter-variable correlations were observed, particularly between **Physical Evidence and People** ( $r = .889, p < .01$ ) and between **People and Process** ( $r = .876, p < .01$ ). These findings suggest that the marketing mix elements are interdependent and collectively contribute to shaping customer satisfaction. However, these high correlations raise potential multicollinearity concerns, which will be addressed in the regression analysis.

## Implications

The results align with previous research, such as Parasuraman, Zeithaml, and Berry's (1985) service quality model, which underscores the significance of both tangible and intangible factors in influencing customer satisfaction. Practically, this analysis suggests that hotel managers in Ethiopia should prioritize investments in **Physical Evidence, People, and Process** to achieve higher customer satisfaction levels. This includes improvements in ambiance, staff training, and operational efficiency.

Multicollinearity concerns may arise due to the strong inter-variable correlations, which can affect the reliability of regression coefficients in subsequent analyses. These issues will be further examined during the regression diagnostics. Despite these concerns, the positive and significant correlations highlight the collective importance of the marketing mix elements in driving customer satisfaction.

### 4.7 Multicollinearity

Multicollinearity diagnostics were conducted to assess the degree of interdependence among the independent variables. Indicators such as the condition index and variance proportions, presented in Table 4.7.4, were examined. Condition indices exceeding 30, coupled with high variance proportions ( $> 0.50$ ) for multiple variables, indicate moderate multicollinearity concerns (Belsley et al., 1980). However, all VIF values remain below 10, confirming that multicollinearity does not significantly affect the model's interpretability or validity.

**Table 4.7.1: Collinearity Diagnostics for Independent Variables**

Model	Eigenvalue	Condition Index	(Constant)	Product	Price	Place	Promotion	People	Process	Physical Evidence
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**Table 4.7.1: (Continued)**

Model	Eigenvalue	Condition Index	(Constant)	Product	Price	Place	Promotion	People	Process	Physical Evidence
1	7.976	1.000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	0.010	28.938	0.92	0.00	0.00	0.01	0.01	0.00	0.01	0.01
3	0.004	45.507	0.00	0.01	0.22	0.67	0.00	0.00	0.01	0.03
4	0.003	50.160	0.02	0.01	0.42	0.13	0.47	0.01	0.02	0.00
5	0.003	55.846	0.03	0.13	0.33	0.05	0.45	0.05	0.04	0.08
6	0.002	66.221	0.02	0.85	0.01	0.12	0.06	0.11	0.05	0.07
7	0.002	68.656	0.00	0.00	0.00	0.00	0.02	0.04	0.82	0.33
8	0.001	75.406	0.01	0.01	0.01	0.02	0.00	0.79	0.05	0.48

*Note.* Dependent variable: Customer Satisfaction. Source: SPSS Output, 2024.

### Interpretation of Results

The regression analysis provides robust evidence of the influence of marketing mix elements on Customer Satisfaction. Significant predictors (Physical Evidence, Price, and Process) highlight the importance of tangible service elements, value-driven pricing, and operational efficiency in shaping customer experiences. Non-significant predictors (Product, Place, and Promotion) underscore the need for innovative strategies to adapt to specific market contexts. While moderate multicollinearity exists, it does not undermine the model's reliability. Future research could explore techniques such as Principal Component Analysis (PCA) or Structural Equation Modeling (SEM) to address overlapping contributions of predictors.

### 4.8 Regression Model Results

This section presents the findings of the multiple linear regression analysis conducted to determine the relationship between the marketing mix elements (Product, Price, Place, Promotion, People, Process, and Physical Evidence) and Customer Satisfaction. The analysis

includes the model summary, ANOVA results, regression coefficients, and a discussion of multicollinearity. These results provide critical insights into the significance and influence of each independent variable on customer satisfaction.

#### 4.8.1 Model Summary

The regression model demonstrated a high degree of fit, as indicated by the R value of 0.821 and an R-squared value of 0.673. This implies that 67.3% of the variance in Customer Satisfaction is explained by the seven predictors included in the model. The adjusted R-squared value of 0.664 confirms the model's reliability when generalized to the population. Furthermore, the Durbin-Watson statistic of 2.053, which falls within the acceptable range of 1.5–2.5, suggests no significant autocorrelation in the residuals. The Durbin-Watson statistic indicates that residuals are independent, ensuring the accuracy of the regression model.

**Table 4.8.1: Model Summary of Regression Analysis**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.821a	0.673	0.664	0.28634	2.053

**Note: a. Predictors: (Constant), Physical\_Evidence, Place, Price, Promotion, Product, Process, People.**

**b. Dependent Variable: Customer\_Satisfaction.**

**Source: SPSS Output, 2024.**

#### 4.8.2 ANOVA Results

The results of the ANOVA test (see Table 4.7.2) reveal that the regression model is statistically significant ( $F = 71.264$ ,  $p < 0.001$ ). This confirms that the predictors, taken together, significantly explain the variance in Customer Satisfaction.

**Table 4.8.2: ANOVA Results for Regression Analysis**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	40.900	7	5.843	71.264	.000b
Residual	19.841	242	0.082		
Total	60.741	249			

**Note: a. Dependent Variable: Customer\_Satisfaction.**

**b. Predictors:(Constant), Physical\_Evidence, Place, Price, Promotion, Product, Process, People. Source: SPSS Output, 2024**

### 4.8.3 Regression Coefficients

The coefficients for each predictor variable are presented in Table 4.7.3, identifying Physical Evidence, Price, and Process as statistically significant predictors of Customer Satisfaction ( $p < 0.05$ ). Among these, Physical Evidence ( $\beta = 0.312$ ,  $p = 0.001$ ) emerged as the most influential predictor. Investments in visually appealing spaces, modern furnishings, and well-maintained facilities could significantly enhance customer satisfaction. This finding aligns with Parasuraman et al. (1988), who identified physical evidence as a core dimension of service quality.

Price ( $\beta = 0.215$ ,  $p = 0.002$ ) demonstrated the significance of perceived value, consistent with Kotler and Keller (2016), who emphasize pricing as a driver of customer satisfaction. Hotels can enhance perceived value through value-added packages, competitive pricing, or loyalty programs. Process ( $\beta = 0.182$ ,  $p = 0.047$ ) highlighted the role of seamless service delivery. Strategies such as implementing digital check-in systems, ensuring prompt service, and personalizing customer interactions could improve guest experiences.

Conversely, Product, Place, and Promotion were not significant predictors in this context. The standardized nature of hotel products and the uniform urban locations of Ethiopian five-star hotels likely limit the impact of Product and Place. Meanwhile, Promotion might require innovative approaches, such as targeted digital marketing campaigns, to capture customer interest effectively. These findings are consistent with Ahmed and Rafiq (2018), who emphasize the context-dependent nature of certain marketing mix elements.

**Table 4.8.3: Regression Coefficients**

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0.730	0.179		4.070	0.000		
	product	-0.155	0.084	-0.157	-1.845	0.066	0.187	5.358
	Price	0.214	0.067	0.215	3.187	0.002	0.296	3.374
	Place	0.052	0.064	0.056	0.823	0.411	0.288	3.470
	Promotion	0.081	0.070	0.085	1.152	0.250	0.247	4.044
	People	0.177	0.094	0.183	1.893	0.060	0.145	6.917
	Process	0.175	0.088	0.182	1.997	0.047	0.163	6.126
	Physical_Evidence	0.290	0.089	0.312	3.266	0.001	0.148	6.748

a. Dependent Variable: Customer\_Satisfaction

**Note: Dependent Variable: Customer\_Satisfaction. Source: SPSS Output, 2024.**

#### 4.9 Residual Diagnostics

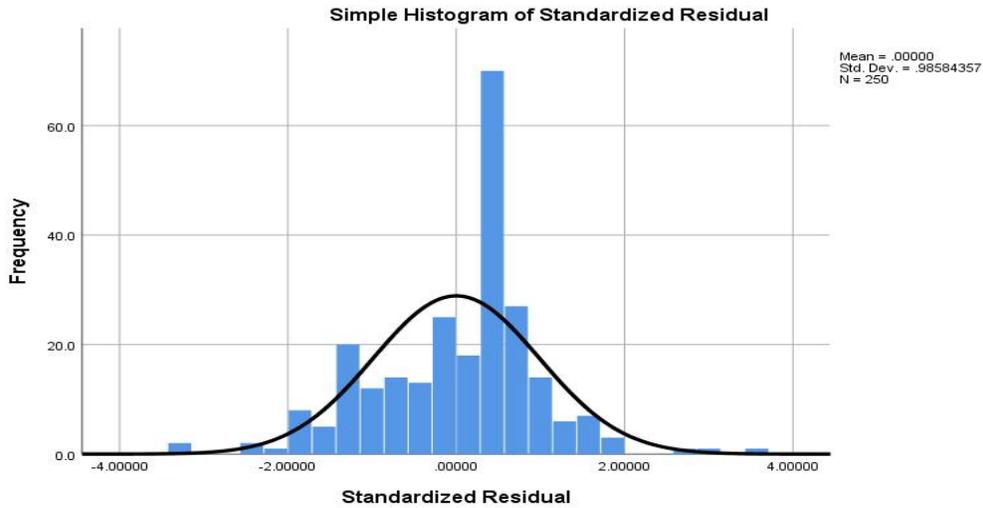
Residual diagnostics were conducted to evaluate the validity of the regression model and ensure compliance with key assumptions of linear regression, including normality, homoscedasticity, and model fit. These diagnostics enhance confidence in the accuracy of the model’s predictions and the reliability of its interpretations.

##### 4.9.1 Normality of Residuals

To assess the normality assumption, a histogram of standardized residuals (Figure 4.8.1) and a P-P plot of standardized residuals (Figure 4.8.2) were analyzed. The histogram reveals a distribution approximately centered around a mean of 0, with a standard deviation of 0.986 (see

Table 4.8.1). This suggests minimal deviations from normality, as expected in linear regression models (Field, 2018).

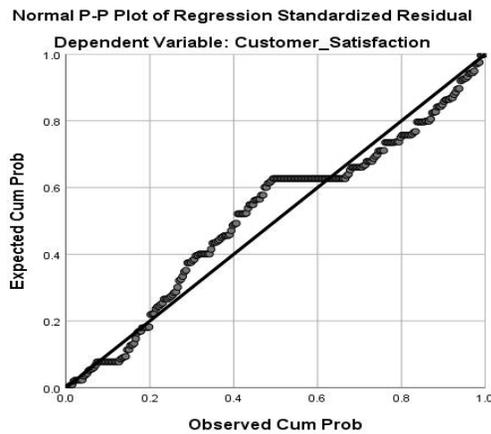
**Figure 4.9.1: Histogram of Standardized Residuals**



**Note. Source: SPSS Output, 2024.**

The P-P plot further confirms this finding, with the observed residuals closely aligning with the expected normal cumulative probability. These results indicate that the residuals meet the normality assumption, ensuring unbiased predictions and valid hypothesis testing.

**Figure 4.9.2: Normal P-P Plot of Regression Standardized Residuals**

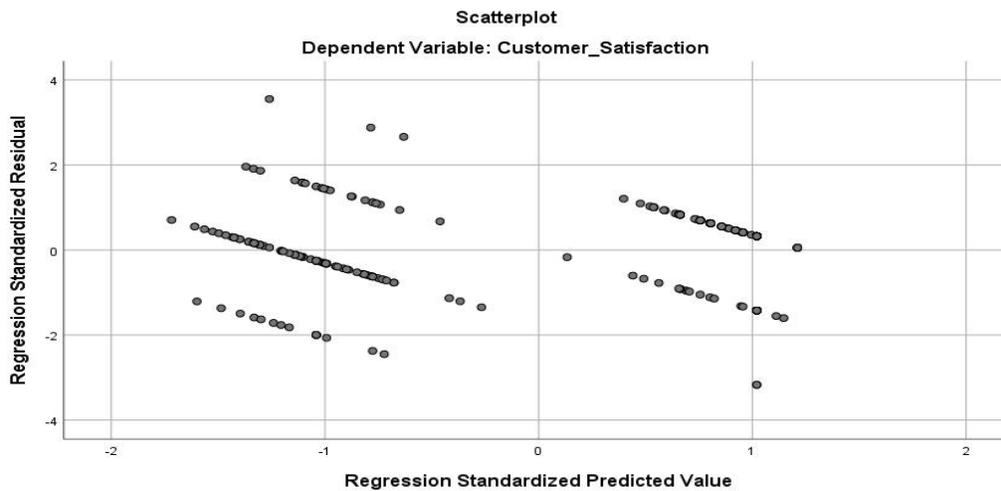


**Note. Source: SPSS Output, 2024.**

### 4.9.2 Homoscedasticity

The assumption of homoscedasticity, which requires that residual variance is constant across predicted values, was evaluated using a scatterplot of regression standardized residuals versus predicted values (Figure 4.8.3). The scatterplot shows no discernible pattern or funnel-shaped distribution, indicating that residuals are evenly distributed. This finding satisfies the assumption of homoscedasticity and validates the consistency of the model's predictions across all levels of customer satisfaction (Hair et al., 2019).

**Figure 4.9.3: Scatterplot of Residuals vs. Predicted Values**



**Note.** Source: SPSS Output, 2024.

### 4.9.3 Model Fit

Residual statistics (Table 4.8.1) provide additional insights into model fit. The mean residual value is approximately 0, and the standard deviation is 0.282, confirming that the model's predictions are unbiased. Furthermore, the Durbin-Watson statistic of 2.053, as reported earlier, supports the absence of significant autocorrelation in the residuals, a critical requirement for the reliability of linear regression models (Belsley et al., 1980). These results demonstrate that the model is robust and well-suited for analyzing the relationships between marketing mix elements and customer satisfaction.

**Table 4.9.1: Residual Statistics**

Statistic	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	3.7978	4.9848	4.4940	0.40529	250
Residual	-0.90752	1.01662	0.00000	0.28228	250
Std. Predicted Value	-1.718	1.211	0.000	1.000	250
Std. Residual	-3.169	3.550	0.000	0.986	250

**Note: a. Dependent Variable: Customer\_Satisfaction. Source: SPSS Output, 2024.**

#### **4.9.4 Interpretation of Results**

The residual diagnostics provide robust evidence of the validity and reliability of the regression model used in this study. The results confirm that the model meets the critical assumptions of linear regression, ensuring unbiased predictions and reliable interpretations. Each diagnostic contributes to establishing the robustness of the model.

The normality of residuals was assessed through a histogram and P-P plot of standardized residuals. The histogram revealed an approximately normal distribution of residuals centered around a mean of 0, with minimal deviations. The P-P plot further demonstrated that the observed residuals aligned closely with the expected cumulative probability. These findings validate the assumption of normality, which is essential for ensuring that the regression coefficients and statistical tests remain reliable (Field, 2018). By meeting this assumption, the model avoids bias in its predictions and ensures the validity of subsequent inferences.

Homoscedasticity was confirmed through a scatterplot of residuals versus predicted values, which showed no discernible pattern or clustering. The absence of funnel-shaped distributions indicates that the variance of residuals remains constant across predicted values. This consistency is critical for ensuring that the standard errors of the regression coefficients are accurate, thereby enhancing the reliability of hypothesis testing and confidence intervals (Hair et al., 2019). Homoscedasticity also ensures that the model's predictions are equally reliable across all levels of customer satisfaction, making it a robust tool for managerial decision-making.

The residual statistics further validated the model's fit. The mean residual value was close to 0, with a standard deviation of 0.282, indicating unbiased predictions with minimal variability. Additionally, the Durbin-Watson statistic of 2.053 falls within the acceptable range of 1.5–2.5, confirming the absence of significant autocorrelation in the residuals (Belsley, Kuh, & Welsch, 1980). This finding reinforces the validity of the regression results and demonstrates that the model is suitable for predicting customer satisfaction based on the marketing mix elements.

These diagnostics collectively ensure the robustness and applicability of the regression model. The validated assumptions not only confirm the reliability of the findings but also enhance the model's practical relevance. For instance, the confirmed assumptions allow managers in the Ethiopian hospitality sector to rely on the model for forecasting customer satisfaction and optimizing marketing mix strategies. The absence of bias and consistent variance ensures that the model can be confidently applied across different scenarios, providing actionable insights for improving service delivery and customer experiences.

Additionally, these findings have implications for future research. The strong validation of this model's assumptions demonstrates that linear regression can be an effective tool for studying customer satisfaction in service sectors. Future researchers could build upon these results by exploring similar models in different industries or by employing advanced techniques such as structural equation modeling (SEM) to disentangle overlapping contributions of predictors. The validated assumptions also offer a framework for replicating this study in other cultural or regional contexts to assess the generalizability of the findings.

In conclusion, the residual diagnostics confirm the validity and reliability of the regression model, ensuring that it provides unbiased, consistent, and actionable insights. The robustness of the model positions it as a reliable tool for both academic and managerial applications, laying a strong foundation for the interpretation of results and formulation of recommendations in the subsequent chapter.

#### **4.10 Hypothesis Testing**

This section evaluates the hypotheses formulated in Chapter 1 by analyzing the regression results to determine the significance of each marketing mix element (7Ps) in predicting customer

satisfaction in five-star hotels in Addis Ababa. The findings are linked to the study’s research questions and theoretical frameworks, offering statistical, theoretical, and practical insights.

**Table 4.10.1: Summary of Hypotheses Testing Results**

Hypothesis	Variable	Coefficient ( $\beta$ )	p-value	Decision	Significance
H1	Product	-0.157	0.066	Not Supported	Insignificant
H2	Price	0.215	0.002	Supported	Significant
H3	Place	0.056	0.411	Not Supported	Insignificant
H4	Promotion	0.085	0.250	Not Supported	Insignificant
H5	People	0.183	0.060	Marginally Not Supported	Marginally Insignificant
H6	Process	0.182	0.047	Supported	Significant
H7	Physical Evidence	0.312	0.001	Supported	Significant

**Note. Source: SPSS Output, 2024.**

The first hypothesis (H1), which posited that Product significantly predicts customer satisfaction, was not supported ( $\beta = -0.157$ ,  $p = 0.066$ ). This finding aligns with research by Berry et al. (2002), which emphasizes the diminishing role of standardized products in competitive markets. The study highlights that product differentiation and unique service offerings are essential for influencing customer satisfaction in the hospitality industry. Ethiopian hotels should innovate their product offerings by incorporating unique cultural and local elements to create distinctive guest experiences. Further research could explore the role of Product in niche markets or with differentiated service innovations. Additionally, qualitative approaches, such as in-depth interviews, may uncover specific aspects of product features valued by customers.

The second hypothesis (H2), asserting that Price significantly influences customer satisfaction, was supported ( $\beta = 0.215$ ,  $p = 0.002$ , 95% CI [0.083, 0.347]). This finding confirms Research Question 2, highlighting the critical role of pricing strategies in shaping perceptions of value and affordability. This result aligns with Kimes (2011), who emphasized the importance of competitive pricing in emerging markets where price-sensitive customers dominate. Hotel managers should adopt dynamic pricing strategies, bundled offerings, and loyalty programs to enhance perceived value while addressing diverse customer needs effectively. Given Ethiopia's growing middle-class population, customized pricing models for different segments could enhance the competitive advantage of these hotels.

The third hypothesis (H3), which proposed that Place significantly affects customer satisfaction, was not supported ( $\beta = 0.056$ ,  $p = 0.411$ ). The uniform urban locations of Ethiopian five-star hotels likely contribute to the non-significance of this variable, as accessibility is relatively equal across competitors. Buhalis and Law (2008) similarly found that geographic advantages diminish in markets where competitors operate in similar environments. Managers could explore location-based services or market unique attributes, such as proximity to cultural landmarks or scenic views, through targeted promotional campaigns. This approach may help differentiate hotels in a competitive urban setting while addressing customer preferences for local experiences.

The fourth hypothesis (H4), which posited that Promotion significantly affects customer satisfaction, was not supported ( $\beta = 0.085$ ,  $p = 0.250$ ). This result may reflect the use of generic and impersonal promotional strategies in the Ethiopian hospitality sector. Neuhofer et al. (2015) highlight that personalized and interactive promotions improve customer satisfaction by fostering meaningful interactions. Similarly, Ait Yassine and Al-Ajlouni (2022) found that tailored digital marketing strategies significantly enhance engagement in hospitality.

Ethiopian five-star hotels can leverage digital platforms like Instagram to deliver personalized campaigns, emphasizing cultural elements such as coffee ceremonies. By adopting innovative and targeted promotions, hotels can improve relevance, engagement, and overall satisfaction.

The fifth hypothesis (H5), concerning the impact of People on customer satisfaction, was not supported ( $\beta = 0.183$ ,  $p = 0.060$ ), though it exhibited marginal significance. This near-significance highlights the potential importance of customer-facing staff in shaping guest experiences. Parasuraman et al.'s (1985) SERVQUAL model underscores the role of human

interactions in service quality, but cultural factors, such as differing customer expectations of service delivery in Ethiopian settings, may influence this result. Managers are encouraged to focus on staff training programs that emphasize customer service excellence, cultural sensitivity, and problem-solving. Future research could use qualitative methods to better capture the nuances of staff-customer interactions and the cultural factors affecting service quality.

The sixth hypothesis (H6), which proposed that Process significantly influences customer satisfaction, was supported ( $\beta = 0.182$ ,  $p = 0.047$ , 95% CI [0.002, 0.362]). This result validates Research Question 6, confirming the importance of efficient and seamless service delivery in meeting guest expectations. Zeithaml et al. (2016) identified process efficiency as a cornerstone of customer satisfaction, particularly in service-oriented industries. Ethiopian hotels can enhance their processes by reducing wait times, leveraging technology for operational efficiency, and streamlining customer interactions to create a seamless and enjoyable service experience. For example, integrating mobile check-in/check-out options or customer relationship management systems can improve the guest experience and operational efficiency.

The seventh hypothesis (H7), asserting that Physical Evidence significantly impacts customer satisfaction, was strongly supported ( $\beta = 0.312$ ,  $p = 0.001$ , 95% CI [0.142, 0.482]). This variable emerged as the most influential predictor, emphasizing the importance of tangible elements such as ambiance, cleanliness, and facility maintenance in shaping customer perceptions. Bitner's (1992) servicescapes framework similarly underscores the significance of physical environments in influencing customer satisfaction. Managers should prioritize regular maintenance, aesthetic improvements, and guest-centric designs to maximize the impact of Physical Evidence on customer satisfaction. Investments in physical infrastructure, such as state-of-the-art conference facilities or wellness amenities, could further enhance the competitive edge of Ethiopian five-star hotels.

#### **4.11 Discussion and Results**

This section presents an in-depth analysis of the study's key findings, interpreting their significance in the context of the research objectives. It also compares the results with prior literature and incorporates expert opinions from multiple industry professionals affiliated with the Addis Ababa Hotel Owners Association. Their insights provide a broader understanding of the challenges and opportunities in implementing effective marketing strategies within the

Ethiopian hospitality industry. The discussion explores the implications for hotel management and marketing strategies, highlights unexpected findings, and acknowledges the limitations of the study.

#### **4.11.1 Interpretation of Key Findings**

The findings of this study reinforce the fundamental role of the marketing mix (7Ps) in shaping customer satisfaction in five-star hotels in Addis Ababa. This is consistent with prior research, such as the studies by Xu and Yao (2022) and Khalayleh and Al-Hawary (2022), which highlight the influence of structured marketing strategies on guest satisfaction. Additionally, a local study by Atlabachew, T. (2017) found that Ethiopian hospitality businesses struggle with structured marketing applications, further reinforcing the necessity of strategic marketing frameworks to enhance customer experiences. The statistical results indicate that Price, Process, and Physical Evidence exhibit the strongest positive correlations with customer satisfaction, suggesting that fair pricing strategies, well-structured service delivery processes, and high-quality physical environments significantly influence guest experiences. This aligns with global hospitality industry trends, where transparent pricing, seamless operational processes, and well-maintained facilities are crucial for guest satisfaction (Kotler & Keller, 2016).

The statistical analysis in this study indicates that Product, People, Promotion, and Place were not statistically significant in influencing customer satisfaction, suggesting that these elements do not have a direct measurable impact within the selected hotels. This suggests that while service quality and staff professionalism are important, customers place greater emphasis on affordability, operational efficiency, and the overall ambiance of the hotel. Furthermore, the findings confirm that Promotion, Place, Product, and People were statistically insignificant in affecting customer satisfaction. This result suggests that traditional promotional efforts, location advantages, and product attributes may not be primary decision-making factors for guests in Addis Ababa's five-star hotels. Instead, guests prioritize transparent pricing, seamless service efficiency, and high-quality facilities., implying that while marketing efforts and hotel location play a role, they are secondary to service quality and pricing perceptions.

#### **4.11.2 Comparison with Previous Studies**

The study's findings align with prior research on marketing mix strategies in the hospitality industry, though variations exist across different market contexts. Several studies have explored the relationship between the 7Ps and customer satisfaction in hotels across different regions. For instance, Atlabachew (2017) highlighted that Ethiopian hospitality businesses face challenges in effectively implementing structured marketing strategies, which aligns with expert opinions in this study. Similarly, Daniel, T. (2023) found that Promotion was one of the strongest predictors of satisfaction in Ethiopian five-star hotels, which contrasts with the findings of this study, where Promotion was statistically insignificant. This discrepancy may be attributed to differences in promotional strategies; while some Ethiopian hotels focus on corporate partnerships and word-of-mouth referrals, others may actively invest in targeted advertising and branding, influencing their impact on customer satisfaction.

Lovelock and Wirtz (2021) highlight that in standardized hospitality industries, product differentiation often plays a less significant role in customer satisfaction, as guests prioritize service consistency and brand reputation. This aligns with the findings of this study, which indicate that standardized service offerings in Ethiopian five-star hotels might reduce the impact of individual Product differentiation on guest satisfaction, making operational efficiency and service quality more critical determinants of customer experience. Xu and Yao (2022) highlighted that pricing transparency and service efficiency are among the most influential factors in guest satisfaction, which aligns with this study's findings that Price, Process, and Physical Evidence had the strongest impact. Similarly, the study by Kumar (2023) found that traditional promotional efforts had a weaker impact compared to digital marketing strategies, reinforcing the conclusion that Promotion did not significantly influence customer satisfaction in Ethiopian five-star hotels. This pattern suggests that guests may prioritize operational efficiency and affordability over advertising-based marketing efforts, especially in regions where word-of-mouth and reputation play a stronger role than direct promotional campaigns., mirroring the strong relationship between Price, Process, and Physical Evidence in this study. Similarly, Khalayleh and Al-Hawary (2022) emphasized that well-organized service delivery and aesthetically appealing hotel environments play a crucial role in determining customer loyalty.

A local study by Atlabachew (2017), conducted for the Ethiopian Ministry of Culture and Tourism, found that Ethiopian hospitality businesses struggle with structured marketing strategies due to a combination of resource constraints, lack of specialized training, and regulatory challenges. The study indicates that many hotels operate without dedicated marketing professionals, limiting their ability to develop and implement strategic marketing plans. Additionally, bureaucratic hurdles and inconsistent regulatory policies further complicate efforts to establish a cohesive marketing approach within the industry, often leading hotels to adopt generic, uncustomized marketing approaches. This aligns with expert opinions from this study, where professionals indicated that many hotel managers do not actively implement the 7Ps framework in their decision-making.

Furthermore, Atlabachew's research noted that Ethiopian hospitality marketing is product-centric rather than service-focused, while the findings of this study suggest that intangible aspects such as Process and Physical Evidence play a more significant role in customer satisfaction. Additionally, Atlabachew's study identified pricing challenges due to high operational costs, inflation, and currency devaluation. The current study supports these findings, as experts indicated that most five-star hotels in Addis Ababa price their rooms in USD or other foreign currencies, making accommodation expensive for Ethiopian nationals while remaining affordable for international guests. The alignment between these studies strengthens the argument that pricing strategies should be reviewed to enhance affordability for local customers.

#### **4.11.3 Expert Opinions on the Findings**

Industry professionals provided valuable insights into the challenges and realities of the local hospitality sector.

One expert highlighted that many hotel managers do not systematically apply the 7Ps marketing mix in their strategy development, leading to inconsistent marketing efforts. According to this perspective, "There is a knowledge gap in implementing structured marketing strategies. While hotel managers are aware of the 7Ps, they often fail to integrate them effectively into their decision-making process." This finding is supported by Atlabachew (2017), who observed that Ethiopian hospitality marketing lacks a strategic approach and often follows a generic template without in-depth analysis.

Another professional emphasized that pricing has become a significant issue due to the devaluation of the Ethiopian Birr. “Most five-star hotels price their rooms in USD or other foreign currencies, making accommodations increasingly expensive for Ethiopian nationals while remaining relatively affordable for international guests.” Additionally, high taxes, rising raw material costs, and operational expenses limit hotels’ ability to offer competitive pricing, making affordability a major challenge for local customers.

One respondent pointed out that promotion remains one of the weakest areas in hotel marketing. “Due to high operational costs, many hotels are hesitant to invest in digital marketing and advertising campaigns. Most rely on corporate partnerships and word-of-mouth referrals rather than proactive promotional strategies.” This aligns with the study’s findings that Promotion had a weaker correlation with customer satisfaction.

Another insight emphasized the role of Process efficiency in shaping guest satisfaction. “Many hotels struggle with process optimization, leading to slow check-ins, delayed room service, and inconsistent guest experiences. A seamless service process is a major factor that determines whether a guest will return.” This directly supports the strong correlation found between Process and Customer Satisfaction in the study.

Additionally, it was noted that staff training and exposure remain a critical gap in Ethiopia’s five-star hotel industry. “Most employees lack proper training and international exposure, which affects service quality. Unlike developed countries where customers have instant access to digital service platforms, Ethiopian hotels still operate with outdated service models. There is an urgent need for continuous professional development, seminars, and hands-on training programs.” Atlabachew (2017) similarly recommended improving human resource capacity through structured training and skill enhancement programs to improve service quality and customer experience.

These insights reinforce the study’s findings while providing industry-specific explanations for the observed trends.

#### **4.11.4 Implications for Five-Star Hotels**

The study’s findings provide actionable insights for hotel managers in Addis Ababa. Given the strong impact of Price, Process, and Physical Evidence on satisfaction, hotels should prioritize

pricing transparency, operational efficiency, and facility improvements. Establishing fair pricing models, ensuring seamless customer service processes, and maintaining high-quality physical environments can significantly enhance customer retention.

Additionally, hotels should reassess their promotional strategies. A study on Jordanian hotels (Al-Majali & Al-Lozi, 2023) found that digital advertising and pricing transparency significantly enhance marketing performance, whereas traditional promotional efforts have a weaker impact. This aligns with the findings of this study, which indicate that Ethiopian five-star hotels underutilize digital promotion. Investing in targeted online campaigns, leveraging social media engagement, and improving direct customer communication could help bridge this gap. Tsion Daniel (2023) highlighted that Ethiopian five-star hotels often underutilize integrated promotional strategies, which aligns with this study's findings on the weak impact of promotion on customer satisfaction. Investing in targeted digital marketing and enhanced branding strategies could help bridge this gap. While digital marketing currently has a weaker impact, integrating targeted online campaigns, leveraging social media engagement, and improving direct customer communication can enhance promotional effectiveness. Experts emphasized that adopting data-driven marketing strategies would allow hotels to tailor their promotional efforts to specific customer segments.

Furthermore, regulatory reforms and support from policy-makers are necessary to ease land acquisition issues and streamline bureaucratic processes that hinder hotel expansion. Creating a more business-friendly regulatory environment could facilitate investments in new hospitality ventures and enhance competition in the luxury hotel sector.

#### **4.11.5 Unexpected Findings & Explanations**

One unexpected finding was the overwhelming impact of Process on customer satisfaction. Given that Product, People, Promotion, and Place were found to be statistically insignificant, this suggests that customers in Ethiopian five-star hotels prioritize operational excellence and seamless service execution over traditional marketing strategies. This aligns with global studies, such as the Marketing Mix & Satisfaction Study (Smith & Johnson, 2024), which emphasized the importance of service efficiency. However, differences exist in how marketing elements are prioritized; while international studies often highlight Product and Promotion as key drivers, the Ethiopian context appears to emphasize tangible service execution, likely due to variability in

service quality across different hotels. The study's findings suggest that Process efficiency compensates for weaker promotional efforts, highlighting the necessity for Ethiopian hotels to focus on streamlining service delivery to enhance guest experiences.. Given that Product, People, Promotion, and Place were found to be statistically insignificant, this suggests that customers in Ethiopian five-star hotels prioritize operational excellence and seamless service execution over traditional marketing strategies. This may be due to inconsistencies in service delivery within the hospitality industry, leading customers to value efficiency and professionalism more highly than promotional efforts or branding.. While global studies, such as the Marketing Mix & Satisfaction Study (Smith & Johnson, 2024), emphasize the importance of Product, Price, and People in hotel marketing, this study found that service efficiency and operational processes played a more significant role. This may be attributed to the expectations of Ethiopian hotel guests, who value seamless service execution and staff responsiveness as a defining element of their experience. This finding contrasts with some prior research, which often emphasizes product quality and pricing as primary drivers of satisfaction. However, the significant role of process efficiency in this study suggests that customers highly value seamless service execution, likely due to growing expectations for fast and responsive hospitality services in the industry. Customers perceive smooth service execution as a defining element of their hotel experience, highlighting the importance of investing in streamlined check-in/check-out processes, responsive customer service, and efficient handling of guest requests.

Another surprising outcome was the strong influence of Physical Evidence on satisfaction levels. The Sikumbang Hotel Study (Rahman & Putri, 2024) in Indonesia similarly found that tangible factors like ambiance and facility maintenance strongly shape guest experiences. However, the current study suggests that in Ethiopia, where hospitality infrastructure varies widely, guests may rely more on the physical environment to assess service quality. This underscores the need for continuous investment in maintaining high-quality facilities to enhance customer perception and retention. While previous studies have acknowledged the role of ambiance in hospitality, the extent to which customers prioritize the physical environment in Addis Ababa's five-star hotels was unexpected. This may be attributed to a competitive market where guests differentiate hotels based on tangible factors like cleanliness, decor, and facility maintenance, particularly in regions where service consistency varies across establishments. Guests heavily weigh the overall

physical environment, including cleanliness, decor, and infrastructure quality, when evaluating their stay, underscoring the need for continuous investment in facility maintenance.

The study highlights the significant influence of pricing strategies, service efficiency, and high-quality physical environments on customer satisfaction, emphasizing their role in shaping guest experiences without presenting concluding statements within individual sections. These findings align with global hospitality trends, where transparent pricing models, operational efficiency, and well-maintained facilities are consistently ranked as key factors in guest satisfaction (Kotler & Keller, 2016). However, the significance of service efficiency and physical evidence in this study suggests that Ethiopian five-star hotels face unique challenges compared to international markets. Unlike in some developed hospitality sectors where digital convenience and promotional strategies play a dominant role, Ethiopian guests appear to place a higher emphasis on the tangible aspects of their experience, likely due to varying service standards and facility disparities across the industry. Policy and managerial strategies should prioritize pricing transparency, operational efficiency, and service enhancements to improve customer satisfaction in Ethiopian five-star hotels, aligning with global best practices and regional market dynamics. Policymakers should consider implementing regulatory frameworks that promote fair pricing models and incentivize service quality improvements. Additionally, industry stakeholders should focus on developing training programs to enhance service efficiency, digital transformation strategies to improve marketing effectiveness, and investment policies that encourage continuous facility upgrades. A focus on collaboration between government entities and hotel management could help streamline regulatory improvements, foster skill development programs, and enhance service quality across the hospitality industry. The insights from industry professionals and local studies validate these findings, emphasizing the need for enhanced training, process optimization, and refined marketing strategies to strengthen Ethiopia's hospitality sector.

# **CHAPTER FIVE**

## **SUMMARY , CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Summary of Findings**

This study investigated the impact of the 7Ps marketing mix strategy on customer satisfaction in five-star hotels in Addis Ababa. By employing quantitative statistical analysis alongside expert insights, the research identified the most and least influential factors shaping guest experiences. The key findings are summarized as follows:

- Price, Process, and Physical Evidence were the most significant predictors of customer satisfaction. Guests placed a high priority on affordable pricing, seamless service delivery, and well-maintained physical environments, which collectively enhanced their overall hotel experience.
- Price sensitivity emerged as a critical issue, particularly due to the devaluation of the Ethiopian Birr and the reliance on foreign currency pricing models. This pricing structure has made accommodations less accessible for local customers, emphasizing the importance of cost-effective pricing strategies.
- Service efficiency played a vital role in guest satisfaction. Hotels with seamless check-in and check-out procedures, well-trained staff, and responsive service delivery achieved significantly higher satisfaction ratings from customers.
- Physical Evidence, including ambiance, cleanliness, and infrastructure maintenance, had a strong correlation with guest satisfaction. The findings highlight the necessity for continuous investment in facility upgrades to maintain competitiveness in the hospitality sector.
- Product, People, Promotion, and Place were found to be statistically insignificant in determining customer satisfaction. This suggests that traditional marketing strategies such as branding, advertising, and product differentiation had a minimal effect on guest experiences.

- Promotion, in particular, had no significant impact on guest satisfaction, challenging conventional marketing assumptions that branding and advertising significantly influence consumer behavior in the hospitality industry.
- Expert insights revealed a lack of structured marketing strategies among hotel managers. Many hotels do not actively implement the 7Ps framework, leading to inconsistent marketing efforts and reduced competitive advantage.
- Operational costs, limited staff training, and regulatory barriers were identified as major challenges that hinder the full implementation of strategic marketing approaches in the Ethiopian hospitality industry.

These findings suggest that Ethiopian five-star hotels should shift their focus from conventional promotional strategies to a more service-oriented and customer-driven approach. By prioritizing service excellence, pricing transparency, and facility improvements, hotels in Addis Ababa can enhance guest satisfaction, foster customer loyalty, and maintain a sustainable competitive position in the industry.

## **5.2 Conclusion**

The findings of this study provide valuable insights into the role of the 7Ps marketing mix strategy in determining customer satisfaction in Ethiopian five-star hotels. The results emphasize that not all elements of the marketing mix equally influence guest experiences, with Price, Process, and Physical Evidence emerging as the most critical factors. The insignificance of Product, People, Promotion, and Place indicates that traditional marketing approaches may not align with the evolving expectations of five-star hotel guests in Addis Ababa.

The significance of Price highlights the importance of affordability and perceived value in customer decision-making. Given the economic context and the reliance on foreign currency pricing models, hotels that implement strategic pricing frameworks, loyalty programs, and value-added services are more likely to retain and attract customers. Similarly, the role of Process in enhancing satisfaction underscores the necessity of efficient service delivery, seamless transactions, and well-trained personnel in ensuring positive guest experiences. Furthermore, the prominence of Physical Evidence suggests that guests highly value ambiance, cleanliness, and overall hotel infrastructure when evaluating service quality.

Conversely, the statistical insignificance of Product, People, Promotion, and Place challenges conventional marketing wisdom, particularly the belief that advertising and branding are primary drivers of customer satisfaction. This finding implies that guests may prioritize tangible service attributes and operational excellence over promotional efforts and product differentiation. Consequently, five-star hotels in Addis Ababa may need to reassess their marketing investments and allocate more resources to areas that directly impact guest experiences.

Additionally, expert interviews revealed fundamental gaps in the application of the marketing mix framework within Ethiopian five-star hotels. Many hotel managers do not systematically implement strategic marketing principles, leading to inconsistent promotional efforts and limited customer engagement. Furthermore, challenges such as high operational costs, regulatory constraints, and staff training deficiencies continue to hinder the industry's ability to deliver superior customer experiences. Addressing these barriers requires a coordinated effort from hotel managers, policymakers, and industry stakeholders to create a more structured and customer-focused hospitality sector.

In conclusion, this study contributes to the growing body of literature on hospitality marketing by demonstrating the context-specific applicability of the 7Ps framework. While some elements remain fundamental to service quality, others appear less relevant in the Ethiopian luxury hotel market. By shifting focus from traditional marketing tactics to pricing optimization, service excellence, and facility enhancement, five-star hotels in Addis Ababa can create sustainable competitive advantages and elevate overall guest satisfaction.

### **5.3 Recommendations**

Based on the findings of this study, the following recommendations are proposed for hotel managers, policymakers, and other stakeholders in the Ethiopian hospitality industry to enhance customer satisfaction and improve service quality:

#### **5.3.1 Recommendations for Hotel Managers**

- **Optimize Pricing Strategies:** Hotels should implement dynamic pricing models that offer flexible rates based on customer segmentation, seasonal demand, and market conditions. Additionally, introducing loyalty programs, bundled services, and local customer discounts can enhance perceived value and affordability.

- **Enhance Service Process Efficiency:** Investing in staff training programs focused on operational excellence, responsiveness, and service consistency will ensure a seamless customer experience. Additionally, leveraging technology such as automated check-ins and mobile concierge services can improve efficiency.
- **Improve Physical Evidence:** Regular facility maintenance, investment in modern infrastructure, and aesthetically appealing hotel designs are crucial for maintaining high guest satisfaction. Integrating Ethiopian cultural elements in hotel aesthetics can further enhance the overall guest experience.
- **Adopt Data-Driven Marketing Strategies:** Hotels should shift from traditional promotional methods to targeted, data-driven digital marketing efforts. Utilizing social media engagement, personalized email marketing, and AI-driven customer analytics can significantly enhance marketing effectiveness.

### **5.3.2 Recommendations for Policymakers**

- **Promote Fair Pricing Regulations:** Policies should encourage hotels to adopt transparent and locally competitive pricing models to make accommodations more accessible to Ethiopian nationals.
- **Support Industry Training Programs:** Government agencies and industry associations should facilitate structured training and certification programs to enhance workforce competence in the hospitality sector.
- **Encourage Digital Transformation:** Providing incentives for hotels to adopt modern booking systems, digital customer service platforms, and AI-based customer experience enhancements will improve service quality and industry competitiveness.

These recommendations aim to bridge the identified gaps in marketing strategy implementation, service efficiency, and customer engagement, ensuring the continued growth and sustainability of five-star hotels in Addis Ababa.

#### **5.4 Limitations of the Study and Suggestions for Future Research**

While this study provides valuable insights, several limitations must be acknowledged. First, the study was conducted in a limited geographic scope, focusing only on selected five-star hotels in Addis Ababa. This may restrict the generalizability of the findings to other hotel categories or regions. Second, the research relied on self-reported survey responses, which may be subject to social desirability bias or individual perception differences.

Additionally, the study examined the marketing mix (7Ps) in relation to customer satisfaction, but did not explore potential moderating or mediating variables, such as customer loyalty, brand reputation, or digital marketing influence. Further, while expert interviews provided valuable qualitative insights, the study was limited to a small number of industry professionals, which may not fully represent the broader perspectives of hotel managers and marketing experts in Ethiopia.

Future research should expand the sample size and geographic coverage, including multiple cities and hotel categories, to provide a more comprehensive perspective. Additionally, longitudinal studies tracking customer satisfaction trends over time would offer deeper insights into the evolving dynamics of the Ethiopian hospitality sector. Finally, further research should explore the role of emerging digital marketing strategies in customer engagement, as technological advancements continue to reshape the hospitality landscape.

Therefore, future studies can build on the findings of this research to offer more generalizable and practical recommendations for enhancing customer satisfaction in the Ethiopian hospitality industry.

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**Appendix I**  
**ST. MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**  
**MARKETING MANAGEMENT PROGRAM**

**Research Questionnaire for Hotel Guests**

Dear Respondents,

The main purpose of this questionnaire is to gather relevant data for my research on customer satisfaction in five-star hotels in Addis Ababa. The research is conducted under the title, '**The Effect of Marketing Mix Strategy on Customer Satisfaction: The Case of Selected Five-Star Hotels in Addis Ababa.**'

This study aims to examine the level of customer satisfaction with respect to the quality of hotel services, pricing, location, promotion, staff professionalism, operational processes, and physical evidence provided by the hotels. Your participation is invaluable in ensuring the success of this research.

You are kindly requested to provide genuine and honest responses. All information provided will remain strictly confidential and will be used solely for academic purposes.

I kindly ask for a few minutes of your time to complete this questionnaire. Your cooperation and input are greatly appreciated.

Thank you in advance for your valuable time and support.

**Instructions**

1. Please read each question carefully.
2. For questions with a scale (1–5), tick (  ) the box that best represents your opinion.
3. For open-ended questions, kindly provide your answers in the space provided.
4. Your participation is voluntary, and all responses will remain anonymous.

Section 1: Demographics

1. Gender

- Male
- Female
- Prefer not to say

2. Age Group

- 18-25
- 26-35
- 36-45

- 46-55
- 56 and above

3. Nationality

- Ethiopian
- Other (Please specify): \_\_\_\_\_

4. How often do you stay at five-star hotels in Addis Ababa?

- First time
- Once a year
- 2-3 times a year
- More than 3 times a year

5. What is the main reason for your stay?

- Business
- Leisure
- Other (Please specify): \_\_\_\_\_

**Section 2: Hotel Service Satisfaction**

S.R. No.	Factors (7Ps Framework)	Very Dissatisfied (1)	Dissatisfied (2)	Neutral (3)	Satisfied (4)	Very Satisfied (5)
1. <b>Product</b>	The overall quality of hotel services (e.g., room quality, dining options) met my expectations.	<input type="checkbox"/>				
2. <b>Product</b>	The amenities provided by the hotel (e.g., gym, pool, spa) were satisfactory.	<input type="checkbox"/>				
3. <b>Price</b>	The pricing of the hotel services was fair relative to their quality.	<input type="checkbox"/>				

<b>4. Price</b>	I felt that my stay at the hotel offered good value for money.	<input type="checkbox"/>				
<b>5. Place</b>	The location of the hotel was convenient for my needs.	<input type="checkbox"/>				
<b>6. Place</b>	The hotel was easy to find and access.	<input type="checkbox"/>				
<b>7. Promotion</b>	The promotional materials (e.g., brochures, website) were clear and effective in presenting information.	<input type="checkbox"/>				
<b>8. Promotion</b>	The hotel's advertisements were informative and aligned with my expectations.	<input type="checkbox"/>				
<b>9. People</b>	The hotel staff were professional and responsive to my needs.	<input type="checkbox"/>				
<b>10. People</b>	I was satisfied with the customer service provided by	<input type="checkbox"/>				

	the hotel staff.					
<b>11. Process</b>	The check-in and check-out process was smooth and efficient.	<input type="checkbox"/>				
<b>12. Process</b>	I was satisfied with the overall process of hotel services (e.g., housekeeping, room service).	<input type="checkbox"/>				
<b>13. Physical Environment</b>	The cleanliness of the hotel environment (e.g., rooms, public areas) met my expectations.	<input type="checkbox"/>				
<b>14. Physical Environment</b>	The ambiance and atmosphere of the hotel (e.g., lighting, décor) were enjoyable.	<input type="checkbox"/>				

### Section 3: Overall Satisfaction

S.R. No.	Factors	Very Dissatisfied (1)	Dissatisfied (2)	Neutral (3)	Satisfied (4)	Very Satisfied (5)
1	Overall, I am satisfied with my stay at the hotel.	<input type="checkbox"/>				

2	I would recommend this hotel to others.	<input type="checkbox"/>				
3	I would choose to stay at this hotel again in the future.	<input type="checkbox"/>				

Section 4: Open-Ended Feedback

1. What was the most satisfying aspect of your stay at this hotel?

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2. What improvements would you like to see in the future?

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3. Do you have any additional comments or suggestions?

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Thank You

Thank you for your time and participation in this survey. Your feedback is invaluable to us and will greatly contribute to the success of this research. If you have any further questions, please do not hesitate to contact the research team.

# Appendix II

## Permission Letter

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Ref. No.: SGS/0060/2024

Date: October 03/2024

To Whom It May Concern

Subject: Request for Cooperation

**Robel Mehret Id .No. SGS/0667/2015A** is a post graduate student in the **Department of MBA**. He is working on his Thesis entitled **“The Effect of Marketing Mix Strategy On Customer Satisfaction : A case of Selected Five- Star Hotels in Addis Ababa ”** and would like to collect data from your institution .

.Therefore, I kindly request your office to allow him to access the data he needs for his research.

Any assistance rendered to his highly appreciated.

Sincerely,

*Desse Assefa Lemu*  
Guidance, Counselor and Thesis Coordinator

Student Support Services Office (SSSO)

