



The effects of traveling for business on customer satisfaction with hotel services



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HIGHLIGHTS

- For-business hotel service encounters are evaluated less favorably (4% on average).
- This effect is strongly moderated by personal-, hotel- and country-level factors.
- The adverse effect is smaller for more work-oriented individuals.
- Traveling for business is linked to intensified perception of cultural differences.
- Based on our results, managers can intelligently target the business segment in ads.

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ABSTRACT

The purpose of this study is to examine the association between traveling for business and customer satisfaction with hotel services. To that end, a multilevel analysis is conducted of an empirical dataset comprising over 1.6 million customer reviews pertaining to 13,410 hotels located in 80 major urban tourism destinations across the world. The results suggest that customers report significantly lower (4% on average) levels of overall satisfaction with hotel services after for-business stays than after for-pleasure stays. This effect is, moreover, found to be moderated by certain contextual factors, such as the traveler's general leisure versus work orientation, and the economic and cultural characteristics of the destination and the traveler's country of origin. Most importantly, the effect is found to be strongly moderated by certain hotel attributes; this finding allows hotel managers to offset the adverse effect by focusing on, and investing in, those attributes, making their properties more competitive.

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1. Introduction

Business and leisure travelers are the two major market segments of the contemporary hotel industry. Besides having different travel motivations, the segments are shown to exhibit differences regarding information search behavior (Jones & Chen, 2011), hotel selection criteria (Yavas & Babakus, 2005), and preferences for hotel attributes (Kashyap & Bojanic, 2000). These facets are well-established research topics represented by a large

body of empirical evidence in the literature.

Nevertheless, little attention has been paid to the observed differences in reported levels of post-purchase satisfaction between the two segments. It has been shown that for-business hotel service encounters are, on average, evaluated less favorably than for-leisure encounters, with the difference being substantial in its magnitude and robust to controls for numerous relevant factors (Banerjee & Chua, 2016; Lawrence & Perrigot, 2015; Lewis, 1984; Radojevic, Stanisic, & Stanic, 2017). The rare explanations for this

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phenomenon offered in the literature focus on the personal characteristics of frequent business travelers (Lawrence & Perrigot, 2015) as well as the inconveniences typically associated with business travel (Radojevic et al., 2017), but no conclusive empirical evidence that would support these explanations has been provided. The aim of this study is, thus, to examine in more detail the effect of traveling for business on the evaluation of hotel services. The study employs a multilevel modeling framework to derive an unbiased estimate of the average difference in the reported levels of satisfaction between the two types of encounter, as well as to examine whether the difference changes as a function of certain contextual factors (personal characteristics of the customer, hotel attributes, etc.).

The results obtained in this study are important for advancing the existing theoretical approaches to customer satisfaction, especially the dispositional (Plog, 2002; Sirgy, 2010, p. 246) and the encounter (NOE, Uysal, & Magnini, 2010) approaches, but are also valuable to hotel managers, who can learn what can be done to counteract the negative effect of business travel and achieve higher levels of customer satisfaction, which is vital in the highly competitive hotel market.

2. Literature review

Business trips are trips undertaken for purposes related to work (Davidson, 1994). In contrast, leisure trips are undertaken for pleasure, with their motivations including rest and relaxation; spending time with friends and family; meeting new people; shopping; attending sports events; visiting historical and cultural sites; or experiencing places perceived to be exotic, romantic, or having good scenery or nice weather (Lee, Huang, & Chen, 2010; Murphy, Benckendorff, & Moscardo, 2007).

2.1. Differences in service evaluation

The literature has documented significant differences in the post-purchase evaluation of hotel services between the two segments. Specifically, it has been found that for-business stays systematically receive lower ratings than for-pleasure stays. One of the earliest pieces of evidence on this difference was provided by Lewis (1984). After comparing the assessments of hotel customers in 22 different perception categories, he found that business customers reported lower perceptions in all categories, with 20 of the differences being statistically significant at alpha 0.05. On a scale of 1 through 5, the differences ranged from -0.26 for “reservation system” to -0.78 for “extra amenities and conveniences,” with an average of -0.49 . A similar pattern is observed in more recent studies, most of which have examined online reviews from TripAdvisor. Lawrence and Perrigot (2015) examined around six thousand customer ratings and noted that business customers assigned lower values for all six of TripAdvisor's criteria-specific ratings. The differences ranged from -0.10 for “cleanliness” to -0.44 for “value,” with an average of -0.21 . Banerjee and Chua (2016) analyzed nearly forty thousand online ratings and concluded that business travelers assign lower ratings in all four geographical regions examined, with the difference being smallest in the Middle East and Asia (approximately -0.07) and highest in Europe (approximately -0.27), with an average of -0.16 . Radojevic et al. (2017) examined more than one and a half million online reviews and found differences varying between -0.07 for the “location” criterion to -0.21 for the “value” criterion, with an average of -0.15 and a difference in “overall” satisfaction of -0.18 .

Even though the difference in the reported levels of satisfaction between the two segments seems to have declined over time

(from -0.49 in 1984, to -0.21 in 2015, to -0.16 in 2016, and finally to -0.15 in 2017), the literature clearly suggests a substantial negative association between traveling for business and customer satisfaction with hotel services.

2.2. Factors associated with business travel that may reduce satisfaction

When interpreting the results of the studies mentioned above, it is important to bear in mind that the observed differences may not be caused entirely by the purpose of travel. It is likely that at least part of the differences is a consequence of some unobserved (confounding) factors that are positively correlated with business trips and negatively correlated with customer satisfaction. For instance, Lawrence and Perrigot (2015) assumed that there was positive confounding at the level of individual customers. They hypothesized that the reason for the negative difference is that frequent business travelers (who are more likely to undertake business trips) are comparatively more experienced users of hotel services, and hence are more critical of service quality, than leisure travelers. This hypothesis is supported by the results of a recent study (Radojevic et al., 2017) in which a customer's travel experience was shown to be negatively associated with his or her reported levels of satisfaction. Similarly, it may be hypothesized that business travelers, who are known to be highly educated and to have higher income (Millar & Baloglu, 2009; Yavas & Babakus, 2005), have relatively higher personal standards for accommodation and related services, and hence give sterner reviews than leisure travelers. Confounding effects may also take place at other levels, including customers' nationality, hotels, or destinations. For instance, it may be true that nations generating more outbound business tourism are more developed and, hence, citizens of these countries are harsher¹ when evaluating the quality of hotel services, or that destinations or hotels attracting more business travelers are generally less attractive or provide below-average hotel services.

It is also to be expected that there is a direct adverse effect of traveling for business on customer satisfaction with hotel services, above and beyond the effect of confounders. For this study, direct adverse effects of traveling for business are defined as characteristics of encounter determined by the purpose itself, which materialize immediately prior to or during the for-business stay and adversely affect the overall customer experience.

2.3. The direct adverse effect of business travel on customer experience

Based on a review of the relevant literature, two potential encounter-level sources of dissatisfaction among business travelers have been identified. These are the inconveniences inherent in business travel and a lack of consideration for the traveler's preferences for hotel and destination attributes.

The first set of arguments relates to the main purpose of the trip being business, rather than leisure; this may interfere with the traveler's ability to enjoy his or her stay at the hotel to the fullest, may impair the overall customer experience, and may thus result in lower levels of satisfaction. It has been documented that, while traveling for business, people often work more hours than they do at the office (Expedia Viewfinder Travel Blog, 2013), feel stressed and are concerned about the more demanding and heavy workload waiting on their return (Striker et al., 1999), and

¹ Some authors report that average levels of customer satisfaction vary by country (Kozak, 2001; Liu, Teichert, Rossi, Li, & Hu, 2017).

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