



Improving service management in budget hotels



Jianping Peng, Xinyuan Zhao*, Anna S. Mattila

^a Department of Management Science, Business School, Sun Yat-Sen University, Guangzhou 510275, China

^b Department of Hospitality and Service Management, Business School, Sun Yat-Sen University, Guangzhou 510275, China

^c School of Hospitality Management, Pennsylvania State University, 224 Mateer Building, University Park, PA 16802-1307, United States

ARTICLE INFO

Article history:

Received 21 December 2014

Received in revised form 24 April 2015

Accepted 14 June 2015

Keywords:

Service management

Budget hotel

Customer experience

Revisit intentions

Hotel performance

ABSTRACT

Budget hotels are an increasingly important sector of the hospitality industry. However, extant research has mainly focused on service management in the luxury sector rather than economy class hotels, and the findings on budget hotels are mixed. In this study, we identified and examined service attributes in the context of budget hotels and demonstrated their impacts on service outcomes and hotel performance at the unit level. Using a large-sample, field survey, we collected responses from 162,757 customers staying at 1259 units of a budget hotel chain in China. We identified eight service attributes from previous studies, and these attributes loaded on two latent factors: core and auxiliary attributes. Furthermore, both core and auxiliary attributes were related to revisit intention, but only auxiliary attributes were associated with customer experience. Revisit intention influenced hotel performance while customer experience failed to do so. In terms of practical implications, budget hotels should use the inventory of service attributes to develop specific strategies for improving their service excellence and financial returns.

© 2015 Elsevier Ltd. All rights reserved.

1. Introduction

The pertinent question for contemporary budget hotels is not 'why' but 'how to' guarantee efficient service management. "The best value under the sun" is not only the slogan of Days Inns, but it represents the general aim of budget hotels in providing comfortable accommodation at modest prices. Following the 2007 financial crises, many hotel chains have increased the distribution of rooms in their limited-service units (Lomanno, 2010). Unlike full-service and/or luxury hotels, these units provide high value offerings (Fiorentino, 1995; Zhang et al., 2013b; Lai et al., 2014). In line with the trend to increase the value of service consumption, previous research shows that numerous factors are critical for quality service and customer satisfaction, including utility, service, amenities, and security (Choi and Chu, 1999; Dolnicar, 2002; Tanford et al., 2012; Dedeoğlu and Demirer, 2015). However, there is no consensus on the framework for determining customer satisfaction and firm performance in budget hotels. Traditional hospitality studies have mostly focused on service management in upper-scale or large-size hotel groups (Mattila and O'Neill, 2003; Mohsin and Lockyer, 2010), and relatively little research attention has been paid to budget hotels (hereafter, we also use the term 'economy

hotels' interchangeably) (Zhang et al., 2013b). Furthermore, prior research on budget hotels has produced inconsistent findings on the determinants of customer satisfaction and firm performance (e.g., Fiorentino, 1995; Heung and Wong, 1997; Min and Min, 1997; Choi and Chu, 1999; Dolnicar, 2002; Brotherton, 2004; Tanford et al., 2012; Zhang et al., 2013b). In this study, we propose and examine a structural model of service attributes of budget hotels.

To survive in the highly competitive hospitality market, hotels worldwide have to continually improve their products, services, and customer satisfaction to increase market share, maintain profitability, and obtain financial returns (Lewis, 1987; Oh and Parks, 1997; Tsaor and Lin, 2004; Nadiri and Hussain, 2005; Serrat, 2011). High quality hotel companies, such as Marriott, Hilton, and Sheraton focus primarily on customer satisfaction (Ropeter and Kleiner, 1997). Consequently, budget hotels have to make full use of their human resources (HR), customer relationships (CR), and other management functions to enhance service quality (Tsaor and Lin, 2004; Wu and Lu, 2012). Hotel services are characterized by 24/7 operations, fluctuating demand, constant supply, and intangible (often customized) offerings (Callan, 1990; Lewis and McCann, 2004; Tsaor and Lin, 2004; Serrat, 2011). These factors are also applicable to budget hotels, even though they provide relatively limited services. However, there is a lack of consensus among hospitality researchers and practitioners on a useful tool for measuring service outcomes in economy hotels. Although SERVQUAL (Parasuraman et al., 1988, 1994) is a widely applied generic model (Ekinci, 2002),

* Corresponding author. Fax: +86 20 84036924.

E-mail address: zhaoxy22@mail.sysu.edu.cn (X. Zhao).

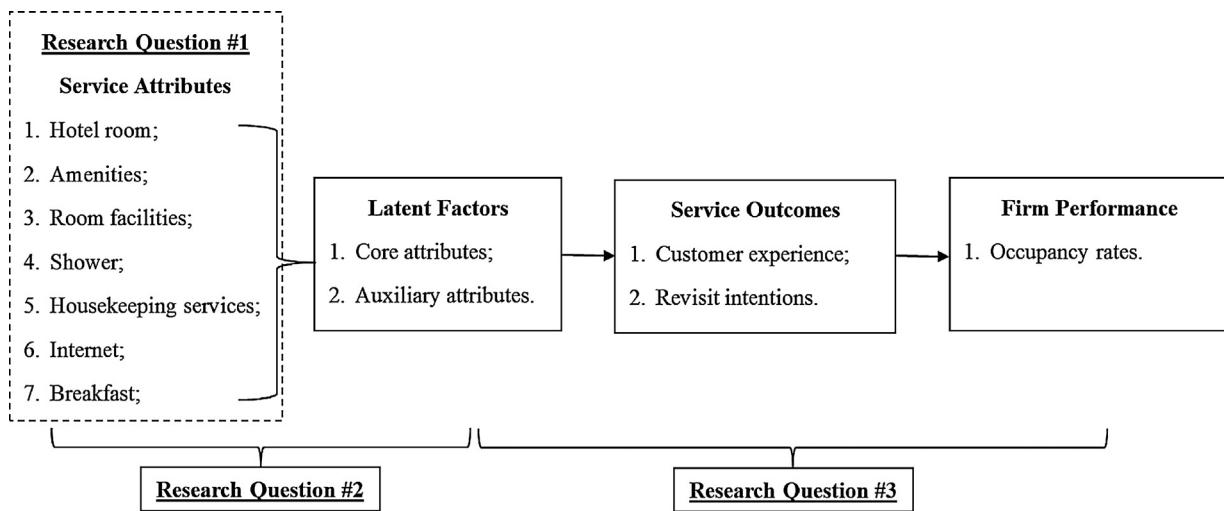


Fig. 1. The conceptual model with research questions.

studies have identified numerous problems, challenges, and limitations in regard to the use of SERVQUAL in the hospitality context (Saleh and Ryan, 1991; Getty and Thompson, 1994; Ekinci and Riley, 1999; Briggs et al., 2007; Shaw et al., 2011; Gummesson, 2014). Alternatively, other generic models such as Total Quality Management (TQM), the European Foundation for Quality Management (EFQM) (Camisón, 1996; Breiter and Bloomquist, 1998), HOLSERV (Wong et al., 1999), and LODGSERV (Knutson et al., 1991; Heung and Wong, 1997) were originally developed for the hospitality context but have not been consistently applied in research and practice (Lewis and McCann, 2004). Thus, in this study, we aim to identify a list of service attributes for measuring particular service outcomes of budget/economy hotels.

The hospitality industry in China has grown exponentially over the last three decades (e.g., the total number of hotels increased from 137 in 1978 to 13,500 in 2014, Pine and Phillips, 2005; Li et al., 2007; CNTA, 2014). The budget hotel sector has undergone a rapid development over the last decade in terms of companies, brands, number of units, and social effects (Zhang et al., 2013a,b). Due to the increasingly open policies on travel, accommodation needs at the economy class level are expected to rise faster than those for luxury hotels. At the same time, the new policies impose strict per diem rates based on the hotel's geographic location. As a result of these changes, budget hotels are likely to become an important industry sector and attract more investment and 'game players', leading to a larger market, higher profitability, and greater market share. Ultimately, the consumption value of a night's stay should be increased to balance the room rate, and budget hotels need to focus on the utility of a hotel stay and refine their service packages to satisfy customers' critical needs within a price limit.

To reiterate, in this study, we aim to explore the critical factors of customer satisfaction and their subsequent effects on the firm performance of budget hotels in China (see Fig. 1 below). The findings will provide a theoretical framework for future research and a guideline for managers in economy hotels. Specifically, we address the following three research questions:

- (1) What are the attributes of budget hotel services?
- (2) What are the latent factors behind the service attributes?
- (3) To what extent do the latent factors play a role in determining service outcomes and firm performance?

The remainder of this study is organized as follows. In Section 2, we first elaborate on the theoretical framework and identify the

key service attributes of budget hotels by reviewing the related literature. We then present the procedures, analyses, and findings from the data on a large budget hotel chain in China. In Section 4, we discuss our potential contributions to the current knowledge on economy hotel management and service measurement, and highlight important practical implications for service excellence among budget hotels in China. In the final Section, we conclude the study and discuss the limitations of the findings.

2. Theoretical framework

2.1. Service measurements in the hospitality context

Hospitality management is an intersection between production and service paradigms and emphasizes customer satisfaction and service quality toward hotel product and service packages (Israeli, 2014). Although the measurement of customer satisfaction and service quality has been studied for a long time, little consensus has been reached on theoretical and methodological issues (Oh and Parks, 1997; Ekinci and Riley, 1998; Briggs et al., 2007). For example, research conducted in the US often applies the SERVQUAL model, while European studies tend to emphasize technical and functional qualities (Ekinci, 2002). In the hospitality context, previous studies have discussed numerous problems and limitations regarding the use of generic models (Saleh and Ryan, 1991; Getty and Thompson, 1994; Ekinci and Riley, 1999; Briggs et al., 2007; Shaw et al., 2011; Ro et al., 2013; Bujisic et al., 2014; Dortyol et al., 2014; Gummesson, 2014; Tsang et al., 2015), including their application in the conference hotel (Oberoi and Hales, 1990) and casino settings (Prentice, 2013).

These limitations might result from the fact that the SERVQUAL items have problematic factor loadings and reliability and validity concerns due to the specific contexts and customer groups (Wuest et al., 1996). For example, to better capture the essence of service quality in hot spring hotels, Hsieh et al. (2008) revised the measurement items of the five SERVQUAL dimensions. Ekinci et al. (2003) also modified SERVQUAL for their study on Crete lodging services, and found that customers were often driven to choose a hotel by hospitality-specific factors, such as the location, facilities, service quality, price, reputation, exterior appearance, and security. Tsauro et al. (2014) adapted the performance-based scale (SERVPERF) to test customer service-quality perceptions of travel agencies and theme parks. Manhas and Tukamushaba (2015) applied an exploratory factor analysis to extract self-developed items for evaluating hotel service quality.

Download English Version:

<https://daneshyari.com/en/article/1009296>

Download Persian Version:

<https://daneshyari.com/article/1009296>

[Daneshyari.com](https://daneshyari.com)