

# The Development and Service Quality Management of Hotel Business in Lao PDR

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## Abstract

Lao PDR is selected as the World Best Tourism Destination for 2013 by European Council on Tourism and Trade. Enriched with natural and cultural spots under the slogan of “Simple Beautiful”, Lao PDR attracted more than 3.2 million visitors in 2012 or a half of its population, which has increased by over 3-folds as compared to 2005. This achievement suggests that the boom in hotel industry will be continuing in the following years. This paper aims to review the historical development and to examine the service quality management in hotel business in Lao PDR. The study finds that the recent development of hotel business in Lao PDR can be divided into three phases as of Prior to 1986, 1987 to 1999, and from 2000 until the present. About 40% of hotels in the country concentrates in the Vientiane Capital. The birth rate is especially high in recent years. Domestic private firms still dominate the majority of the total, whereas foreign investment and joint venture show a fast growing.

As a result of sharp increase in the number of tourists, the hotel business has outstandingly expanded in recent years. The boom in hotel industry would urge for a higher competition in the market. Based on the interview to 136 tourists both local people and foreigners from six hotels located in Vientiane capital in 2013, the study employs the famous SERVQUAL model to measure the service quality by the gap between customers' expectation and actual perception in five dimensions. The findings show that there are small differences between expectation and perception in

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service quality in general, but significant dissimilarity between domestic and foreign customers are observed. Precisely, customers have a high expectation on empathy, assurance, tangibility, responsiveness and reliability, respectively ranging from 4.050 to 3.971. After received the services, customers express their high perception on reliability, tangibility, empathy, assurance and responsiveness, respectively ranging from 4.000 to 3.915. The outcomes suggest that hotel business in Lao PDR should pay more attention on the management of assurance, responsiveness and empathy, in order to minimize the gap in service's expectation and customer's perception.

**Keywords : Service Quality, SERVQUAL, Customer Satisfaction, Hotel Business, Lao PDR**

## 1. Introduction

The economy of Lao People's Democratic Republic (hereafter refer to as Lao PDR or Laos) has been progressively developed since the country started to open its door to outside world in late 1980s. Over 2000-2012, the economy is emerging rapidly by an average growth of 7.2% (ADB, 2013). The engine of economic growth is led by the investment in hydropower, mining exports and services sectors. As stated in the Seventh National Socio-Economic Development Plan (2011-2015), the government of Lao PDR recognises the tourism sector as one of the priority sources of economic growth (GoL, 2011). Among the services sector, the hotel business has outstandingly developed and expanded over the time. Since hotel and tourism are two things connected to each other, the development of hotel business has tightly related to the growth of tourism sector.

In 1991, the numbers of tourism arrivals were only about 37,613 persons and the revenue from tourism sector was insignificant value of roughly 2.25 million USD. In 2012, the numbers of tourist arrivals reached more than 3.2 million persons and created revenues over 500 million USD (LNTA, various issues). These figures show that, over the past two decades, the number of visitors has increased by about 85 times and the revenues have increased by over 200 times. The strong growth of tourism sector has led to the increase of investments in hotel business accordingly in various sources including domestic private, state-owned, foreign direct investment and

the joint venture. In early 1990s there was limited number of hotels available in Lao PDR, while now more than 435 hotels are provided in different grades or classes all over the country. Besides, more than 1,400 guesthouses are also running. In parallel to the progress and development of the tourism industry and hotel business section, the Lao government has also improved relevant legislations to boost and administrate the industry properly and accordingly over decades. The Lao Hotel and Restaurant Association is conceived in 1995 and fully active since 2000. The law on tourism is proclaimed in 2005. Moreover, the government has upgraded Lao National Tourism Administration (LNTA) to be apart of Ministry of Information, Culture and Toursim in 2011. Along the similar line, the government agencies have also been rearranged to ensure the administration of the industry. These changes include restructuring National Tourism Authority to stretch out from central agency to province and district levels (Vientiane Tourism Authority, 2011).

Despite the fast facts mentioned above, there is a lack of research to clearly identify the historical and recent development in hotel business in Lao PDR. The first objective of this paper is, thus, to review the development of hotel business in Lao PDR in various aspects. Moreover, any business begins and ends with the customer. The hotel industry, especially the luxury segment hotels needs to be purely customer-centric and focus on the customer needs and duly fulfill them. The fast growth in hotel business in Lao PDR suggests that the boom in hotel industry will be continuing in the following years, thus urging for a higher competition in the market. The second objective of this paper is to to examine the issue of service quality management in hotel business in Lao PDR.

The rest of the paper is structured as follow: section 2 provides a brief guide of research methodology; section 3 reviews the development of hotel business in Vientiane capital. The scope of the study covers a broad view from the whole country, with an emphasis to the case of Vientiane Capital. The research content includes the development phases, values and forms of investment, growth measured by the birth rate, and related government policy. The authors employ both desk works of reviewing policies, regulations and statistics from relevant authorities as well as interview survey to senior officials and hotel respondents to fulfill needed information; Based on the interview to 136 tourists both local people and foreigners from six hotels

located in Vientiane capital in 2013, the study employs the famous SERVQUAL model developed by the seminal works of Parasuraman, Berry and Zeithaml (1988) and the like. Section 4 attempts to identify the customers' expectation and actual perception in service quality, and find out the areas for improvement; and section 5 concludes the paper with some remarks.

## 2. Research Methodology

As far as we know, there is very limited number of studies in the hotels or accommodation related topics in Lao PDR. Therefore, our research is designed to rely on (1) the interview survey to relevant senior government officers (former LNTA, now Ministry of Information, Culture and Tourism); (2) the analysis from secondary data on hotel statistics, rather than desktop survey on existing research and/or report documentations; and (3) the direct questionnaire survey to hotel customers.

For the first objective, the interview is based on the questionnaire form with free comments from the respondents. The interview focus on six main areas of: 1) Background of hotel industry in Lao PDR; 2) Changes of hotel industry in periods; 3) Models or forms of business operations; 4) Coherence and proximity between hotels and guesthouses; 5) Role and business models of foreign investments; and 6) Role and policy of government towards hotel industry in Lao PDR. Furthermore, the analysis from hotel statistics focus on Vientiane capital, which has relatively completed data as compared to other provinces. With the limitation of growth in terms of sales, profit and employment generation according the availability of data, the analytical points are restricted to birth rate based the business registration, investment forms and value, to observe the overview and trends.

For the second objective, the questions in terms of service quality cover the five dimensions of service suggested by Berry et al. (1990) are designed and summarized in Table 1. According to Soteriou and Chase (1998), the characteristics of services and their relationship to service quality are difficult to clarify. Service quality is an antecedent which plays an essential role, particularly in the hospitality industry. Superior quality of service is one of the crucial factors within its control that can add value to its product and, subsequently, lead to customer loyalty. Enhancing the quality of service at all levels of service delivery has therefore become mandatory for

organizational survival, irrespective of the changes that might occur inside or outside the firm (Shan-Chun et al. 2003). Leading service organizations strive to maintain a superior quality of service in an effort to gain customer loyalty, therefore, a service organization's long-term success in a market is essentially determined by its ability to expand and maintain a large and loyal customer base (Wong and Sohal, 2003).

Table 1: Questions on Service Quality in Hotel Business by Five Dimensions

Code	
<b>Tangibility</b>	
T1	Environment inside (lobby, meeting room, restaurant, Modern internal decorate ...)
T2	Environment outside (parking, swimming pool, accessibility ...)
T3	Attractiveness of the hotel decorates and design
T4	Quietness of the hotel environment for purpose of stay
T5	Hotel will have modern looking equipments
<b>Responsiveness</b>	
P1	Willingness of staffs to help guest (e.g. willing to answer questions, provide advice, etc.)
P2	Provides prompt services
P3	Service providers deal with emergencies quickly and effectively (e.g. making an appointment, returning phone call, resolving problem etc.)
P4	Hotel's employees will never be too busy to respond to customers' requests (e.g. are responsive to complaints, provide customer information)
<b>Reliability</b>	
R1	Performs services right at the first time
R2	When a customer has a problem, hotel will show a sincere interest in solving it
R3	Hotel will provide the service at the time they promise to do so
R4	Well-trained and knowledgeable staff
<b>Assurance</b>	
A1	Instilling confidence in customers
A2	Provides a safe and secure place for customers
A3	Hotel's employees will have the knowledge to answer customers' questions (e.g. commendations, can provide information about traveling, ...)
<b>Empathy</b>	
E1	The hotel's employees will understand the specific needs of their customers
E2	Hotel can have a long relationship with the customers
E3	Hotel will be opened to customers 24hrs
E4	Understands specific needs of guests

Table 2: Overview of Hotel Industry in Vientiane Capital

	Established Year	Ownership (s)	Number of Rooms	Remark
Lao Plaza Hotel	1997	Foreign	142	5 stars
Don Chan Palace Hotel	2004	Foreign	240	5 stars
Green Park Boutique	2006	Lao	34	5 stars
San Jiang Grand Hotel	2013	Foreign	185	4 stars
Mekong Hotel	1994	Joint	108	3 stars
Chanthapanya Hotel	2006	Lao	75	3 stars
Douangpraseuth Hotel	2009	Lao	50	3 stars
Settha Palace Hotel	1999	Foreign	29	Traditionally famous
Lane Xang Hotel	1960	Joint	110	Traditionally famous
Sabaidee@Lao Hotel	2009	Foreign	50	New comer
City Inn Vientiane Hotel	2008	Lao	40	New comer
Rashmi's Palace Hotel	2011	Lao	54	New comer
Sapnakhone Hotel	2009	Lao	43	New comer

Source: Inthavong et al. (2013).

A seminal work by Parasuraman, Berry and Zeithaml and others have laid a foundation of theoretical framework for understanding customer expectations of service (Parasuraman et al. 1985, 1988, 1990 and 1991; Berry et al. 1990; Zeithaml et al. 1990 and 1996). The key to providing superior service is understanding and responding to customer expectations. Two different kinds of expectations emerged, both of which can change over time and from one service encounter to the next for the same customer. By responding appropriately to these expectations, managers can be on their way to developing a customer franchise". Zeithaml et al. (1996) discovered that leading service organizations endeavor to sustain a superior quality of service over their competitors in an effort to acquire and retain customer loyalty. Since loyalty is greatly influenced by service quality, therefore, a key element of theoretical model to be applied in this research is the so-called "SERQUAL" proposed by Parasuraman et al. (1988).

For data collection, we initially targeted all 13 hotels (listed in Table 2) following to the interview with hotel owners/managers by Inthavong et al. (2013). However, to interview their customers, only six hotels gave the permission. Both domestic customers and foreigner guests are targeted for the survey. To measure the perception in quality of services accurately, only checkout guests are interviewed at the lobby of each hotel. Finally we collected 136 questionnaire forms to the customers when they checked out. Basic information of the respondents can be summarized as over one-half (61.9%) of the customers are foreigners, such as Chinese, Thailand, American, Australian and French. About 62% of the respondents are male. The purposes of stay are business (52.9%), relax (36.0%) and others (11.0%). As many as 58.8% answer that he/she make the decision in hotel selection and the rests are authorized by office or others.

### 3. Overview of Hotel Business in Vientiane capital

What are the quantitative effects of various factors on the rates of entry and exit of firm? And what have been the effects on a firm's growth rate? These are two fundamental questions to review the development of a sector. Pioneer research in this area includes the outstanding works done by Mansfield (1962), Evans (1987), Dunne et al. (1988), Geroski (1995). Thereafter, a number of studies are followed and

developed into many sectors both manufacturing and services, and areas/countries. Examples of Recent studies on the survival and growth of firms in services include Cheung and Lam (2009), Anyadike-Danes et al. (2009), and Kosova and Lafontaine (2010). To lesser extent, few studies have paid attention on hotel business (Rutherford and O'Fallon, 2008). Much of related surveys look at marketing, customer relationship management, service quality, strategic planning and so on.

Within the Lao context, so far, there has been a very limited study in Lao PDR regarding to the overview of development and growth in hotel sector. Earlier studies have been made on tourism industry in Lao PDR. Yamauchi and Lee (1999) explores the mechanism of the Lao government to implement social and environmental policies and programmes, particularly in co-operation with various international organizations and nongovernmental organizations, in order to promote sustainable tourism development while facing a challenge to achieve sustainable tourism development. Southiseng and Walsh (2011) studies on tourism and labour in Luang Prabang. The study focuses on the weak point or drawback of local labour which lacks of skills and qualification and that it could not provide adequate labour supply to booming tourist market of Luang Prabang. Both studies in general touch upon service industry in terms of tourism, but lack of focus or a deep investigation loyalty of service sector. Moreover, Phommavong et al. (2008) attempts to apply SERVQUAL model from the customers' expectation and service providers' perception of hotels and guesthouses in Luang Prabang province. Thus, there is much room to further investigate the hotel industry in Laos such as the historical development process, using the models of SERVQUA, SERVPER, CRM and other methods and to apply to many locations in the country including the Vientiane capital and other major cities.

### **3.1. Historical Development of Hotels in Lao PDR**

Hotel industry in Lao PDR started to appear since the country was established right after 1975 onwards. In the beginning, there was only a few hotels available. The hotels were merely seen at certain provinces such as Vientiane Municipality (Later, known as Vientiane Capital), Luang Prabang, Savannakhet and Champasack. Especially in the capital at that time, some of well-known hotels included Vientiane hotel, Apon Lao, Lane Xang, Dok Mai Deng, Apolo, Meuang Lao, Ekalath and Anou

hotel.

The purpose of the hotels at very beginning period of the hotel industry was purely to provide a place of stay for formal and official foreigners and a small proportion of domestic customers. From then until now the industry has become more developed and more sophisticated. The industry now can be viewed as a big picture which encompasses hotels and guesthouses. There is also high involvement of foreign investment in high quality hotels and international hotel chain.

At first, accommodation form was only hotels until 1997 and then guesthouses began to serve as alternatives to hotels. In 2012, the statistics indicated 435 hotels and more than 1,400 guesthouses are running in the whole country. The guesthouses are different from hotels because of their fewer number of rooms and smaller scale of facilities and some certain features may not be applicable. These differences are defined in the Tourism law proclaimed in 2005. In terms of customer attraction and occupants, hotels are in general more available in the downtown with higher price range where guesthouses scatter around the country. Customers for hotels tend to be ones that prefer more convenient to the center of town and demand substantial level of service and facility.

### **1) Changes in each period**

From minimal and limited developed industry to the current fully competitive business environment, the hotel industry has faced tremendous differences and changes throughout its history. The industry sometimes get affected in negative way from regional disease such as SARS and Bird Flu and some uncertain political uncertainty of the surrounding countries which made the number of tourists to drop. Another outstanding phenomena in the industry is that some hotel runners are not professional but rather family own business style which only built business based on the trend or to grab the short opportunity and later failed to survive after sometime.

From the result of interview survey, we find that up to present, the hotel industry can be divided into 3 main periods of recent development.

- **Prior to 1986**  
**(before the government's open door policy)**

This period is the initial period of the development where the country was just established. There were no exact the number of hotels. However, it was estimated that there were no more than 50 hotels through out the country. There were obviously found in three main big provinces Vientiane capital, Savannakhet and Champasack. In that period there was purely one reason for hotel establishment which was to serve official visit of foreign delegates and visitors. Laos domestic officials during trips.

- **1986 to 1999**

- (after the open door policy but prior to the visit Laos year):

The country started to changed gradually since the government's open door policy in 1986. With the open policy, more international border crossing points were open. This period was when there were actual tourists, business people, investors entered the country. The number of foreign people increased year by year. For instance, in 1990, there were 14,400 tourists visited Laos while it was counted at 614,278 tourists in 1999.

Within this period, it was obviously seen that accommodation business or hotel industry had began to expand and more established especially a new type of accommodation business what was so called *Huen Pak* (guesthouses) began to appear in the late session of this period. This period marked real business of the hotel industry. Hotels and other accommodation types aimed at profits and expanded to serve the increase number of visitors both international and domestic.

- **2000 onwards:**

Right from 2000 when the government announce the Visit Lao Year, number of tourists confirmed to increase steadily. There were more both policy, regulations and advertisement made to support and boost the tourism industry. From 737,208 tourists in 1999 to 3,212,916 tourists in 2012. In apparel to the increase of the tourists, hotel industry also increased in its number (LNTA, various issues).

In this period, hotels have been more developed towards professionalism and accessed to business models and competition environment. All over the country or every province have hotels with different types and grades to serve travelers.

## 2) Business models

Hotel businesses in Laos comprises of two obvious models of operations as follows:

- **Amateur/Family own type:**

From the observation, this type of business model is seen outstanding in Laos especially for most of private own hotels. This also mainly applies to those hotels that have no greater than 2 stars hotels. Some attributes of this model is depicted in Table 3 below:

Table 3: The difference between Family vs. Professional Hotel Business

	Family Hotel Business	Professional Hotel Business
Management	Owner/Investor	Through employment, not investors
Board of directors	No	Yes
Structure	Simple and not permanant	Clear and structure
Accounting System	Loosely accounting, simple	Proper accounting
Number of Staff	Few number of staff	More staff and attach to each division of work
Facility	Mainly rooms	Rooms, conferences, fitness, etc
Marketing	Simple/No planned marketing	Planned marketing

Source: Authors' Survey

- **Professional type**

From later period of the open door policy together with the period of tourism promotion onwards, the hotel industry of Laos has begun to access to a higher competition state and the provision of hotels need to be more selectable and flexible of choices. At this stage there were some establishments of bigger hotels which are invested and run in professional way. These type of hotels includes Lao Plaza hotel, Donchan Palace Hotel, Mercure hotel and so on. This type of business model has the following attributes in Table 3.

## 2) Policies and Influences of the Government

Through the history of hotel business or industry it is very apparent that policies and influences of the government plays a great role to the growth of the industry. Some outstanding movements are described below:

- **Country open door policy:**

The most impacting policy was the open door policy in 1986 which was the changing point of country economy including the hotel industry (from almost solely designed for domestic customers to widely open all kinds of customers).

- **Visit Laos Year Policy:**

As described in the national social economic development plans in a few along its row that the government selected the potentials of tourism industry as one of its contributing source of country development. In 1999, the first promoting tourism industry was launched and called the Visit Laos Year 2000. The policy and implementation of this policy was actively try to make the world officially know the country better and try to draw world tourists into the country.

As a routine machanism, lately in 2012, Laos also organized and implemented the Visit Laos Year to stimulate the tourism industry once again. In addition, the Lao government also got the opportunity to host the 32<sup>nd</sup> ASEAN Tourism Forum in late January 2013 which will bring the tourism as well as hotel industry to be more attractive for the years to come.

- **Tourism Law:**

Application of Tourism Law in 2005 made the industry more secured. As a cascading pattern, relevant regulations and proper authority controls were in place. The law also indicates clearly types of accommodation such as hotels, guesthouses, room services and resorts.

- **Token host of international and regional events:**

Since the establishment of the country until now, Laos has been honored to host many international and regional great events such as ASEAN Tourism Forum 2004, ASEAN Summit 2004, International Convention on Cluster Munitions 2010, ASEP7 2012, ASEM9 2012 and so on. All these special big events demand the hotel industry to be ready to serve the huge and privileged official travelers and tourists.

### 3) Investment Forms and Value

Nowadays hotel industry is getting to its high competition state. In relation to the growth of the social and economic state of the country, the hotel businesses follows the same trend. From the statistics, it is obviously seen that the most investment belongs to private ownership of local investors. Second highest is foreign ownership and very least proportion is occupied by state investment. More precisely, in the Vientiane capital, about 85% of hotels in Vientiane capital are owned by domestic private businessmen. Foreign investors own about 11% of the total, while the rest is in form of joint-venture.

The figure 1 indicates the investment value of hotel business in Vientiane over 1997 to 2010. The accumulated investment value is over 2 trillion kips and over 200 million USD. It well reflects or consistent with the graph of the birth rate presented in the previous slide. In late 1990s, the investment value was small and then it increased gradually in mid-2000s. The peak of investment value is in 2009 as hotel owners were targeted to open new hotels relating to ASEAN games and business chance after the event.

### 4) Birth Rate of Hotels in Vientiane Capital

The figure 2 shows the birth rate of hotels in Vientiane. From late 1990s to early 2000s, number of hotels newly received permission (registration) was very small. In mid-2000s, the number had increased, roughly speaking, about 10 hotels are newly constructed. The number is peak at 2009, which is the year that Lao PDR hosted ASEAN Games 25<sup>th</sup>. From this historical event, birth rate of hotels have been sharply increasing in the past few years. It is safe to say that now is hotel booming in Vientiane capital.

Figure 1: Investment Value (unit: Billion Kips)

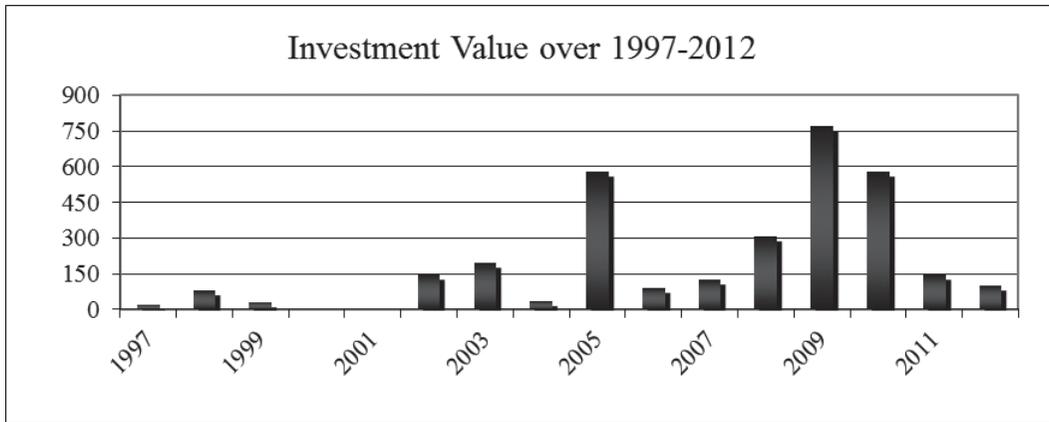
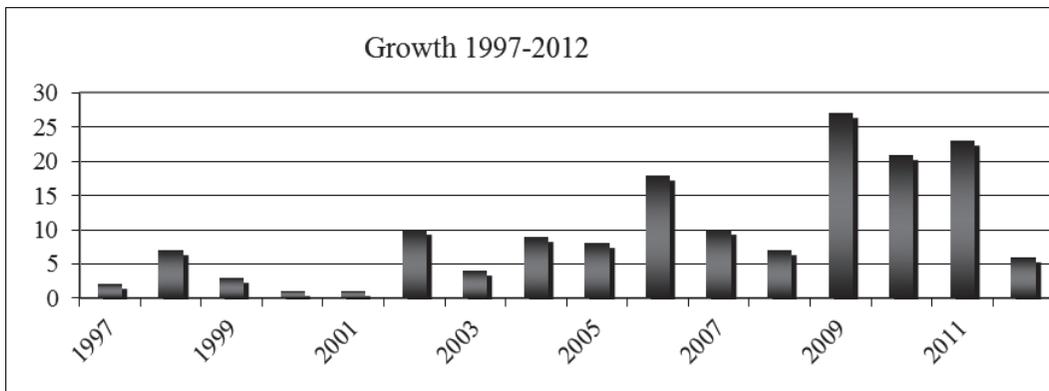


Figure 2: New Born Hotels by year in Vientiane capital



#### 4. Service Quality Management in Hotel Business in Lao PDR

Table 2 above shows the overview of the surveyed hotels in Vientiane capital. Except for Lane Xang hotel that extraordinary old, two hotels established in late 1990s and 10 hotels are opened in 2000s. In terms of ownerships, six hotels own by Laotians, with a note that the owner of City Inn Vientiane Hotel is an Indian origin holding Lao nationality. Five hotels own by foreigner, with a remark that the owner of Settha Palace Hotel is a Laotian origin holding French nationality. Two hotels are jointed limited as Mekong Hotel shares by Lao and China, and Lane Xang Hotel owns by Lao and Vietnam.

Regarding to the characteristics of customers, Inthavong et al. (2013) shows that there are varieties with respect to customers by individual or group tour. Some large

hotels such as Don Chan Palace and Lane Xang have a higher share of guest-in-group, since they are famous in holding conference, workshop and events. Lao Plaza hotel is also well known for organizing conference, workshop and events, as same as a symbolic place to stay for individual guests. Otherwise, a high share for guest-in-group in some hotels are mainly group tours from different countries. Regarding to the proportion between domestic guests and foreigners, it is clearly to find that the majority of guests are foreign businessmen and tourists. In addition to guests from neighboring countries like China, Thailand and Vietnam, major customers are from East Asia (Japan and S. Korea) and European countries (e.g. France).

Table 4 and Table 5 present the results of service quality in 6 hotel business in Vientiane capital, Lao PDR. Basic information of the respondents can be summarized as follow. Over one-half (64.0%) of the customers are foreigners, such as Chinese, Thailand, American, Australian and French. About 62% of the respondents are male. The purposes of stay are business (52.9%), relax (36.0%) and others (11.0%). Against the question listed in Table 1 above, the customers identify their opinion on the expectation before stay and on the actual perception after received the services. The gap of service quality showed in the column SERVQUAL (1), (2) and (3), respectively. Overall, we observe that the gap between expectations and actual perceptions in services provided by the hotels is relatively small in all five dimensions (Table 4). It seems that the customers are satisfied with “reliability” and “tangibility” as the perceptions score is higher than the expectations score. Most customers they perceived that “assurance”, “responsiveness” and “empathy” are lower than their expectations. It is interesting to find that there exists significant differences between domestic and foreign customers in both expectations and actual perceptions of services. Domestic guests have higher expectations and perceptions than foreign customers in all five dimensions. Perhaps, they are dissimilarity in terms of information availability, purpose of stay, time use spent at the hotel and so on. Moreover, foreign guests may have a lower expectation since they treat the hotel here as a developing country.

Domestic customers have a high expectation on empathy, assurance, tangibility, responsiveness and reliability, respectively ranging from 4.209 to 3.974. After received the services, they express their high perception on tangibility, reliability, assurance,

empathy and responsiveness, respectively ranging from 4.158 to 4.015. Except for empathy, domestic guests are satisfied with most dimensions in services quality. From this result, hotel owners in Vientiane capital should improve the quality of services in empathy dimension. In opposite, foreign guests have a high expectation on responsiveness, assurance, reliability, empathy and tangibility, respectively ranging from 3.913 to 3.800. After received the services, they assess their high perception on empathy, tangibility, reliability, assurance and responsiveness, respectively ranging from 3.857 to 3.743. Except for empathy, foreign customers are unsatisfied with most dimensions in services quality. From this finding, hotel owners should improve the quality of services with emphasis on responsiveness, assurance, reliability and tangibility, orderly.

More precisely, out of 20 questions on the services, only five components are negative, meaning that the perceptions are better than the initial expectations (Table 5). On the tangibility dimension, most customers are satisfied with environmental inside ( $-0.007$ ) and outside ( $-0.132$ ) of the hotels. Customers are also satisfied that the hotels performed services right at the first time ( $-0.154$ ) and at the time they promise to do so ( $-0.007$ ). Customers feel instilling confidence as they received the services ( $-0.030$ ). On the other hand, we observe that there are still many rooms for improvement. The responsiveness of service providers to customers' request may not yet be effective ( $0.154$ ). Hotels may face the weakness in the assurance of their employee to possess enough knowledge to answer customers' questions ( $0.191$ ). It is also a challenge to train hotel staff to be able to understand the specific needs of their customers ( $0.132$ ). Without a high service quality, it is difficult to build up a long relationship with the customers or repeaters. For comparison, we found that domestic guests are satisfied in 12 out of 20 areas of services, while foreign customers do so in 9 out of 20 areas. It seems that domestic customers are unsatisfied with the response of hotel's employee to their specific needs, open time in services and time spent to respond to their requests. Besides, foreign guests point out that the knowledge of staff (A3 and R4) is the biggest areas for improvement. Quick and effectiveness of service provider is also importance thing to concern (P3).

Table 4: Summary of SERVQUAL in Hotel Business in Lao PDR

	Domestic Guests			Foreign Guests			Total		
	Expectations Score	Perceptions Score	SERVQUAL (1)	Expectations Score	Perceptions Score	SERVQUAL (2)	Expectations Score	Perceptions Score	SERVQUAL (3)
Tangibility	4.090	4.167	- 0.077	3.800	3.743	0.057	3.976	3.996	- 0.019
Responsiveness	3.995	4.015	- 0.020	3.913	3.770	0.143	3.987	3.915	0.072
Reliability	3.974	4.158	- 0.184	3.888	3.806	0.082	3.971	4.000	- 0.029
Assurance	4.041	4.143	- 0.102	3.912	3.776	0.136	4.039	3.961	0.078
Empathy	4.209	4.138	0.071	3.832	3.857	- 0.025	4.050	3.989	0.061

Table 5: Results of Service Quality in Hotel Business in Lao PDR

Code	Domestic Guests			Foreign Guests			Total		
	Expectations Score	Perceptions Score	SERVQUAL (1)	Expectations Score	Perceptions Score	SERVQUAL (2)	Expectations Score	Perceptions Score	SERVQUAL (3)
T1	4.224	4.163	0.061	3.776	3.918	- 0.143	4.081	4.088	- 0.007
T2	3.857	4.082	- 0.224	3.694	3.776	- 0.082	3.801	3.934	- 0.132
T3	4.122	4.102	0.020	3.755	3.653	0.102	3.985	3.949	0.037
T4	4.122	4.245	- 0.122	4.061	3.857	0.204	4.088	4.081	0.007
T5	4.122	4.245	- 0.122	3.714	3.510	0.204	3.926	3.926	0.000
P1	4.020	4.163	- 0.143	4.041	3.878	0.163	4.029	3.985	0.044
P2	3.959	3.980	- 0.020	3.980	3.776	0.204	3.993	3.904	0.088
P3	4.000	4.020	- 0.020	3.878	3.571	0.306	3.985	3.831	0.154
P4	4.000	3.898	0.102	3.755	3.857	- 0.102	3.941	3.941	0.000
R1	3.939	4.184	- 0.245	3.735	3.796	- 0.061	3.875	4.029	- 0.154
R2	4.020	4.102	- 0.082	3.878	3.898	- 0.020	4.007	3.985	0.022
R3	3.939	4.184	- 0.245	3.878	3.755	0.122	3.971	3.978	- 0.007
R4	4.000	4.163	- 0.163	4.061	3.776	0.286	4.029	4.007	0.022
A1	4.041	4.265	- 0.224	3.837	3.714	0.122	3.993	3.963	- 0.030
A2	4.143	4.102	0.041	3.959	4.061	- 0.102	4.125	4.110	0.015
A3	3.939	4.061	- 0.122	3.939	3.551	0.388	4.000	3.809	0.191
E1	4.082	3.898	0.184	3.755	3.694	0.061	3.978	3.846	0.132
E2	4.163	4.184	- 0.020	3.796	3.837	- 0.041	3.971	3.963	0.008
E3	4.224	4.102	0.122	3.735	3.796	- 0.061	4.007	3.941	0.066
E4	4.367	4.367	0.000	4.041	4.102	- 0.061	4.243	4.206	0.037

Source: Authors' survey.

Note: Choices of the answer are "1= strongly disagree" up to "5 = strongly agree".  
The scores of expectations and perceptions are weighted average values.

## 5. Concluding Remarks

This study finds that the recent development of hotel business in Lao PDR can be divided into three phases as of Prior to 1986, 1987 to 1999, and from 2000 until the present. About 40% of hotels in the country concentrates in the Vientiane Capital. The birth rate is especially high in recent years. Domestic private firms still dominate the majority of the total, whereas foreign investment and joint venture show a fast growing. In addition, the study also finds a continuous emphasis from the Lao government on the promising supportive development policy on tourism and hotel industry. Lao PDR is selected as the World Best Tourism Destination for 2013 by European Council on Tourism and Trade. Enriched with natural and cultural spots, Lao PDR attracted more than 3.2 million visitors in 2012 or a half of its population, which has increased by over 3-folds as compared to 2005. This achievement suggests that the boom in hotel industry will be continuing in the following years.

This paper also attempts to examine the issue of service quality management in hotel business in Lao PDR, based on the interview to 136 tourists both local people and foreigners from six hotels located in Vientiane capital in 2013. The study employs the famous SERVQUAL model developed by the seminal works of Parasuraman, Berry and Zeithaml. The findings show that there are small differences between expectation and perception in service quality in general. Precisely, customers have a high expectation on empathy, assurance, tangibility, responsiveness and reliability, respectively ranging from 4.050 to 3.971. After received the services, customers express their high perception on reliability, tangibility, empathy, assurance and responsiveness, respectively ranging from 4.000 to 3.915. The outcomes suggest that hotel business in Lao PDR should pay more attention on the management of assurance, responsiveness and empathy, in order to minimize the gap in service's expectation and customer's perception. Since more than half of guests are from foreign countries, service providers should emphasize the improvement of service quality in areas of responsiveness and assurance, especially for the training of service staff. Moreover, the hotels should develop the system to monitor their customers' satisfaction and feedback in properly and regularly ways.

This paper is an important short note to lay down the overview of hotel business in Lao PDR. However, more and more studies are needed to investigate and document

other aspects such as customer relationship management, strategic plan and marketing and so on. Further studies on such topics would be very helpful for both private sector and the government to promote the development of hotel industry in Lao PDR.

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