

# **Investigation of key factors affecting the performance of one-star and two-star hotels in Tanzania**

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The main focus of this research was to investigate key factors affecting the performance of one- and two-star hotels in Tanzania. The specific objective was to look into the relationship between hotel performance (dependent variable) and price, service quality, location, level of promotion and number of skilled employees (independent variables) of the Tanzania's one- and two-star hotels. During this study historical background of the hotel industry in Tanzania was established. The researcher established a classification system for hotels in Tanzania based on the hotel grading and classification scheme of South Africa ([www.tourismgrading.co.za](http://www.tourismgrading.co.za)) which is used in most countries in Africa. A random sample of 50 hotels was drawn and the main respondents were hotel customers and hotel employees. It was hypothesized that hotel performance has a direct relationship with customers' perception of service quality, price and location. Also level of promotion and number of skilled personnel. All these variables were tested separately using several statistical tools available in the Statistical Package for Social Science (SPSS) program. The results show that both service quality (room appearance, room facilities, room cleanliness, customer care, reliability of service, promptness in solving problems) and the level of promotion have a direct relationship with hotel performance in one- star and two-star hotels in Tanzania. This study concluded that service quality is the key determinant of customer satisfaction. Customer satisfaction will influence repeat purchase and finally will build loyalty by the customer. It is also recommended that hotel managers should do internal marketing (to employees) so that those employees in turn improve the services they offer to customers.