



Exploring customer experience with budget hotels: Dimensionality and satisfaction



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ABSTRACT

The budget hotel sector in China has rapidly developed in the past decade. However, very little is known about consumer behavior in this sector. This exploratory study addresses this knowledge gap by adopting a mixed method of in-depth interviews and questionnaire survey. It specifically aims to explore the dimensionality of customer experience with budget hotels and to further examine the influencing factors for customer satisfaction. The results of exploratory factor analysis reveal four factors or dimensions of customer experience, namely, tangible and sensorial experience, staff aspect, aesthetic perception, and location. Multiple regression analysis shows that these four factors significantly influence customer satisfaction in a positive manner.

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1. Research background

The budget hotel sector worldwide has a shorter development history in comparison with the full-service hotel sector. According to Gilbert and Lockwood (1990), budget hotels in the United States started with the opening of the first Motel 6 (room only, \$6 per night) in California in 1963, and budget hotels have expanded since 1970. Budget hotels around the world have rapidly developed in recent decades. Such development has been attributed to changes in consumer attitudes, lifestyles, and values (Fiorentino, 1995), growing number of domestic travelers, developing economy and maturity of the hotel industry (Ruetz and Marvel, 2011), and other factors.

Budget hotels in China started with the opening of the first Jin-jiang Inn in Shanghai in 1997. Since its establishment, the budget hotel sector has been developing at an unprecedented rate. According to Inntie (2012), 8313 budget hotels exist in China as of the first quarter of 2012, which accounted for 15.11% of the total number of hotels in the country. Fig. 1 shows the growth of budget hotels in China since 2000.

Fig. 1 illustrates the growth of budget hotels in China from 2000 to 2012. In 2000, the number of budget hotels was only 23. Rapid development occurred after 2004. The growth rate peaked from 2005 to 2007, and remained high even during the financial crisis in 2008. Over the past 12 years, the number of budget hotels had grown to 8313, with 837,220 available rooms, up until the first quarter of 2012. According to the most recent statistics, the number of budget hotels has further increased to more than 12,000, with over 500 different budget hotel brands (Inntie, 2014). Among all of the budget hotels in China, branded budget hotels develop considerably faster than unbranded ones. According to the official websites of leading budget hotel chains in China, Home Inns alone had more than 3000 hotels in over 330 cities across the country by the end of 2014 (Home Inns Official Website, 2015). The Huazhu Hotel Group has more than 2000 hotels in 280 cities in China (Huazhu Official Website, 2015).

The development of budget hotels in China has expanded the range of choices available for the customers in the marketplace, thus intensifying the competition. As Meyer and Schwager (2007) point out, customer experience is more relevant in the current society, in which consumers have more choices than they used to. For consumers, the selection of hotel products depends on their experience. Prior research has proved that behavioral intention is largely influenced by the satisfaction of customers (e.g., Clemes et al., 2011; Cronin et al., 2000), which, in turn, is influenced by their experience (e.g., Chen and Chen, 2010; Zins, 2002). Although a good

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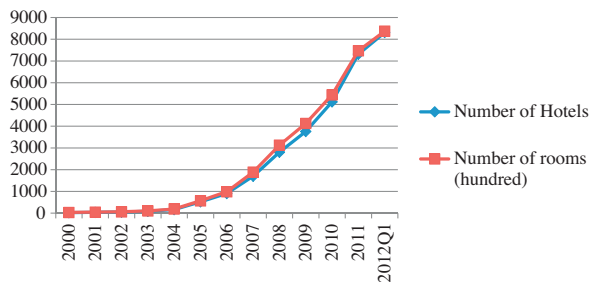


Fig. 1. Growth of budget hotels in China from 2000 to the first quarter of 2012 (Data source: [Inttie, 2012](#)).

number of studies have focused on customer experience, service quality, and customer satisfaction in the full-service hotel sector, the budget hotel sector has been rarely explored. Therefore, understanding the experiences of customers of budget hotels that induce satisfaction or dissatisfaction is vital to win the market. This idea has also prompted the exploration of antecedent factors that engender positive customer experiences with budget hotels.

The examination of the holistic experience of consumers has intensified as indicated by the term “experience economy” ([Pine and Gilmore, 1998, 2011](#)). However, prior studies on budget hotels have been primarily attribute-based. For example, location, price, quality, simple design ([Justus, 1991](#)), and membership ([Nash et al., 2006](#)) are perceived to be important attributes. By contrast, according to the experiential view, more dimensions underline customer experiences (e.g., [Knutson et al., 2009](#)). This observation is another rationale to explore the potential dimensionality of customer experience with budget hotels.

Therefore, this study aims to fill the knowledge gap by addressing the following research objectives:

- (1) What factors influence customer experience with budget hotels in China?
- (2) What are the underlying dimensions of customer experience with budget hotels?
- (3) How do the identified dimensions influence customer satisfaction?

Studying the context of China is based on the rapidly developing budget hotel sector in the country. In addition, several domestic and international hoteliers target Chinese customers, who comprise the largest potential market of budget hotels ([Ruetz and Marvel, 2011](#)). Thus, the results of the present study will provide hoteliers with significant insights.

2. Literature review

2.1. Nature of experience

The importance of “experience” in creating competitive advantage is fully discussed by [Pine and Gilmore \(1998, 2011\)](#), [Schmitt \(2003\)](#), [Verhoef et al. \(2009\)](#), [Shaw \(2005\)](#), and other experts. “Experience,” which refers to the new economic value or the fourth offering, after commodity, good, and service, is the new engine of economic growth for organizations ([Pine and Gilmore, 1998, 2011](#)). The proper management of customer experience can turn customers into advocates, upon which long-term competitive advantage and profitability can be achieved ([Smith and Wheeler, 2002](#)).

Definitions of experience differ depending on the situations and grounds for experience. [Carbone and Haeckel \(2005\)](#) refer to experience as takeaway impressions that customers have when they encounter products, services, and businesses. According to [Meyer](#)

and [Schwager \(2007: 118\)](#), “customer experience is the internal and subjective response customers have to any direct or indirect contact with a company.” For [Shaw](#), “Customer Experience is an interaction between an organization and a customer. It is a blend of an organization’s physical performance, the senses stimulated, and emotions evoked, each intuitively measured against Customer Expectations across all moments of contact” ([Shaw, 2005: 51](#)). Thus, experience is a subjective perception that is felt from within. It also relies heavily on consumption context. Furthermore, interactions with human or physical elements are important in shaping the customer experience.

Various studies in hospitality and tourism settings have attempted to understand the dimensions of experience. A number of definitions for experience have been provided; at the same time, dimensionality approaches to experience have been proposed. For example, [Hemmington \(2007\)](#) identified the five dimensions of hospitality experience, namely, host–guest relationship, generosity, theater and performance, numerous small surprises, and safety and security. [Knutson et al. \(2009\)](#) also studied hospitality setting and identified the four dimensions of customer experience, namely, environment, accessibility, driving benefit, and incentive. [Walls \(2013\)](#) presented two broad dimensions, namely, physical environment and human interaction. At the micro level, customer experience is influenced by the sensory effects of sight, sound, touch, smell, and taste (e.g., [Shaw, 2005](#); [Pine and Gilmore, 2011](#); [Schmitt and Simonson, 1997](#)). However, most of the aforementioned dimensionalities are based on luxury or full-service hotel settings, or other service settings, and thus may not apply in the budget hotel sector.

2.2. Budget hotel and customer experience

Based on our knowledge, a unanimous definition for budget hotels is lacking. According to [Gilbert and Lockwood \(1990: 21\)](#), a budget hotel is “a limited service lodging establishment offering the benefit of good value for money in standardized modern accommodation and offering quality as good as hotels of a higher star grading but where rates are 25–30% cheaper than average market area rates.” [Senior and Morphew \(1990\)](#) defined budget hotels as strategically located and characterized by a low tariff structure, a minimum range of facilities, a limited range of services, and new/modular construction. In a more detailed fashion, the definition proposed by [Ruetz and Marvel \(2011: 100\)](#) attempts to set a standard, “. . . zero to two-three-star hotels, normally with a minimum of 50 rooms, and branded by a major chain. Such hotels typically have a standardized ‘cookie-cutter’ appearance, and offer a systematized, no-frills service format, e.g., limited food and beverage and meeting facilities.”

Other terms resemble the concept of budget hotels. For example, according to [Senior and Morphew \(1990\)](#), the label “budget hotel” is similar to “economy hotel” in the United States and France. [Rogerson \(2011: 349\)](#) defined “limited service hotels” as follows: “The limited service hotel tends to be smaller than the full-service hotel, ranging between 100 and 200 rooms and importantly incorporates fewer ancillary spaces such as meeting rooms, lobby space and restaurants.” This definition is also similar to the meaning of budget hotels. In China, both “budget hotel” and “economy hotel” are translated to “jingjixingjudian,” which shows that the two terms do not significantly differ conceptually in the market context of China. Such usage of terms that match “budget hotels” with “economy hotels” is evident in the work of [Cai \(2004\)](#).

Further categorization of budget hotels is also seen from literature. [Senior and Morphew \(1990\)](#) noted the tiering of budget hotels in different markets, including the United States, the United Kingdom, and France, based on different criteria. [Fiorentino \(1995\)](#) also examined “tiering,” while discussing the tailor-made nature of

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