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Profiling the one- and two-star hotel guests for targeted segmentation action – a descriptive investigation of risk perceptions, expectations, disappointments and information processing tendencies

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Abstract

Identifying the target segment is the basis of developing efficient market segmentation strategies and efficient market segmentation is vital in an industry that is becoming increasingly competitive, as in the case of international tourism. In Austria, hotels in higher star grading categories have addressed this need through systematic market research designed to identify the needs of their consumers. Not so the hotels in the one- and two-star category: these typically do not segment the market and tend to assume that increasing their star grading will lead to increased market demand instead of investigating the specific needs of tourists who very consciously choose low star graded hotels. This paper aims to examine this *a priori* segment with regard to issues that are known to influence choice behaviour, namely expectations, disappointments with past experiences and perceived risk, while taking into account information need and processing habits. The ultimate purpose of the study is to stimulate development of a segment-oriented marketing strategy for one and two-star hotels should this guest segment differ significantly from that comprising tourists staying in higher-graded hotels.

Introduction and foundations

Within the tourism industry *a priori* market segmentation (Mazanec, 2000) has become the most wide-spread strategic marketing concept practically applied. Various tourist characteristics can be used for this purpose. From the perspective of the accommodation sector one of the most interesting criteria for grouping tourists is the category of hotel chosen. The assumption that guest who frequent the same hotel category are more homogeneous with respect to their judgements towards accommodation than guests choosing other hotel categories is the reason that this grouping criteria is of relevance.

Being aware of the judgements of the segment that is served by the specific business empowers a hotel to make adaptations (in product and service offered, advertising strategy, choice of distribution channels, pricing policy etc.) customized to attract and satisfy the market segment targeted. Such matching of expectations of the target market segment favours inclusion into a consumer's consideration set (Woodside & Lysonski, 1989; Moutinho, 2000a) as well as offering the potential to increase guest satisfaction through low deviation from expectations and experiences (Moutinho, 2000b) and thus generating loyalty and repeat business (Decrop, 2001). Such strategies also decrease consumer dissatisfaction resulting from the attribution of negative feelings to external factors and leading to attitudinal and behavioural change unfavourable to the particular company or destination (Decrop, 2001).

Consequently, maximum understanding of the targeted market segment increases the probability of market success probability, making any attempt to gain insight into the "mind of the market segment" more than worthwhile. The components of the "tourists' minds" that are of particular interest in this study include the kind of information sought when preparing to choose a hotel, the information processed in the course of making such a decision, the risks perceived when choosing an unknown hotel, the expectations with regard to the one- and two-star category and finally prior disappointments experienced. These factors were chosen because they help the tourism industry to determine the central concerns of the market segment under consideration as well as deduce

managerial consequences from them, as it has been widely shown that these factors influence travel and / or travel decision behaviour (the influence of past experiences has been shown by Mazursky 1989; Sönmez & Graefe, 1998; King & Woodside (2001), of perceived risk by Goodrich, 1991; Roehl & Fesenmaier, 1992; Um & Crompton, 1990; Sönmez & Graefe, 1998; of dis/satisfaction by Decrop 2001). The information needed for and processed during the actual hotel decision making process is relevant for the communication strategy of the hotel. Thus, knowing which information is needed and processed during the hotel decision making process helps the one- and two-star hotels to include relevant information in their brochures or on their homepages (communication match with the target segment chosen). Risks perceived are extremely useful for hotels in determining communication strategy and product design and expectations and disappointments allow hotel management to minimize the expectation-experience-gap that is crucial for either a satisfactory experience potentially leading to repeat visits and loyalty, or perceived dissatisfaction leading to negative attitudes and behavioural change toward the hotel and maybe even demolition to one- and two-star hotel status.

The reasons for investigating the *a priori* segment of guests staying in one- and two-star hotels are twofold: (1) All the issues mentioned so far have widely been studied both in consumer behaviour literature as well as in the field of tourism research. However, these topics and the consequences for the tourism industry resulting from these findings have – to the author’s knowledge – never focused on the segment of hotel guests staying in low star category hotels. This fact can be well illustrated in exploring studies that aim to identify the most important hotel attributes from the guest perspective. Among 20 studies (Anath et al., 1992; Barsky & Labagh, 1992; Bowen & Shoemaker, 1998; Cadotte & Turgeon, 1988; Clow, Garretson & Kurtz, 1994; Dube & Renaghan, 1999a, 1999b, 2000a and 2000b; Griffen, Shea & Weaver, 1996; Gundersen, Heide & Olsson, 1996; Hartline & Jones, 1996; Lewis, 1984a; Lewis, 1984b; McCleary, Weaver & Hutchinson, 1993; Pannell Kerr Forster Ass., 1993; Saleh & Ryan, 1991 and 1992; Schaefer, Illum & Margavio, 1995; Tsaor & Tzeng, 1995; Weaver & Oh, 1993; Wind, Green, Shifflet & Scarbrough, 1989) that in

essence pursue this goal¹, 40 % do not study any particular group of travellers, 25 % focus on business travellers, 10 % explore both four-star-hotel guests and intermediaries and one study investigates hotel attribute importance in the three-star, the luxury and the mature traveller segments. (2) In the Austrian lodging industry the finding that segmentation is a profitable concept is not generally accepted. Systematically, four- and five-star hotels are well aware of this fact and act accordingly, whereas one- and two-star hotels in particular do not lay any importance on segment understanding. This is due to two main factors: First, hotels in the one- and two-star category do not have organisational structures which allow for strategic management. This can be described as a “structural problem” of the lodging industry. Second, there is a tendency for every hotel to aspire towards gaining an additional star. The one- and two-star businesses thus feel inferior within the lodging industry instead of taking advantage of their market opportunities (“star greediness problem”).

The aim of this article is to examine the make-up of visitors to Austria who choose to stay in one- or two-star graded accommodation to improve (1) understanding of this group and (2) evaluation of the distinctness of this group as target segment. If distinct profiles emerge, the one- and two-star hotels use such information to build up a strong brand, which consequently would weaken the “star greediness problem”. The “structural problem” could be solved in a second step by providing central market research and strategic marketing support for member hotels.

Exploring the one- and two-star hotel guests in Austria

614 interviews were conducted on the basis of hypothesis oriented quota sampling within the following categories: season (248 respondents were questioned during the winter season of 2001, 366 in the summer months, the sample size of the one- and two star guest amounting to 147),

¹ Although various perspectives are taken such as importance for the choice of a hotel, influence on the intention to revisit and loyalty generation, customer satisfaction etc..

country of origin, city or non-city destination, business or vacation travel purpose and star grading categories. The interview took about 15 minutes and was conducted in the hotels in which the guests stayed with permission of the owners. Each respondent was instructed to answer the question only with regard to his or her present travel purpose and for the star category of the hotel at which they were staying at that time. The exact questions and results are provided in the following subsections.

Pre-choice information search and information processing during decision making

Two questions were posed in order to investigate what kind of information is sought before the hotel selection process and what kind is processed during decision making. The first question requires the respondents to provide an answer without support of the interviewer and is formulated in the following manner: “Think of a hotel decision for a vacation / business trip. You have to choose one of two hotels. Both hotels are unknown to you at this point. Which information do you collect in order to take this decision?”

The answers were recorded according to the rank of the item as assigned by the respondent. If a respondent answered the question by indicating “Price, location and cleanliness”, price would be coded “1”, location “2” and cleanliness “3”. Results are provided in Table 1. The first column gives the percentage of respondents choosing each particular factor, the median rank is computed only on the basis of the respondents stating the issue. The last two columns include minimum and maximum rank.

----- TABLE 1 -----

The results indicate that price is the factor named most often (83 percent give price as relevant information and for most of these respondents price is top of the list). Slightly more than two thirds

name the location and/or the surroundings of the hotel, almost two thirds the room, the latter two aspects typically ranked second in the lists of the respondents. The remaining issues are named by less than one third of the respondents. An interesting observation is that the star category is named by only 14 percent of the respondents, but among these guests, the star category seems to play an important role, as the median rank is 2 and even the maximum rank of 4 is lower than it is the case for the leading three factors.

The second question approaches the issue from a more applied perspective. Respondents are given copies of pages from a hotel guide for two hotels. They are asked to look at the descriptions carefully and make a decision regarding which one of these two hotels they would book. After making their decision the page from the hotel guide is removed and respondents are asked to tell the interviewer which pieces of information they remember, both for the “booked” and the “rejected” hotel. The ranking of hotel information resulting from this question is provided in Figure 1.

----- FIGURE 1 -----

The picture and the star category are foremost with 63 and 54 percent of the respondents remembering this information for the hotel they decided to choose in the interview setting and 47 percent each for the hotel rejected in this process (the Chi square test does not support the hypothesis that the differences between the chosen and the rejected hotel are significant, rendering a p-value of 0.324, although the sum of all pieces of information differs strongly). The name is remembered by half of the respondents that booked the hotel, the price by 41 percent.

Factors of perceived risk

Tackling the issue of relevant hotel factors from a different perspective includes asking guest, which aspects they consider to be most risky when booking a hotel in a specific star category. The

question was formulated as follows: “There is not a single room available in your favourite hotel anymore. You are therefore in the situation of having to book a room in a hotel that you have no prior experience with. What factors are you most uneasy about?”

123 out of the 147 respondents in the one- and two-star-sample (84 percent) answered this open format question. Among those, 86 percent listed two or three factors of perceived risk. The frequency table for all statements given by at least 5 percent of the total sample (147) is provided in Table 2.

----- TABLE 2 -----

Location, price and cleanliness represent the top three risks perceived. Among those respondents who stated risks when questioned (123), more than half named “location”, and more than one third named either “price” and “cleanliness”. The concerns of this group of visitors thus strongly centre around fundamental product components or “hard facts” as compared to “soft facts” such as service quality and friendliness.

One concern dominates the list of perceived risks among the one- and two-star guests: location. As “location” implies a wide variety of aspect, respondents were additionally asked to answer the following question:

“During this particular stay, is it very important, important, not so important or absolutely not important ...

... that the hotel is easy to reach from the airport or train station?

... that the hotel is easy to reach by car?

... that the hotel is located near sites important to you (ski lift, conference centre etc)?

... that the hotel is close to nature?

... that the hotel is located in the centre of the city?

... that the hotel is located in a quiet region?"

The distribution of answers is provided in Table 3. The numbers indicate the percentage of respondents indicating each particular agreement level with regard to the location factors investigated. It becomes apparent from these results that the segment of one- and twostar hotel guests is interested in locations that are easy to reach from the airport or train station. The second most important component of the location is quietness, approximately one third of these tourists consider it to be very important that the hotel can comfortably be reached by car and that they are close to the centre of the city.

----- TABLE 3 -----

Expectations

The investigation on the expectations of one- and two-star hotel guests was undertaken from two perspectives. On the one hand, there was a direct question, aimed at revealing what the visitors expect from "their" usual hotel star category. ("So you have a lot of experience with hotels within the star category. What do you expect from-star hotels ?"). On the other hand, respondents were asked to state in open question format their reasons for dissatisfaction with this particular star category. (What were – for you personally - the main reasons for dissatisfaction in-star hotels?).

The answers to the first question (percentages provided in Table 4) are dominated by one factor: 40 percent of the respondents express expectations in the area of cleanliness or hygiene (both in the hotel and in the room). The remaining statements are almost negligible in comparison: seven percent expect either a bathroom, a shower, the location and the service to be good, six percent

expect good food, and the price issue is named by eight percent of the respondents, with half of them verbalizing the issue as “cheap”, half of them emphasizing the “value for money” perspective.

----- TABLE 4 -----

Disappointments

Past disappointments with hotel experiences within these star grading categories very well mirror the expectations discussed above. Again the issue of hygiene and cleanliness is named most frequently. Contrarily, the price seems to be more dominant in the minds of tourists staying in one- and two-star-hotels before the stay in the form of expectations: only three percent of the respondents state that they have been disappointed by the fact that the price was too high. The detailed list of all disappointments (categorized) is provided in Table 5.

----- TABLE 5 -----

Contrasting “low” and “high-star-category”-guests

A number of significant contrasts compared to “higher” hotel categories are revealed:

With regard to the unaided statement of pieces of information needed for the hotel decision, the star category is stated significantly more often among guests of higher star categories than among guests staying at one- and two-star places (Pearson Chi-square p-value = 0.000 with 6 percent of the one-star, 16 of the two-star, 28 of the three-star, 34 of the four-star and 38 percent of the five star guests actively searching for this piece of information). The contrary is true for the price information (Chi-square p-value of 0.000, about 80 percent of all guests staying in the one and two-star category ask

for the price information, only 67 percent in the three-star category, followed by 55 in the four- and 27 in the five-star hotels). Other significant differences include the inquiry whether there is a sauna and a gym in the hotel (independent questions, $p=0.000$ for both Chi-square tests) with 19 percent of the five star hotel guests asking for both pieces of information and only less than 10 percent in all other hotel categories.

The comparison of information remembered after the simulated hotel choice during the interview reveals that guests staying in five star hotels pay significantly more attention to hotel features like sauna ($p=0.000$) and gym ($p=0.010$) whereas far more one- (52 percent) and two-star guests (37 percent) remember the price ($p=0.030$).

Differences with regard to perceived risks are detected in a purely descriptive manner, because the expected cell frequency does not allow for statistical testing: the quality of the bed, the food quality, hygiene, cleanliness and price seem to be perceived as risky more often in the one- and two-star hotel category, whereas quality in general, security and the star category are the major concerns for guest choosing high star categories.

Differences with respect to expectations mirror perceived risks expressed by respondents (again cell frequency is too low due to the large number of expectations stated): cleanliness is mentioned most often among guest choosing the one star category (17 percent state this particular issue). Furthermore, guest staying in low categories more often name food, the furnishings of the room, location, TV, minibar, AC and escalator, attached bathroom, comfort and good value for money. Guest choosing accommodation in high star graded hotels expect their stay to be quiet, they count on high quality in general, good food, sauna, gym, perfect service, good ambience, parking facilities and business infrastructure more often. The expectations verbalized by guest from low star categories in general are less abstract than in the case of guests in higher star categories. This is supported by the differences detected in the field of prior disappointments: cleanliness and food quality have often led to dissatisfaction among guests in low hotel categories, whereas

disappointments in high star categories – if articulated at all - typically concern intangible human components of the product, especially the human factor.

This contrasting perspective indicates that the one- and two-star hotel guests do represent a profiled and distinct market segment that can very well be targeted by an appropriate product and that could be marketed using the star grading as a brand system.

Conclusions

The main aim of the study presented was to determine, whether a distinct market segment exists that could be targeted by the one- and two-star category hotels. A data set including 614 interviews (147 of which were conducted in one- and two star hotels) formed the empirical basis for the investigation. The main limitation of the study is the small sample size within the one- and two-star hotel category (that resulted from major field work difficulties due to the small size of the hotels and the fact that these accommodations are not open all year). Descriptive analysis of the one- and two-star guest segment renders the following results:

- Price is the one factor stated most often to be relevant information for choosing a hotel, followed by location and the room condition. Among those respondents that stated the star category, this particular piece of information is mostly placed in the second position, thus indicating that there is potential for a one- and two-star branding endeavor.
- The picture (photo printed in the hotel guide) and the star category are remembered most often after making the actual hotel choice.
- The top three risks perceived are location, price and cleanliness, where location mostly indicates reachability and quietness.
- The top expectations include cleanliness and hygiene, the bathroom, the location and service.

- Disappointments have mostly been encountered with regard to hygiene, cleanliness, food and the room in the one- and two-star hotel grading category.

Significant differences between the guests staying in one- and two-star hotels and guests staying in higher categories could be detected with regard to all criteria studied: pieces of information needed for the hotel decision, information remembered after the simulated hotel choice, perceived risks, expectations and disappointments thus supporting the assumption that a distinct market segment exists that could be targeted by hotels of this grading category, providing a better match between demand and supply than can be achieved by trying to upgrade the hotel to higher star categories.

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Table 1: Unaided statements of pieces of information needed for decision making (rank coded)

	% stated	median rank	minimum rank	maximum rank
price	83%	1	1	5
location/surroundings	65%	2	1	5
room	56%	2	1	5
food and drink	29%	4	1	9
reachability	27%	3	1	7
staff (friendliness..)	24%	4	1	9
hotel equipment	24%	3	1	8
star category	14%	2	1	4
technical equipment in the room	10%	3	2	5
pool	9%	5	2	8
garages/parking possibility	7%	5	3	8
picture / looks	7%	6	1	8
that everything works	7%	5	1	10
sauna	4%	5	3	8
work-out room	3%	4	2	6

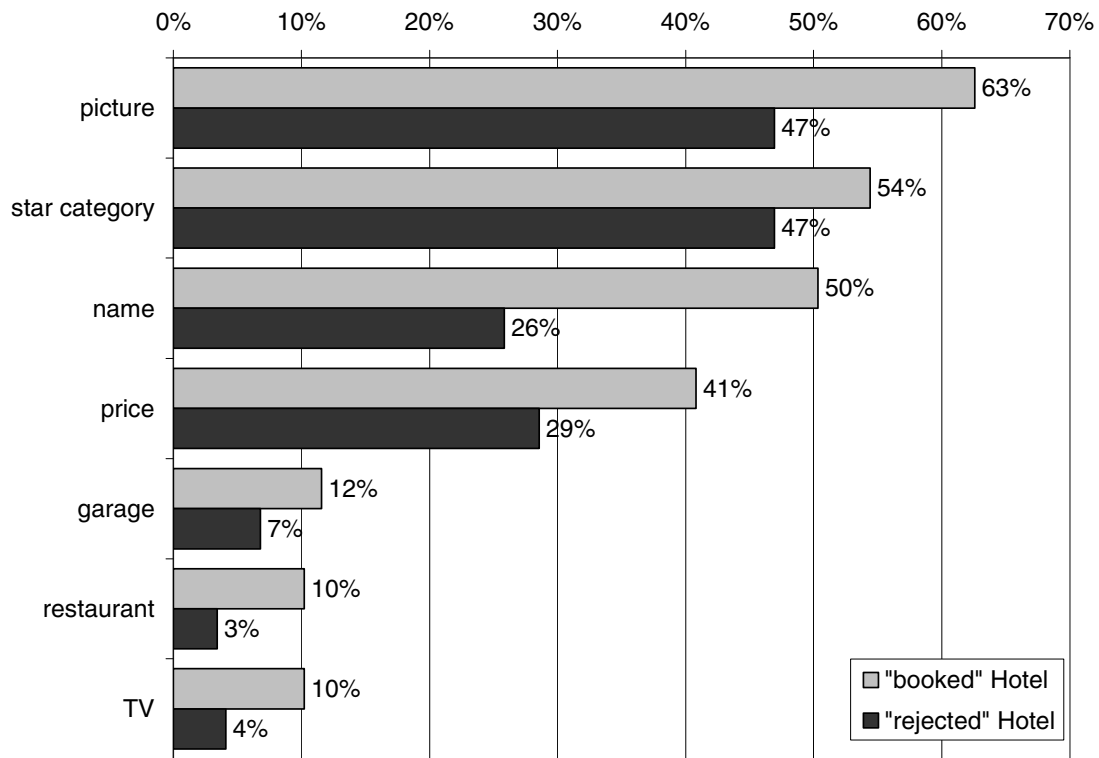


Figure 1: Information remembered after the hotel choice process

Table 2: Risks perceived by one- and two-star hotel guests

worried concerning ...	frequency	percent of total sample
location	64	44
price	46	31
cleanliness	41	28
food	21	14
staff / friendliness	20	14
room	14	10
bathroom	12	8
furniture / equipment	12	8
service	11	7
bed	7	5
quietness	7	5

Table 3: Importance of location factors

	easy to reach from airport / train station	easy to reach by car	located near important sites	close to nature	located in the centre of the city	located in a quiet region
absolutely not important	14%	23%	7%	12%	16%	3%
not so important	25%	14%	20%	33%	18%	18%
important	20%	30%	44%	31%	37%	43%
very important	40%	32%	29%	24%	30%	35%

Table 4: Most frequently stated expectations of one- and two-star hotel guests

expectation	frequency	percent of all respondents
cleanliness / hygiene	54	40
bathroom	11	7
shower	11	7
good location	10	7
good service	10	7
good food	9	6
TV	8	5
cheap	6	4
friendly	6	4
comfortable	6	4
good value for money	6	4

Table 5: Reasons for disappointments

reason for disappointment	frequency	percent of all respondents
hygiene / cleanliness	36	24
food	20	14
room	19	13
staff	17	12
bed	10	7
noise	9	6
bathroom	8	5
service	6	4
too expensive	5	3
technical equipment	3	2