



## Service experience through the eyes of budget hotel guests: Do factors of importance influence performance dimensions?



Asad Mohsin <sup>a, \*</sup>, Jorge Lengler <sup>b, 1</sup>

<sup>a</sup> Department of Tourism & Hospitality Management, The University of Waikato Management School, Private Bag 3105, Hamilton 3240, New Zealand

<sup>b</sup> Department of Marketing, Operations and Management, ISCTE IUL Business School, Lisbon 1649-026, Portugal

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### ABSTRACT

The aim of this study is to test the influence of dimensions of importance (expectations) in hotel services on performance (actual experience) within the context of budget hotels in China. A theoretical model and nine hypotheses are tested to indicate whether the dimensions of importance such as room service, room comfort and reservation process, have any impact on performance dimensions such as in-room dining, front office service, room amenities and hotel access and safety. A final model is proposed which reflects the relationship between the constructs. The study uses a survey and interview technique. Findings from the analysis of 355 respondents from budget hotels in the Hainan province of China suggest statistical significances in several areas of relationship between rating of importance by the budget hotel guests and performance dimensions. Overall, the results indicate a significant difference between expectations of the guests and actual experiences, thus highlighting managerial implications. The current study cannot claim to be wholly conclusive as it is limited to a small sample size from only one province of China and there could be subjectivity in responses. From a practitioner's perspective the study provides an opportunity to recognise features that are considered important by the guests staying in budget hotels in the Hainan Province, China and to identify the areas of disparity in service and product quality. Despite decades of research and abundance of published studies service quality still remains an important issue within the lodging industry. This study provides an opportunity for budget hotel management generally and China's budget hotel management specifically to understand which factors have a significant impact on hotel guests' importance ranking and performance dimensions to assess customer satisfaction. The study investigates service quality perceptions of budget hotel guests in China, an area where research is generally sparse within the context of Asia and almost non-existent within the context of China. From this perspective the study contributes to the service quality literature in the lodging industry specifically the budget hotels.

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### 1. Introduction

It has been 35 years since China opened its door to massive international inbound tourism in 1978. China's international inbound tourism has experienced significant growth in the last couple of decades. Witt and Turner (2008) stated that since China started economic reforms in 1978, the economy in China has grown rapidly. The reform-induced economic growth has also led to rapid

improvement of the tourism industry, with international tourist arrivals and international tourism receipts increasing dramatically. China's ranking as a tourism destination moved from 40th in 1978 (Zhang, Pine, & Zhang, 2000) to the world's 5th most popular tourist destination in terms of tourist arrivals and tourism revenue in 2008 (United Nations World Tourism Organization [UNWTO], 2008). Liu (2010) mentioned that the domestic demand for tourism has been grown with an average of about 1.4 domestic trips made by each Chinese citizen in 2009. For example, mainland visitors have become the highest spenders among all markets in Hong Kong, contributing with HK \$83.47 billion or about 70% of total visitor spending (Hong Kong Tourism Board, 2010). With the increase of Chinese people travel, China has shifted from a seller's market to a buyer's market, from inbound tourism dominance to

\* Corresponding author. Tel.: +64 7 858 5061; fax: +64 7 838 4331.

E-mail addresses: [amohsin@waikato.ac.nz](mailto:amohsin@waikato.ac.nz) (A. Mohsin), [Jorge@lengler.org](mailto:Jorge@lengler.org) (J. Lengler).

URL: <http://www.mngt.waikato.ac.nz/>

<sup>1</sup> Tel.: +353 86 307 6624.

domestic tourism dominance, and from a mass production orientation to a variability and personalization orientation (CNTA, 2010).

Considering the huge increase of China's economy stimulated both domestic and international budget hotel sectors to come to the market (Dai & Shu, 2007; National Bureau of Statistics of China 2004; Zhang, Cai, & Kavanaugh, 2008). Jinjiang Inn, which was founded in Shanghai in 1996, is the first Chinese budget hotel (Li, 2008). The top 10 economy hotel brands in China are Super 8 and Ibis which represent international hotel groups; Seven-days Inn and Green Tree Inn which were founded with foreign investment and the remaining other six are all domestic brands namely: Home Inn, Jinjiang Inn, Motel 168, Hanting Inns and Hotels, Vienna Hotel, and Hotel Home (China Economy Hotel Network, 2010a). Additionally, according to the China Economy Hotel Survey, conducted by the China Hotel Association (2009); there were more than 100 budget hotels chains with over 4000 properties and around 400,000 rooms in China at the end of 2008. The China Economy Hotel Network (2010b) reported that the amount of budget hotels witnessed a significant growth from 23 properties in 2000 to 3757 in 2009.

Hu (2013) stated that even though China is relatively new to conducting tourism business, active investment and involvement from the Chinese government in tourism and hotel business in recent years have resulted in China being regarded as a prominent tourism destination in the world. Hotel rooms have become more commoditized; and this is especially true for the budget hotel (Xinhua News Agency, 2006; Zhang et al., 2008).

Domestic tourism also achieved similar growth. Zhang (1997) stated that domestic tourism in the 1990s has developed at an unprecedented speed because of China's economic reform and the opening up of political and economic climates. According to the author "From 1990 to 1995, the average annual domestic tourist arrivals increased by 17.62%, and the average annual receipts increased by 51.93% (pg 566). In 1990, domestic tourist arrivals amounted to 280 million; tourist receipts were 17 billion RMB. In 1996 tourist arrivals reached 640 million, an increase of 2.286times compared to those of 1990. Tourist receipts in the same year reached 163.8 billion RMB yuan, an increase of 9.635 times."

Recently, Hainan Province, which is attractive and famous for tropical weather, has become a popular destination for tourists from all over the world. Hainan Province is an island in the South China Sea on the southern periphery of China. It consists of 34,000 square kilometres of land and 2 million square kilometres of marine space. The annual average temperature ranges from 23 to 26 Celsius. "Because Hainan Province is not heavily industrialized, the mild climate, beaches, tropical scenery and favourable environment make Hainan an attractive place for escaping cold winter weather and relieving summer heat", Hu and Wall (2003) stated on page 208. Tourism in Hainan Province has become a "pillar industry" of the local economy, contributing 12–15% to the province's GDP (Hainan Province Statistics Bureau, 2001–2010). According to the interviews with officials from Hainan Provincial Tourism Development Commission (HPTDC) in 2010, Hu and Wall (2003) stated that 90% of visitors were from mainland China and the majority of them prefer taking guided package tours. Hainan Province has the potential to become a top Asia Pacific holiday destination. The most famous city in Hainan Province, Sanya, is also China's southernmost city and the most well-known coastal sunshine destination in winter for the country.

The development of tourism in the Hainan province has also lead to growth of the hotel industry especially in terms of budget hotels. The traditional food and cultural performances by the local ethnic minority communities in the Hainan have attracted both domestic and foreign visitors. Yu (2011) stated that according to the government's new plan released in 2009, it has become a national

strategy to develop Hainan as an International Tourism Destination. The author also stated that Hainan is the only province in China clearly identified by the government for improvement of its tourism as a main industry. This brings unprecedented opportunities to the tourism industry in the Hainan, attracting more and more tourists from both domestic and foreign visitors; the hospitality industry is expected to benefit considerably.

However, the service and product quality in China's hotel industry has long been a concern for both the industry and academic research. The lodging industry has been criticized for being unable to deliver quality service expected as part of international standards (Cai, 2004; Cai & Robert, 1993; Cook, 1989; Cullen, 1988; Tsang & Qu, 2000). There are many issues that need to be addressed by hotel management; the hotel industry in the Hainan Province is faced with similar issues which include cleanliness, safety, and product and service quality. Furthermore, the literature reflects that the majority of the studies of Chinese hotels service and product qualities have been conducted from perspective of international tourists. There is limited research on how Chinese tourists perceive the service quality of China's hotels generally and the Hainan Province's particularly.

Therefore, conducting this research in Hainan Province helps to highlight gaps that exist between current budget hotels' service and product quality from customers' expectations and actual experiences. This should help hotel management to identify such gaps which need attention and help to meet and exceed customers' expectation effectively and efficiently. Hence, the main purpose of the study is to find the relationship between how hotel guests rank the importance of selected hotel services and how they rate the performance based on actual experience of those services. The purpose should help to accumulate information with regard to:

- General expectations (Importance) of guests who stay in budget hotels in the Hainan Province for different services and products.
- Actual experiences (Performance) of the guests in relation to their expectations of different services and product offered by budget hotels; how did the hotel perform?
- Impact of gender and main reason for stay at the hotel on expectations and actual experiences with different services and products offered by the budget hotels in the Hainan Province.

An extensive literature review has been undertaken as part of this process; primary data has been collected from budget hotel guests and managers in the Hainan Province. Analysis of primary data has been undertaken using SPSS version 20. We specified the measurement and conceptual models of the study using structural equation modelling (AMOS 20.0 software).

This paper will continue with a review of the literature before addressing the methodology, data results and the conclusion of the research. The paper will then finish by discussing the implication of the findings, recommendations and research limitations.

## 2. Theoretical framework and hypotheses development

Perceived service quality seems to positively influence customers' loyalty and their attitudes towards the service provider (Anton, Camarero, & Carrero, 2007; Aydin & Ozer, 2005; Bell, Auh, & Smalley, 2005). Suhartanto (2011) report that the majority of the studies published in developed countries mentioned that service quality is the key factor of customers' brand loyalty in the lodging industry. Study conducted by Stevens, Knutson, and Patton (1995) found that high-quality service and customer satisfaction are two key factors of leading to the success of the tourism industries. Salomon (1994) predicted that if a hotel failed to understand and

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