FACTORS INFLUENCING GUESTS' HOTEL QUALITY APPRAISALS [#]

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Abstract

The aim of this paper is to analyse the factors influencing the service quality appraisals left by hotel guests on Tripadvisor website. First we hypothesise that price and hotel-star category are the main determinants of *ex ante* expectations, and that they negatively affect the *ex post* quality appraisal. This is because the higher the expectations are, the lower the probability is that the hotel achieved the expected quality. Second we measure other determinants of objective quality, such as the age of facilities and offered services. Third we study the island effect, i.e., whether the hotels located in the Balearic and Canary Islands obtain higher evaluations than hotels on continental Europe. The results confirm that the price and the hotel star category negatively affect quality assessments. Furthermore, the age of facilities affects the assessments negatively. Finally there appears to be no island effect in terms of quality assessment. The findings suggests that *ex ante* expectations are essential factors in the *ex post* evaluation.

Keywords: *quality appraisals, hotel services, Tripadvisor, Spain*

Introduction

Idiosyncratic service characteristics make quality evaluation difficult (Zeithaml, Parasuraman and Berry, 1985). Additionally Akerlof's adverse selection problem (1970) is present in the service sector. This is because service-based performances always differ, and service-based products cannot be tried or tested before purchase. Lodging services clearly fit in this category, so consequently potential guests usually rely on friends and colleagues for first hand information and recommendations.

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However, when people lack secure and reliable information about a hotel, they often turn to professional sources, such as travel agencies and recommendations in hotel guides. Increasingly an alternative source is the Internet. Websites such as tripadvisor.com accept guest feedback and comments, then summarize and post them online. These websites generate income from hotels companies that pay for advertising on a website visited by thousands of potential customers.

The aim of this paper is to understand the determinants of guest quality assessments. The literature points to the difference between expectations and perceived quality as being essential for understanding quality assessments (Grönroos, 1994; Parasuraman, Berry and Zeithaml, 1991; Parasuraman, Zeithaml and Berry, 1988; and Zeithaml *et al.*, 1985). If expectations are high, then the perceived quality evaluation will tend to be low, regardless of whether the actual quality is high in absolute terms.

Price and hotel star category may be factors determining expectations (Danziger, Israeli and Bekerman, 2006; Gallarza and Gil Saura, 2006; Israeli, 2002). This suggests that guests who pay more for a room or request a five-star, high standard room are more demanding than consumers who pay less. Consequently, their quality appraisal will be low if any small shortcoming emerges in services provided. Other quality determinants may be the age of the facilities and their location. Islands have landscapes that cannot be compared to other travel destinations, and have traditionally thrived on and benefited from tourism, which means that they have developed capacities that give them a comparative advantage in providing high-quality services (Porter, 1990).

Results show that price and hotel star category negatively affect guest hotel evaluations, suggesting that *ex ante* expectations are essential in *ex post* assessments. When guests arrive with high expectations due to high prices or a high star category, they demand more in terms of quality. Consequently, it is more difficult to fulfil their expectations, and thus, their assessments tend to be comparatively poor. We also find that hotels on islands are better assessed than continental hotels, though Canary hotels have lower appraisals than both the Balearic and continental hotels (net effect). This suggests that the relevant issue for quality appraisal is not the island effect itself, but the local development of tourism. Finally, the age of facilities also negatively affects assessments, as expected.

The structure of this paper is as follows. Section two describes a model for appraising service quality that is based on customer views. Section three includes an analysis of factors that influence service quality evaluations. Section four depicts the sample and the information gathered about hotels. The Internet information provider upon which we based our study (Tripadvisor) is also described. Section five gives the empirical results and a discussion. Section six is the conclusion.

Hotel quality service appraisal and the role of experienced consumers

Quality evaluation in tourist services is slightly different from that of manufactured products because of subjective idiosyncratic service characteristics (Rushton and Carson, 1989; Zeithaml *et al.*, 1985). In particular service intangibility and heterogeneity force the use of consumer opinions in any quality appraisal. The utilisation of tourist viewpoints when appraising service quality has been analysed by two complementary user-based schools of thought (Williams and Buswell, 2003). Both consider perceptions in their models as a key element to measure quality.

The Scandinavian School (Grönroos, 1982, 1984; Gummesson, 1978; Lehtinen and Lehtinen, 1991) emphasises a more holistic approach toward service quality based on technical and functional features as well as customer relationships. Within this holistic service experience, tourism managers aim to deliver quality service and develop strategies to improve the service performance from the tourist point of view (Gustafsson and Johnson, 2003; Obenour *et al.*, 2006).

With the United States School service quality is defined as the gap between perceptions and expectations of the service (Parasuraman *et al.*, 1991; Parasuraman *et al.*, 1988; Zeithaml *et al.*, 1985). This school considers tourists as information processors and uses the concept of disconfirmation to determine service quality, which is the dominant research approach used to improve service quality (Gummesson, 2001). The most frequently used constructs, the SERVQUAL and SERVPERF scales (Parasuraman, *et al.*, 1988; Cronin and Taylor, 1992), have been developed in this context to measure service quality¹. Both measure perceptions. However, while the former computes the difference between expectations and perceptions, the latter only directly considers expectations. These models have been widely applied to measure service quality in the tourist sector. Moreover, various authors have applied these instruments to hotels (Akbaba, 2006; Armstrong, Mok, and Chan, 1997; Ekinci, Prokopaki and Cobanoglu, 2003; Ekinci, Riley and Fife-Schaw, 1998; Getty and Thompson, 1994; Ingram, 1999; Knutson, Stevens, Wullaert and Patton, 1991; López Fernández and Serrano Bedia, 2001; Saleh and Ryan, 1991; Snoj and Mumel, 2002; Tsaor and Lin 2004; Wilkins, Merrilees and Herington, 2007).

Factors determining quality assessments

Following the aforementioned arguments, it stands to reason that the higher the expectations are, the less probable it becomes to obtain a high-quality appraisal since it is unlikely that the real service will be able to fulfil them (see Figure 1). Expectations are complex and dynamic constructs. They are shaped by experience and are influenced by the 'ratchet effect' in economic theory (Harvey, 1998).

On the other hand if a hotel exceeds a customer's expectations by slightly enhancing services, the customer is pleased if not delighted that the service provider went beyond expectations. If that same 'little extra' is added the next time, then the

customer is merely satisfied. His or her new, higher expectations have been met. And upon returning to the original service level, the customer is disappointed because his or her expectations are not met.

Thus systematically exceeding customer expectations is a delicate balancing act. If too many customers have high expectations that cannot be met, the results will include disappointed customers, frustrated service providers, busy competitors, and negative word-of-mouth that will drive away potential customers.

Figure 1 *Quality evaluation*

Prior to the service encounter, consumer expectations are influenced by intrinsic and extrinsic cues related to a particular (destination) experience, and by a global perspective built from other previous experiences and information sources (Clow and Vorhies, 1993; Gould-Williams, 1999). Once a service is performed, consumers use their new experiences and quality evaluations to reconfigure and base their future expectations about that service (Clow and Vorhies, 1993; Garbarino and Johnson, 1999; Yi and La, 2003).

There are four factors that deeply influence a hotel guest's expectations: the price, the hotel-star category, the promised services and the location. First price is usually related to quality (Dodds and Monroe, 1985; Dodds, Monroe and Grewal, 1991; Chen-Yu and Kincade, 2001; Monroe and Chapman, 1987; Oh, 2000; Rao and Monroe, 1989; Zeithaml, 1988). Davis (1987) found that price is one of the clues that most potential customers use to assess product quality; similar results were found by Hatch and Roberts (1985) and Render and O'Connor (1976). The underlying argument is that consumers understand that a relatively high price for service and products is tied to superior quality. Furthermore while underpricing did not significantly affect buyer quality perceptions, overpricing tended to reduce value perceptions (Oh, 2003).

Second we also factored hotel star category in our analysis. The Spanish hotel industry uses an official classification system, 'the star-rating system', to estimate the quality of every hotel facility (Ministerio de Transportes, Turismo y Comunicaciones, 1983). This system offers an initial quality indication generated through a set of

administrative norms that establish minimum standards at each ‘star’ level. Clearly the hotel star category acts as an important determinant of guest expectations: a higher number of stars indicates the offering of additional services (Callan, 1998; Clerides, Nearchou and Pashardes, 2008). Israeli (2002) identified the star-rating system as a significant predictor of price and quality as well. Despite the fact that the star-rating system was revoked by the Israeli Ministry of Tourism in 1995, Danziger *et al.*, (2006) have demonstrated that consumers still use star ratings to infer the price and, most likely, the quality of hotels. That is, the average quality of a five-star hotel is higher than that of a four- or three-star hotel, and therefore, guests expect more from the former than in the latter. The actual quality of two hotels within the same star category may, however, differ substantially. Conversely, we expect the effect of the hotel star category to be negative. Guests assess their experiences *ex post* depending on their *ex ante* expectations, and these expectations are highly correlated with the hotel’s star category, at least in Spain. For instance, an average three-star hotel will be evaluated similarly to a four-star hotel if both offer service packages *similar to their respective category standards*, despite the fact that four-star hotels offer more services in absolute terms. Guests require more from a four-star hotel than from a three-star hotel because of their higher *ex ante* expectations.

Third, offered services (such as gym facilities, air conditioning, restaurant services, Jacuzzis, swimming pool facilities, and 24-hour room service) lead to better estimations of actual quality (Akbaba, 2006; López Fernández and Serrano Bedia, 2004). It is true that consumers do not always know about these services when they book a room (and thus they do not affect expectations), but they are decisive for setting expectations when consumers know of them *ex ante*. We expect that these services have a positive impact on quality appraisal.

Fourth, location is another relevant variable that affects quality. ‘Paradise’-located hotels tend to create higher expectations than urban or rural hotels. In fact, the literature has indicated that one of the most important reasons to choose a particular hotel is its location; as such, hotels may offer location rents (Bonnetain, 2003; Cracolici and Nijkamp, 2008; Garín Muñoz, 2007; Garín-Muñoz and Montero-Martín, 2007). Natural resources at a destination (such as mountains, beaches, or climate) attract tourists, and consequently, hotel guests link the local natural beauty with the quality of the hotel. This should constitute a competitive advantage that is difficult for other firms to overcome outside this unique location niche. Two of the most valued areas for tourism in Spain are the Balearic and Canary Islands.

Apart from the four expectative determinants discussed above, the SERVQUAL model suggests that a set of human and physical factors influences quality perceptions (Parasuraman *et al.*, 1988) (see Figure 1). Building condition, particularly the number of years since the last renovation, is one of the physical factors

that probably influences quality appraisal because the depreciation of hotel facilities is high, and old facilities are usually associated with dirtiness and shabbiness.

Description of the sample

Our data set consists of a sample of 744 hotel establishments. The majority – 464 establishments – belong to the six main hotel chains operating in Spain. In 2003, these chains maintained a total of 170,893 rooms in 866 establishments worldwide, with 50.32% of the rooms and 56.69% of the establishments located in Spain (Hostelmarket, 2004). All of the typical mechanisms of governance were represented in our sample: 1) fully-owned or majority-owned (40.18% of establishments); 2) minority joint venture (5.77%); 3) building or business leasing (38.57%); 4) management contract (12.47%); and 5) franchising (3%). The remaining 280 establishments in the sample were chosen through a random sampling of independent hotels. These were defined as establishments that are not part of a chain, whereas a company with two or more establishments is considered a chain (Turespaña, 2004 and 2005). The random sample was taken from the Official Hotel Guide to Spain (Professional Edition) for 2004. Most of these independent establishments were operated by their owners (98.21%), with joint ventures and leasing very much in the minority at just 1.08% and 0.72%, respectively. Table 1 defines the variables, and Table 2 shows the descriptive statistics of the sample.

Table 1 *Variables definition*

Variable	Definition
Tripadvisor valuation	Reported evaluation at the Tripadvisor website
Island	1 for a hotel located on an island; 0 otherwise
Canary Island	1 for a hotel located on the Canary Islands; 0 otherwise
Maximum price per room	Maximum price for a room in euros
Quality label	1 for a hotel that has received a Q for quality; 0 otherwise
3stars	1 for a 3-star hotel; 0 otherwise
4stars	1 for a 4-star hotel; 0 otherwise
5stars	1 for a 5-star hotel; 0 otherwise
Facilities age	Number of years since the last renovation
Number of hotels in the same province	Number of hotels belonging to the same chain in the same province
Services dummies	1 if a service (e.g., swimming-pool, sauna, gymnasium, restaurant) is offered by the establishment according to classification in the Guide to Hotels in Spain for 2004 (Professional Edition); 0 otherwise

The sample only includes Spanish hotel establishments located in Spain for two reasons. First chains provide limited information on hotel establishments in foreign countries, and for some variables, information is impossible to obtain. Second

considering only one country avoids the bias of idiosyncratic features (e.g., regulation, education, traditions) across countries that could influence quality perceptions.

Table 2 *Descriptive statistics*

Variable	Mean	Standard deviation
Tripadvisor valuation	3.6802	0.4871
Island	0.0309	0.1729
Canary Island	183.4516	74.9334
Maximum price per room	0.1353	0.3421
Quality label	0.3843	0.4865
3stars	0.4970	0.5001
4stars	0.1063	0.3083
5stars	450.3264	263.4503
Facilities age	11.1741	93.9278
Number of hotels in the same province	6.0639	6.1083

The information on hotel establishments was initially obtained from the Hostelmarket Census of Hotels and Apartments for January 2004 and the Hostelmarket Annual Reports for 2003 and 2004. These reports give information regarding the owner of the building, the operating and/or managing company and the operating regime. Additional data were taken from reports issued by the hotel chains, the SABI (System for the Analysis of Balance Sheet on the Iberian Peninsula) database and the websites of each chain and establishment as well as of TourEspaña (<http://www.tourspain.es>). Finally, the Official Hotel Guides to Spain for 2004 and 2005 (Professional Edition) give detailed information on the specific characteristics, services and prices of the hotels.

Information about the perceived quality of hotel establishments according to their clients is gathered from a specialised website. For our purposes we used Tripadvisor.com. This is a new data source, but it has recently been used in academic hotel studies (Briggs, Sutherland and Drummond, 2007). We used the general assessment of the service obtained from the question “Rate your overall experience”. For each establishment we computed the mean of all assessments weighted by the number of comments.

Tripadvisor.com is the world’s largest travel community, featuring more user-generated content than any other travel site. Six million Tripadvisor members have contributed 15 million reviews and opinions on more than 741,000 hotels, attractions and restaurants in 33,000 destinations. Tripadvisor sells its services as advertisement agency and offers advertisers a vehicle through which to reach 25 million travellers as they research vacations through different types of link banners. It offers tourist agents the ability to be listed on the site for free, but it uses a pay-per-click marketing

platform. As a result, Tripadvisor.com revenues are not related to bookings but rather to potential customers looking for a hotel room².

Results

We have obtained an average quality assessment for our examined hotels of 3.68, which reflects a high average quality. It could be argued that this value is biased upward because of misaligned interests due to Tripadvisor's remuneration policy. However, we do not consider this issue in great detail, because Tripadvisor revenues are more related to the number of visitors attracted than to the number of rooms (indirectly) booked through the website. Consequently, the website is more interested in offering truthful evaluations in order to enhance brand name and reputation than in suppressing the worst evaluations in order to keep the hotel owners happy.

Table 3 *Quality assessment determinants*

Variable	Model 1	Model 2
Constant	3.4630*** [47.251]	2.3039*** [9.085]
Island	0.3815*** [18.975]	0.3338*** [12.449]
Canary Island	-0.5841*** [-10.985]	-0.6614*** [-11.969]
Price	-0.0013*** [-2.920]	-0.0019*** [-3.147]
Prices squared	3.8e-06*** [4.754]	5.1e-06*** [4.654]
Q	0.0893*** [4.445]	0.0889*** [3.333]
3stars	-0.0417 [-0.720]	-0.3190*** [-5.279]
4stars	0.067 [1.116]	-0.5090*** [-7.510]
5stars	0.0385 [0.595]	-0.5835*** [-6.835]
Guests	-0.0003*** [-3.429]	0.0004*** [5.037]
Guests squared	1.3e-07* [1.709]	-3.8e-07*** [-7.208]
Facilities age	-0.0153*** [-13.123]	-0.0142*** [-10.291]
Facilities age squared	7.6e-06*** [13.108]	7.1e-06*** [10.281]
Geographical concentration	-0.0077*** [-4.585]	-0.0014 [-0.843]
Service dummies (controls)	Not included	Included
N	3658	3630
Breusch-Pagan/Cook-Weisberg test	93.54	45.35
R ²	0.2974	0.631

Note: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Brand controls included

Our main objective was to ascertain the factors that determine quality assessments. We analyse the features that define customer quality evaluation by estimating OLS models. The dependent variable (TRIPADVAL) is defined using a continuous scale between zero and five. Due to the present of heteroskedasticity according to the Breusch-Pagan/Cook-Weisberg test, the White's heteroskedastic consistent standard error estimates are reported. Instead of using a Tobit model given the censored nature of the dependent variables, the ordinary least squared estimator was used once we did not observe accumulation points at the upper and bottom limits of the dependent variables. The first column (Model 1) in Table 3 presents a model in which services are not controlled, while the second column (Model 2) shows the results in which 25 service dummy variables are considered.

We first observe that the average evaluation decreases with increasing room price (PRICE) in both models once other characteristics are controlled. This means that an incremental increase in the room price tends to reduce the quality appraisal, all else being equal. This suggests that as expected, customers do not evaluate quality independently of price. Guests relate quality with prices, and they set high expectations when the price is high so that the performed services hardly reach these expectations. As a result these hotels could be reported to be of medium-low quality. Second, hotel location initially seems to affect quality, because hotels located on islands (ISLAND) are, on average, assessed more positively. Given the estimated coefficients in Model 2, a 130 Euro price cut is equivalent, in terms of average quality evaluation increments, to having an island location.

However, our findings indicate that hotels on the Canary Islands exhibit a large negative effect that balances the Island effect. In line with Prieto-Rodríguez and González-Díaz (2008), the Island effect is not relevant to prices or quality. Third, the estimated coefficients for the age of facilities (FACILITIES AGE) are negative as expected: the older the building, the worse the quality assessment.

Finally, the negative effect of hotel classification dummies (3-5 STAR) is interesting. Estimated parameters are increasingly negative in Model 2, which means that the higher the star classification is, the lower the average assessment becomes once other characteristics, including price and services, are controlled. Coefficients thus become gradually more negative as a hotel's star category increases from three stars to five stars. We must bear in mind that we have included 25 service dummies as controls in this regression (SERVICE DUMMIES). We may interpret the star dummies as allowing us to compare hotels that offer similar services but are placed in different "administrative" categories. The star-rating system requires minimum conditions from hotels in order to belong to a particular rating category. Nothing impedes a hotel, however, from offering better conditions or services within the same category. Consequently, guests assess lower-category hotels more highly when all other services are equal because their initial expectations were likely lower.

Model 1, however, shows that stars are not significant when we do not control for other services offered by the hotel (SERVICE DUMMIES). This tends to support our arguments. This lack of significance means that there is no systematic difference in assessing quality between three-, four- and five-star hotels, despite their offers of different service packages. However, as noted above, we do observe a systematic difference when services are controlled.

Why is this difference? A possible explanation is that guests assess *ex post* depending on their *ex ante* expectations, and these expectations are highly correlated with the star category, at least in Spain. For instance, an average three-star hotel will be evaluated similarly to a four-star hotel if both offer service packages similar to their respective category standards, despite the fact that four-star hotels offer more services in absolute terms. That is why we do not observe a systematic difference in quality assessments when we only control for the star category. However, if we compare hotels that offer the same services, we expect that those with a lower administrative category will receive a higher valuation, since guests require more from a four-star hotel than from a three-star hotel.

Our results are in accordance with those of López-Fernández and Serrano-Bedia (2004). Their results show that although there are significant differences between the values for expectations, perceptions and differences in the various hotel categories, the ranking of the groups of hotels does not correspond to that of the categories (that is, star ratings). Their data show that clients of the highest category hotels are more demanding. Moreover, the fact that one-star hotels are the highest rated hotels according to their results supports the hypothesis that quality appraisal is more associated with the delivery of a service according to *ex ante* expectations than to a category like a star rating.

Conclusions

In this paper, we have analysed the determinants of service quality appraisal. We argue that price and hotel star category are the main determinants of *ex ante* expectations. These factors negatively affect customer quality appraisals because the higher the expectations are, the lower the probability becomes that a hotel will achieve these expectations. We also consider other determinants of objective quality, such as the age of facilities and offered services. Finally, we study the Island effect, i.e., whether hotels located in the Balearic and Canary Islands receive higher evaluations than hotels located on the European continent.

We obtained customer quality appraisals from a website called Tripadvisor.com, which offers advice to potential guests across the globe. Our results show that room price and hotel star category tend to reduce the quality appraisal, with all else being equal. This suggests that, as expected, customers do not evaluate quality independently of their *ex ante* expectations. Guests relate quality with what they

expect, so that the higher their expectations are, the lower will be their average assessment because performed services will not fulfil their expectations. Furthermore, the age of facilities reduces the reported quality, as expected. Additionally, hotels located on islands are, on average, assessed more positively. However, the Canary hotels are poorly assessed which suggests that hotel location may not affect quality in reality. There is no reason to think that the expectations for the Canary Islands are higher than those for the Balearic Islands, which suggest that the low assessments of the Canary hotels cannot be explained by higher *ex ante* expectations.

Finally, we analyse the negative effect of hotel quality dummies (3-5 STAR). This indicates that the higher the star classification is, the lower will be the average assessment, once other characteristics, including price and services, are controlled. Furthermore, coefficients become gradually more negative as star category increase from three stars to five stars. Given that we have included 25 services dummies as controls in the regressions, we may interpret the star dummies as allowing us to compare hotels that offer similar services but are part of different “administrative” categories. The star-rating system requires minimum conditions from hotels in order to belong to a particular rating category. Nothing impedes a hotel, however, from offering better conditions or services within the same category. Consequently, guests assess lower-category hotels more highly when all other services are equal, because their initial expectations were likely lower.

Endnotes

¹ Despite its prolific application in academic and entrepreneurial initiatives, the SERVQUAL scale has received substantial criticism. See Buttle (1996) and Gil Saura (1996) for a review of the main criticisms.

² The information was retrieved from <http://www.tripadvisor.com> on 27th October 2008.

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