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Risk perceptions, expectations, disappointments and information processing tendencies of one- and two star hotel guests – is there a market for low star hotel categories in Austria?

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Keywords

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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.   *Keywords: a priori segmentation, hotel star grading*

Introduction and foundations

A priori market segmentation (Mazanec, 2000) has become a wide-spread strategic marketing concept within the tourism industry. One way of categorizing tourists within *a priori* segments in the accommodation business is to divide them according to the category of hotel they stay in and to try to

identify their needs as much as possible. This knowledge empowers a hotel to make adaptations within its total marketing spectrum. Matching expectations of the targeted 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 target expectations and experiences (Moutinho, 2000b). Such an approach generates loyalty and repeat business (Decrop, 2001), as well as decreasing consumer dissatisfaction arising 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, understanding the market segment increases the probability of market success, 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 prior to deciding upon a particular 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 central concerns of the market segment under consideration, and to 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 King & Woodside (2001), among others, of perceived risk by Goodrich (1991) and Um & Crompton (1990), of dis/satisfaction by Decrop (2001)) whereas 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 the brochures or on their homepages (communication match with the target segment chosen), identifying risks perceived is extremely useful for hotels, both in terms of communication strategy and product design, while understanding 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 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 (for instance, Clow, Garretson & Kurtz, 1994; Dube & Renaghan, 1999a, 1999b, 2000a and 2000b; Griffen, Shea & Weaver, 1996; Gundersen, Heide & Olsson, 1996; McCleary, Weaver & Hutchinson, 1993; Tsaur & Tzeng, 1995; Weaver & Oh, 1993; Wind, Green, Shifflet & Scarbrough, 1989) that in essence pursue this goal, 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 (147 one- and two star guest) were conducted based on quota sampling within the following categories: season, country of origin, city or non-city destination, travel purpose and star grading. The interview took 15 minutes and was conducted in the hotels. Each respondent was instructed to answer with regard to their present travel purpose and the star category of the hotel at which they were staying at that time.

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 is formulated in the following way: "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?" Rank of statement was considered when writing down the answers. Results of the most-stated pieces of information are provided in Table 1.

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

Price is the factor chosen most often (83 %). Slightly more than two thirds name location and/or the surroundings of the hotel and almost two thirds the room, the latter two aspects typically ranked second in the lists of the respondents. An interesting observation is that the star category is named by only 14 % of the respondents, but among them, this is of high importance (median rank 2).

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

The second question approaches the issue indirectly: respondents are given copies from a hotel guide for two hotels and asked to study the descriptions to decide which one of the hotels they would book. After a decision is made, the page from the hotel guide is removed and respondents are asked to list which pieces of information they remember, for the "booked" and the "rejected" hotel. The ranking resulting from this question is provided in Figure 1: The picture and the star category are foremost with 63 and 54 % of the respondents remembering them (47 % for the rejected hotel, no significant differences exist between the chosen and the rejected hotel,

p-value = 0.324). The name is remembered by half of the "booking respondents", the price by 41 %.

Factors of perceived risk: Respondents were asked which aspects they consider to be most risky when booking a hotel in a specific star category: "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 of 147 respondents (84 %) answered this open format question. Among them, 86 % listed two or three risk factors. The frequency table for statements given by at least 10 % of the total sample (147) is provided in Table 2.

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

The top three risks are location, price and cleanliness. 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 on fundamental product components or "hard facts" as compared to "soft facts" such as service quality and friendliness.

Expectations: A direct question was posed, 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 ?"). In addition, 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?).

Most stated expectations (40 % of the respondents) center around cleanliness or hygiene. The remaining factors are almost negligible in comparison: 7 % expect either a bathroom, a shower, the location and the service to be good, 6 % expect good food, and the price issue is named by 8 % of the respondents, with half of them verbalizing the issue as "cheap", half of them emphasizing the "value for money" perspective.

Past disappointments with hotel experiences within these star grading categories very well mirror these expectations: hygiene and cleanliness are named most frequently (24 %). Contrarily, the price seems to be more dominant in the minds of tourists staying in one- and two-star-hotels before their stay: only 3 % of the respondents state that they were disappointed by the high prices.

Contrasting "low" and "high-star-category"-guests

Significant contrast between guests of "low" and "high" hotel categories are revealed: star ratings are stated to be necessary information significantly more often among guests of higher categories (Pearson Chi-square p-value = 0.000, 6 % of one-star, 16 % of two-star, 28 % of three-star, 34 % of four-star and 38 % of five star guests). The contrary it true for price (p-value of 0.000, about 80 % of one and two-star guests ask for the price, only 67 % in the three-star category, 55 % in the four- and 27 % in the five-star hotels). Other significant differences include the inquiry about sauna and gym (p=0.000 for both) with 19 % of the five star hotel guests asking for both and less than 10 % in all other hotel categories.

The simulated hotel choice question reveals that guests staying in five star hotels pay significantly more attention to hotel features such as sauna (p=0.000) and gym (p=0.010), whereas far more one- (52 %) and two-star guests (37 %) remember the price (p=0.030).

Differences in perceived risks are detected in a purely descriptive manner due to low cell frequency: 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 these findings: cleanliness is mentioned most often among one-star guests (17 %). 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 staying 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 are less abstract in general than in the case of guests in higher star categories. This is supported by prior disappointments: cleanliness and food quality have often led to dissatisfaction among guests in low categories, whereas in high categories intangible human components of the product dominate.

This contrasting perspective indicates that one- and two-star hotel guests do represent a distinct market segment that can be appropriately targeted and marketed using star grading as a brand system.

Conclusions

614 interviews (147 in one- and two star hotels) formed the empirical basis for the investigation into whether a distinct market segment exists that could be targeted by the one- and two-star category hotels. 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 respondents stating 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 (in the hotel guide) and the star category are remembered most often after the actual hotel choice. The top three risks perceived are location, price and cleanliness. 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 exist: information used for the hotel decision, perceived risks, expectations and disappointments. This leads to the conclusion 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 information needed for decision making (rank coded)

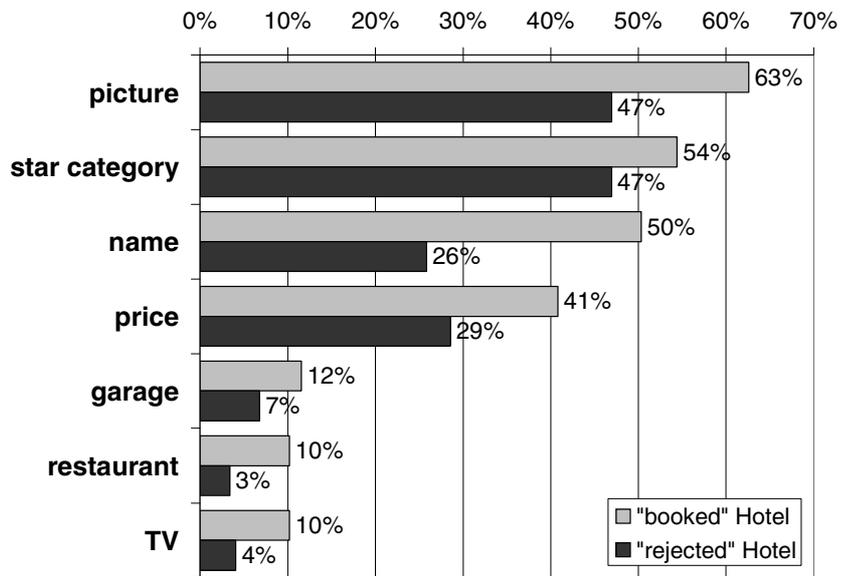|	% stated	median rank	minimum rank	maximum rank
Price	83%	1	1	5
Location/surroundings	65%	2	1	5
Room	56%	2	1	5
Food and drink	29%	4	1	9
Reachability	27%	3	1	7
Staff (friendliness..)	24%	4	1	9
Hotel-equipment	24%	3	1	8
Star category	14%	2	1	4
Technical equipment in the room	10%	3	2	5

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%

Worried concerning …	frequency	percent of total sample