Are guests of the same opinion as the hotel star-rate classification system?

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ABSTRACT

Hotel classification systems have been questioned on some occasions due to the loss of credibility of stars as a quality standard and because they are sometimes subject to outdated criteria. In any case, this system allows reducing the adverse effects of asymmetric information, characterized in a market such as the hospitality industry.

With a sample of more than 14,000 hotels in 100 cities around the world taken from two of the most important tourism websites as are Booking and TripAdvisor, we ascertained whether the star-rating classification system of hotels, room price, or even hotel size, match user satisfaction measured from the point of view the scores awarded by past users.

The results confirm that despite the differences in criteria in implementing the hotel star-rate classification system throughout the world, a relationship does exist with user satisfaction, based on the scores awarded by former customers both on TripAdvisor and on Booking. In turn, price is related to hotel category and with satisfaction. However, the number of rooms does not influence the score awarded, although depending on the region, there is a relationship between hotel size and category.

We conclude that the hotel classification system adequately fulfils its function as customer ratings increase with each additional star, just as price is also related with both aspects.

The main contribution of this study is that the results concern hotels from around the world comparing them with the views of customers expressed on TripAdvisor and Booking.

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1. Introduction

In a market in which one of the parties involved in a buying/selling transaction does not have the same information as the other concerning a product or service, so-called information asymmetry occurs (Akerlof, 1970). In the services, given their intangible nature, it is difficult to evaluate their quality (Zeithaml, Berry, & Parasuraman, 1993).

Recent studies related with the hospitality industry indicate that the prospective customers of a hotel rely on recommendations by friends and family to solve their informational disadvantage because tourism services cannot be tried or tested before purchase (Fernández-Barcala, González-Díaz, & Prieto-Rodríguez, 2010) and that has been substituted, on certain occasions, by the role of the travel agent, who acts as an intermediary in a market characterized by this asymmetry (Clerides, Nearchou, & Pashardes, 2005; Jeacle & Carter, 2011).

The phenomenon of recommendations is especially important with the Internet and is known as electronic Word of Mouth (eWOM) and is defined by Litvin, Goldsmith, and Pan (2008) as being "all informal communications directed at consumers through Internet-based technology related to the usage or characteristics of particular goods and services, or their sellers".

eWOM, thanks to web-based consumer opinion platforms (Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004), can have a significant influence on travel-related decisions (Gretzel & Yoo, 2008) and both positive and negative reviews have the potential to influence customer purchase decisions (Sparks & Browning, 2011). The web-based consumer opinion platforms can also contribute to attenuating the negative effects of asymmetric information, perhaps such as opportunistic behaviours on the part of the supply side.

Information asymmetry can be compensated using other elements such as price, the star-rate classification system (Nicolau & Sellers, 2010; Öğüt & Onur Taş, 2012), customer review ratings, number of recommendations and average display rank (Cezar &

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Ögüt, 2016).

The aim of this research is to confirm whether, indeed, such elements as the star-rated classification system of hotels determined by a third party, the price of a room fixed by the supply side, or even hotel size, match user satisfaction measured from the point of view of the ratings obtained by past users' scores on two of the main websites used by the hospitality industry (Booking and TripAdvisor) in the hotels of the 100 top city tourist destinations.

This introduction is followed by a review of the existing literature on the subject and the study objectives are set out. Then the methodology is presented, paying special attention to data collection, the results are put forward, leading finally to a section for discussion and conclusions.

2. Literature review and research aims

The review of the literature is divided into three sections. On the one hand the standard system of hotel categories is analysed, while on the other, the importance of electronic Word of Mouth in the hospitality industry is studied, and finally, the existing studies are shown on the relationship between hotel price and size with the star-rating system.

2.1. Standard system of hotel categories

Hotel ratings are used to classify hotels according to their quality using laws approved by national or local governments, or by applying criteria established by independent organizations, hotel associations, national consumer travel organizations, guidebooks, travel websites and volunteer organizations (Denizci Guillet & Law, 2010). Thus, rating systems can be classified into official and non-official (Zhan-Qing & Liu, 1993). The hotel star-rating classification is universally recognized and the most common system for classifying hotels is from 1 to 5 stars.

The system for classifying hotels is different in each country and even hotels from the same country follow different criteria because there are local regulations, like in Spain where the autonomous governments are empowered to legislate in this regard and use different criteria to assign stars to the hotels.

On an international level, there is no common standard concerning what a hotel from each category should provide. What seems clear is that obtaining different stars is based on objective criteria such as infrastructure, services, amenities, and the sizes of the rooms and common spaces.

As Fang, Ye, Kucukusta, and Law (2016) point out, the overall quality of hotels can be inferred from their stars that are assessed by an official organization according to a unified standard, and hotel star-rating is most often employed by consumers in their choice of hotel (Núñez-Serrano, Turrión, & Velázquez, 2014) and the star-rating classification mechanism is the most common customer segmentation pattern in the hotel industry (Dioko, So, & Harrill, 2013). Additionally, a higher star-rating can be considered as being an indicator of higher quality (Abrate, Capriello, & Fraquelli, 2011) and can be useful to reduce the adverse effects of asymmetric information (Nicolau & Sellers, 2010; Öğüt & Onur Taş, 2012).

Moreover, a study carried out by Bulchand-Gidumal, Melián-González, and González López-Valcárcel, (2011) with a data from more than 10,000 hotels from TripAdvisor, confirmed that each additional star enhances a hotel's score.

Not all research studies confirm the relation between the star-rating classification system and quality. According to Núñez-Serrano et al. (2014) there has been a deterioration and loss of the reliability of the star-rating system as a quality standard, from their analysis of 7783 hotels from the Official Guide to Hotels in Spain (OGHS).

A study conducted by Torres, Adler, and Behnke, (2014) confirmed that there were powerful reasons why hotel rating systems might become obsolete, an opinion expressed by General Managers interviewed in their research.

Furthermore, López Fernández and Serrano Bedia (2004) conclude in their study consisting of personal interviews with customers from 54 hotels in Cantabria, Spain, that there are significant differences between expectations, perceptions and the various hotel categories, so the ranking of the groups does not correspond with the categories.

To find out whether the hotel star-rating classification system determined by the supply side or by a third party that is different all over the world has a relationship with customer satisfaction measured by votes in the form of ratings in two of the main websites used by the hospitality industry (Booking and TripAdvisor), the following research hypothesis is posited:

H1. The higher (lower) the category of hotel, the better (worse) the score and, therefore, the better (worse) the position in the ranking.

2.2. Electronic Word of Mouth

In services, the importance of recommendations, known as Word of Mouth (WOM), has been widely discussed by many researchers (Butler, 1980; Cohen, 1972; Dellarocas, 2003; Hu, Bose, Gao, & Liu, 2011; Liu, 2006) and WOM occurring in digital environments, known as electronic Word of Mouth (eWOM) is especially important because of the magnitude recommendations can acquire.

According to Cantallops and Salvi (2014), research on eWOM in the hotel industry can be divided into two groups: review-generating factors (previous factors that cause consumers to write reviews) and impacts of eWOM (impacts caused by online reviews) from the consumer perspective and the company perspective.

eWOM influences travel-related decisions and consumers' reviews generate more trust than communications from the company itself (Gretzel & Yoo, 2008). Positive eWOM increases the probability of booking a room in a hotel (Vermeulen & Seegers, 2009), leading to an increase in the rooms sold for each additional point on the TripAdvisor rating scale (Anderson, 2012) or a 10 percent increase in traveller review ratings boosting online bookings by more than 5 percent (Ye, Law, Gu, & Chen, 2011), resulting in a better conversion rate (Petz & Greiner, 2014) and high numbers of recommendations increase online hotel room sales (Cezar & Ögüt, 2016), while negative eWOM generates the opposite effect (Hong, 2006; Karakaya & Barnes, 2010; Lee, Park, & Han, 2008; Steffes & Burgee, 2013).

For some authors, positive or negative eWOM is not the only important element of this phenomenon. Also important is the number of reviews (Viglia, Furlan, & Ladrón-de-Guevara, 2014), giving belief to the theory that volume is more important than valence (Liu, 2006) and stating that a large number of reviews may encourage potential consumers to decide to buy a product that many other people have also acquired (Dellarocas, Zhang, & Awad, 2007; Godes & Mayzlin, 2004; Park, Lee, & Han, 2007) and because it is a sign of popularity (Zhang, Zhang, Wang, Law, & Li, 2013; Zhu & Zhang, 2010 cited in Xie, Zhang, & Zhang, 2014).

2.3. Room price and hotel size

Hotels upgrade to higher star categories, thereby generating more revenue (Leung, Lee, & Law, 2011) because the hotel star-rating system has the most significant impact on price dispersion, and hotels with a higher star-rating can charge more flexible room