



Research note

The importance of security for hostel price premiums: European empirical evidence

Susana Cró ^a, António Miguel Martins ^{b, *}^a IGOT – Universidade de Lisboa, Edifício IGOT – Rua Branca Edmée Marques, 1600-276 Lisboa, Portugal^b Universidade da Madeira, Portugal

HIGHLIGHTS

- We analyse the impact of the country's crime index on hostel price premiums.
- We use hedonic prices and guests' reviews posted on the website Hostelworld.
- Analysis for the European countries with the highest and lowest crime indexes.
- Higher price premiums in the European countries with highest crime index.
- Hostel managers should invest in improvements to the security and cleanliness.

ARTICLE INFO

Article history:

Received 2 February 2016

Received in revised form

25 November 2016

Accepted 27 November 2016

Keywords:

Pricing

Hostel

Accommodation

Criminality

Online reviews

ABSTRACT

Our aim is to study the impact of hostel guest reviews posted on a consumer-generated website on hostel price premiums. More specifically, we study the effect of guests' ratings of six hostel characteristics—atmosphere, cleanliness, facilities, location, staff and security—on hostel price premiums. Given the importance of security, location and cleanliness to hostel price premiums, we analyse whether the impact of guests' ratings of these three characteristics is higher for hostels in countries with the highest crime indexes. To answer our research questions, we collect data on consumer reviews of 383 hostels in 12 European capitals, which are grouped according to crime level, from Hostelworld.

The results show that guests are willing to pay a higher price and/or higher price premium in European countries with the highest crime indexes if a hostel has higher levels of security, cleanliness and location. These findings are consistent with previous studies in other fields.

© 2016 Elsevier Ltd. All rights reserved.

1. Introduction

Compared with the hotel, which is the traditional and most important type of lodging in Europe, the hostel industry offers an opportunity for more entrepreneurs to participate in the tourism industry. Hostels are a cheaper alternative to hotels. According to Brochado, Rita, and Gameiro (2015: 1839) “hostels are formed in the popular backpacker market and embody a hybrid product that combines accommodation services with an informal and friendly atmosphere”. The authors also noted the importance of offering rooms with multiple beds for the hostel financial model because this practice enables a higher rate of cash per square foot.

As noted by Brochado et al. (2015) hostels as a market segment have experienced rapid growth over the years and have become an important component of the hospitality and tourism industry (Chitty, Ward, & Chua, 2007). Despite this trend, there is limited knowledge of the service quality of this type of accommodation (Musa & Thirumoorthi, 2001). The decision to stay, the likelihood of recommending a hostel to others, and positive word-of-mouth (WOM) are expected to be influenced by the perceived quality of the service offered by a hostel (Brochado et al. 2015).

A WOM revolution transpired with the advent of the internet because internet users can make their opinions, thoughts and personal feelings easily accessible to a global community (Dellarocas, 2003). Gretzel and Yoo (2008) estimated that 34.7% of total online spending is related to travel and that more than 74% of travellers use other consumers' comments as a source of information when planning pleasure trips. Mauri and Minazzi (2013)

* Corresponding author. Caminho da Penteada, 9020-105 Funchal, Portugal.

E-mail addresses: susanacro@campus.ul.pt (S. Cró), antonio.martins@staff.uma.pt (A.M. Martins).

consider electronic WOM (eWOM) a form of communication that provides a mechanism for shifting power from companies to consumers.

The central aim of our study is to discuss and quantify the effect of online consumer-generated reviews on hostel price premiums and average prices. More specifically, we study the effect of guests' ratings of six hostel characteristics—atmosphere, cleanliness, facilities, location, staff and security—on hostel price premiums. Given the importance of security, location and cleanliness to hostel price premiums, we analyse whether the impact of these three characteristics is higher in countries with the highest crime levels. To answer our research questions, we collect data in the form of consumer reviews from Hostelworld for 383 hostels in 12 European capitals, which are categorized according to their crime levels. Brochado et al. (2015) emphasize the importance of understanding the main determinants of perceived service quality in the hostel business in order to fulfill hostel guests' needs and to improve guests' overall experience. More recently, Santos (2016) shows that the hedonic price method should be used to decompose total prices into different characteristics. Given that accommodation prices vary across differentiated products, the hedonic prices method can capture the effect of each characteristic of a good or service on the market price. In our study, hedonic prices are used to analyse the impact of different hostel characteristics on the price premiums of 383 hostels in 12 European capitals, which are categorized based on their national crime levels, using data collected from the Hostelworld website.

The empirical results suggest that managers should be willing to invest in improvements to features related to the security, location and cleanliness of their hostels and that willingness should be greater in countries with higher crime indexes. These findings are consistent with earlier studies in other fields. Such studies show that customers' perceptions of hostel security are determined primarily by the cleanliness of the establishment and secondarily by the location of the hostel; these studies also show that backpacker hostels experience the highest crime levels and that guests are willing to pay higher room rates for security. The results of this study confirm these earlier findings by showing that cleanliness, location and security are determining factors in the choice of a hostel and that hostels with the best ratings are expected to charge a premium price, especially in cities with higher crime levels.

The remainder of the paper is structured as follows: section 2 provides a brief review of the literature on online WOM, service quality and prices in the hostel industry. Section 3 describes the research hypotheses, data and the method employed in the empirical research and defines the dependent and independent variables. Section 4 presents and discusses the results. Section 5 concludes the paper.

2. Literature review

2.1. Online word-of-mouth (eWOM)

The importance of WOM has been widely documented in the literature (Anderson, 1998; Goldenberg, Libai, & Muller, 2001; Stokes & Lomax, 2002; Zhu & Zhang, 2006). Goldenberg et al. (2001) argue that WOM from other consumers strongly influences the consumer decision-making processes. The advent of internet and the effect and distribution of eWOM are mutually reinforcing because individuals can make their opinions easily accessible to other internet users (Dellarocas, 2003). Gretzel and Yoo (2008: 43) further demonstrate that “travel review readers perceive reviews posted by other consumers as superior to marketer information, especially as far as being up-to-date, reliability and enjoyability are concerned”. In contrast, other studies find that the absence of source cues on the

internet lowers the credibility of online user-generated reviews compared to that of traditional WOM (Dellarocas, 2006; Smith, Menon, & Sivakumar, 2005).

In the tourism and hospitality industry, Vermeulen and Seegers (2009) demonstrate that positive online reviews improve potential consumers' perceptions of hotels, and Cheng and Loi (2014), Phillips, Zigan, Silva, and Schegg (2015), Torres, Singh, and Robertson-Ring (2015), Zhao, Wang, Guo, and Law (2015) and Wang, Lu, Chi, and Shi (2015) find that online consumer reviews significantly influence product performance and online hotel booking intentions. For example, Ye, Law, Gu, and Chen (2011: 634) show “that a 10% increase in traveller review ratings can boost hotel online bookings by more than 5%”. Ögüt & Taş (2012: 197) state “that a 1% increase in online customer ratings increases sales per room up 2.68% in Paris and by up to 2.62% in London”. Because online traveller reviews are an important source of information to both travellers and tourism companies, researchers have attempted to analyse and understand online traveller reviews by using sophisticated technologies (Ye, Zhang, & Law, 2009b, 2011, 2009a; Govers & Go, 2005; Xie, Zhang, & Zhang, 2014).

With respect to the literature on WOM for hostels, research by Mikulić et al. (2016: 74) demonstrates that the “hostel tourist segment, as such, is almost completely overlooked in contemporary tourism research, being partly covered by only a few studies on youth travellers and backpackers”. This literature indicates that backpackers emphasize the importance of socializing with other backpackers and that those social interactions play a significant role in the transmission of WOM information (Kain & King, 2004; Murphy, 2001; Newlands, Richards, & Wilson, 2004; Richards & Wilson, 2004). Murphy (2001) examines the nature of interactions among backpackers in an attempt to better understand their informal networks of information dissemination and finds that “several factors influence the value placed on information, including the consistency of reports received, personal feelings or attitudes towards the provider, and previous expectations regarding the destination/business under discussion.” (Murphy, 2001: 50)

Despite the importance of online WOM, Godes and Mayzlin (2004) describe the difficulty of measuring online WOM due to the various dimensions that it occupies on the internet. Regarding online consumer reviews, three review-related factors are generally regarded as important: valence, volume and variation (see Xie et al. 2014: 2 for detailed information). Xie et al. (2014: 2) find that “an average rating measure most frequently represents valence. Statistical variation measures the dispersion of ratings, and the number of posted ratings usually represents volume”. Jang, Prasad, and Ratchford (2012) further suggest that consumers tend to pay close attention to these three factors throughout their online purchase decision-making process. Mauri and Minazzi (2013: 99) show “a positive correlation between both hotel purchasing intention and expectations of the customers and valence of the review”. Following prior research, we use review valence, volume, and variation as measures of consumer reviews in this study.

2.2. Hostel service quality and price

According to Brochado et al. (2015: 1843), a hostel may be defined as a “good quality budget accommodation that offers a comfortable night's sleep in friendly surroundings at an affordable price”. According to the authors, although both hotels and hostels offer accommodations, there are several differences between these accommodations. Shared dormitories and private rooms are the two main types of accommodation offered by hostels. Instead of booking a single or a double room in a hotel, guests can book an individual bed in a shared room in a hostel. Furthermore, compared to a hotel, a hostel is more informal and adventure-oriented and

Download English Version:

<https://daneshyari.com/en/article/5108692>

Download Persian Version:

<https://daneshyari.com/article/5108692>

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