

# **Hotel Selection: The Evaluation of Competitive Alternatives and Their Impact on Guests' Service Expectations**

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## **Abstract**

The analysis of the factors that affect the hotel selection by guests is an interesting area of research with important managerial implications. Customers rarely focus their evaluations and build their expectations on a single hotel property. Consequently, a key factor is to understand how customers perceive the quality of services' attributes and which is their importance and performance when compared with other competitors.

The main purpose of this study is to investigate the influence of a few competitive issues considered during the hotel's selection and affecting the expected service.

The results of the paper show that Psychological factors, Marketing communications and word of mouth, Hotel product and services and Price have positive and statistically significant influence on expectations. Competitors' offers and actions have no significant impact on expectations in this first step. Further research is needed to better explore this last factor.

## **Keywords**

Hotel selection; competitors; expected service, hospitality.

## 1. Introduction

The factors that affect the guest hotel selection and decision process is a key topic of research with important managerial implications (Chu and Choi, 2000; Lockyer, 2005a, 2005b; Yavas and Babakus, 2005). Previous studies have generally focused on the hotel specific attributes considered by customers during the decision process, with minor attention to how the comparison with competitive lodging offers might interfere. However, very rarely customers concentrate their evaluations and build their expectations on a single hotel property. Indeed, new technologies allow customers to easily compare alternatives (Bakos, 1998; Bolton et al., 2014; Chen, 2015) through dedicated websites and portals, and even mobile apps. Consequently, a key factor is to understand how customers perceive and assess the quality of services' attributes of a hotel, their importance and performance, and finally the role and the implication of the comparison with other competing hotel properties.

The present study aims to analyze how alternatives affect purchase behavior and customer expectations for hospitality services. It tries to combine previous research both on travelers' decision making and the Gaps Model on service quality (developed by Parasuraman, Zeithaml and Berry, 1985), based on the expectation-confirmation theory (Oliver, 1980 and 1993).

## 2. Aim and conceptual framework

Within the lodging industry, the choice involves an evaluation and selection process through which the tourist compares the solutions included in the consideration set, assessing the attributes of alternatives (Decrop, 2010). Authors (Fodness and Murray, 1999) found that tourists' information search strategies are the result of a dynamic process in which travelers employ various types and quantity of information sources. With the development of information technology, online travel agency and meta-search portals have become a fundamental information source (Buhalis & Law, 2008, Mauri, 2014). Hotel guests can effortlessly compare competitive offerings at online reservation channels such as Booking, Orbitz, Kayak, etc. They can also read comments and recommendations from past customers on reviews sites such as Tripadvisor.com or social media sites (Verma, 2010). Moreover, in the tourism sector the spread of ICTs and social media along with an increasing mobile connectivity brought to the development of electronic word-of-mouth (eWOM), and travel review websites (Minazzi, 2015). Online reviews are important valuable sources of information for tourists (Gretzel, 2007; Pan et al., 2007; Ye et al., 2009, 2011; Anderson, 2012; Mauri & Minazzi, 2013) before the purchase (input WOM) and during the travel. Nath et al. (2018) found that online reviews are an important source of information that travelers employ to develop expectations towards an unknown service supplier. After the stay and the experience, customers actively evaluate the service and give their feedbacks, thus offering information and recommendations to other customers (output WOM) (Buttle, 1998). This has deeply transformed both the consumer decision-making process and firms' strategies.

According to Hamer et al. (1999), the most important variable for managers to control is consumer expectations. Therefore, our study will focus on the impact of a set of items in customer expectations. In order to investigate how alternatives affect customer expectations we started from the Gaps Model, based on the expectation-confirmation theory (Oliver, 1980), that illustrates how consumers assess quality, and takes into account the factors that contribute to determine quality in its various connotations (Parasuraman et al., 1985; Parasuraman et al., 1988, 1991, 1994a, 1994b; Parasuraman et al., 1990, 1991, 1993).

According to the authors of the Gaps Model, service quality is a multidimensional concept, assessed and perceived by consumers according to a set of essential components, originally grouped in ten categories (1985) and then in five levels (1988): tangible aspects, reliability, responsiveness, assurance, empathy.

Even though over years the concept has been clarified, “expectations” in the Gaps Model are ambiguous. The authors identifies two dimensions: desired service and adequate service (Zeithaml et al., 1993). These two, together with the expected service, affect the perceived service. Nevertheless, even if these concepts may be interpreted in different ways, in literature they are used as synonyms sometimes (Teas, 1993, 1994). Various authors have studied which are the factors that influence the different dimensions of customers’ expectations: “implicit service promises” (tangibles, price and image) are an important antecedent of both “predictive” and “desired” classes of expectations (Devlin et al. 2002) and “explicit services promises” (marketing and communication) have some influence on predictive expectations, whilst “word of mouth” influences desired expectations.

Despite the central role of competition in the market economy, an in-depth analysis of the Gaps Model, at least in its original versions (1985 and 1988), shows the customer-supplier relationship as independent from market relations. In fact, no reference is made to the relationships between the supplier and its competitors (or supplier and partners), nor to those between customers and competing providers (Mauri et al., 2013). However, it is widely known that market relations are fundamental for expectation and perception development, as well as for the identification of quality standards and for the firm actual performance. Previous literature shows that customer assessment process develops on the strength of a relativity parameter, i.e. by grounding on the set of alternatives the customer can have access to (Baccarani and Mauri, 1995). Reference to this is made also in Reeves and Bednar (1994), Asubonteng, McCleary and Swan (1996) and Brady and Cronin (2001). For example, the price, among other competitive levers and especially in a context of uncertainty, can be considered by the consumer as a quality indicator, capable to change expectations (Erickson and Johansson, 1985; Martin, 1986; Zeithaml, 1988; Brucks et al., 2000). On the other side, hotels monitor and analyze the rate of competitors. Within the revenue management tools, hotel often use Rate Shoppers that helps hotels to analytically observe in real-time their competitors’ room rate decisions (the so-called competitive set) through the various booking channels (Mauri, 2016).

What is more, it is reasonable that word-of-mouth, personal needs and past experience would be evaluated with reference to the market sphere where different firms compete, and not merely with reference to a single firm.

In the light of the previous discussion, we developed the following Hypothesis and Research Question:

H1. Within the purchase (booking) process, tourists collect and compare information on possible lodging alternatives offered by competitors.

RQ1 Which are the key factors that affect hotel guests’ expectations, and which is the role of competitors’ alternatives.

### 3. Research methodology

The hypothesis and the research question have been tested on a sample of 1,705 hotel guests’. The snowball sampling technique was used to submit the questionnaire (Wrenn et al., 2007). A group of instructed university students of University IULM of Milan was requested to forward the questionnaire to 5 contacts who had proper features to be part of the sample.

The research questionnaire was divided into three parts (Table 1). In the first two parts, the questionnaire inquired some socio-demographic data and hotel service preferences of the respondents in order to permit customer profiling. The third part of the questionnaire included questions regarding guests' expectations and the items that influenced expectations (B7). Eleven items were considered as influencers of guests' expectations (B7.1-B7.11).

**Table 1 The research questionnaire structure**

Sections	Questions
<b>Part I Demographics</b>	A1 Age
	A2 Gender
	A3 Marital Status
	A4. Education
	A5. Profession
	A6. Nationality
<b>Part II Hotel service</b>	B1. Hotel stay
	B2. Hotel features (Level of quality, hotel type, hotel nationality, destination)
	B3. Source of information about the hotel
	B4. Source of information about possible alternatives
	B5. Booking method
<b>Part III Expectations</b>	B6. Evaluation of the level of expectations
	B7. Evaluation of the items that influence expectations
	B7.1 Your previous experience
	B7.2 Your personal needs
	B7.3 Promotional messages and information provided by hotels
	B7.4 Word of mouth
	B7.5 Price required by the hotel
	B7.6 Hotel physical evidence (buildings, furnishing, layout, etc.)
	B7.7 Hotel staff behaviour
	B7.8 Services offered by competitors
	B7.9 Prices of competitors
B7.10 Competitors physical evidence (buildings, furnishing, layout, etc.)	
B7.11 Promotional messages and information provided by competitors	

Source: our elaborations.

A research model was developed to study the research question (RQ1) (Fig. 2). At this regard, we selected some dimensions of the Gaps Model that affect expectations. The model is reported in Figure 2.

#### 4. Results and discussion

The first hypothesis (H1) of the study concerns the evaluation of the competitors' offers by travellers during the decision-making process (question B4). The findings confirm that customers check also the offers of competitors during their booking process (86%). Therefore, the first hypothesis is confirmed. The sources of information used during the decision process to search for information are mainly the same (search engines, portals, blogs and property website).

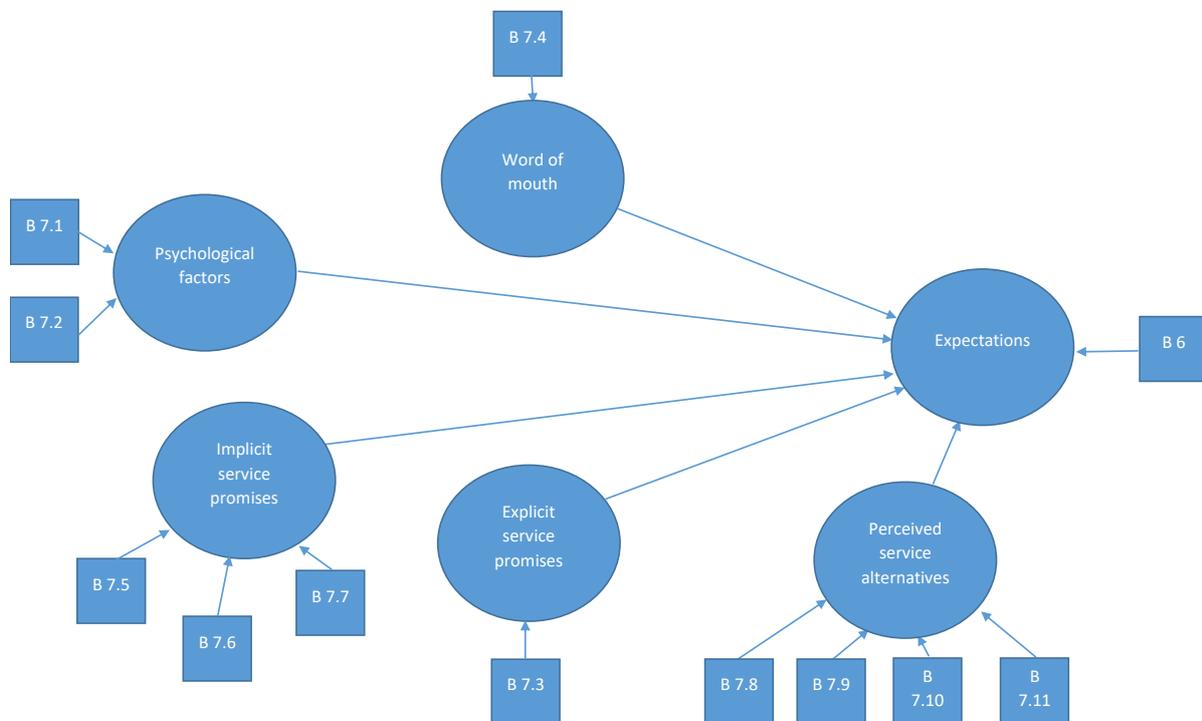
With regard to the Research Question (RQ1), Which are the key factors that affect hotel guests' expectations, and which is the role of competitors' alternatives, we tried to study the

correlations among items influencing guests' expectations. Consequently, we grouped them by means of Factor analysis. Factors analysis "refers to a set of statistical procedures designed to determine the number of distinct constructs needed to account for the patterns of correlations among a set of measures. It provides information about the number of common factors underlying a set of measures" (Fabrigar and Wegener, 2012). The confirmatory factor analysis extracted 5 factors, but assembled the items in slightly different groups:

- Competitors' actions;
- Psychological factors;
- Marketing communications;
- Hotel product and service;
- Price.

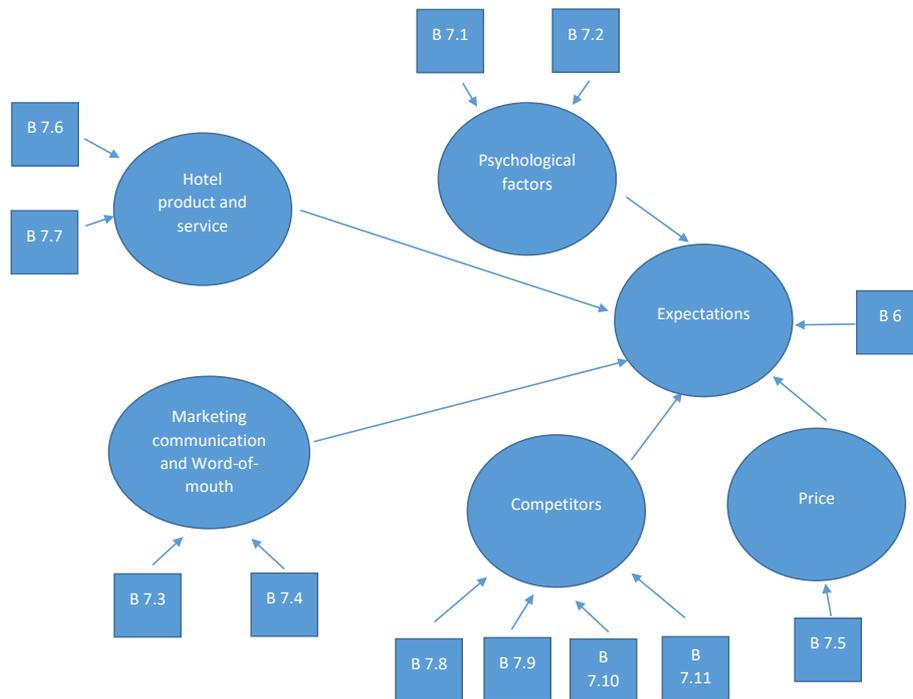
The result is a revised research model in light of the results of the Factor analysis (Fig. 3).

**Figure 2. The research model to investigate RQ1**



Source: our elaborations

**Figure 3 The revised research model (Factor analysis)**



*Source: our elaborations*

Afterwards, we performed two regression analyses with the level of expectations as dependent variable and the five factors as independent variables. We developed two models: the first with and the second without control demographic variables.

The findings of both models are quite clear – the Psychological factors, Marketing communications and word of mouth, Hotel product and services and Price have positive and statistically significant influence on expectations ( $p < 0.001$  for all t-values of the regression coefficients in both models), while Competitors’ offers and actions have no significant impact on expectations.

From a theoretical perspective, the findings confirm prior studies’ results that customers’ needs and experience (Parasuraman, Zeithaml and Berry, 1985; Zeithaml et al., 1993), price (Devlin et al. 2002), product offering (Devlin et al. 2002), marketing communications (Parasuraman, Zeithaml and Berry, 1985; Devlin et al. 2002), and word of mouth (Zeithaml et al. 1993; Devlin et al. 2002; Mauri and Minazzi, 2013; Nath et al., 2018) are important determinants of customers’ expectations about a service offer.

However, contrary to theoretical investigation, alternative offers were not found as a factor, influencing the expectations. Findings show that customers’ expectations depend on what a company’s promises to deliver (its product/service, marketing communications), how much it would charge for it (price), what others say about company’s offer (word-of-mouth) and what they have as prior experience rather than what company’s competitors offer.

A possible explanation is that consumers compare alternatives during the booking process in order to take decisions, as confirmed in this study (H1). After that, the attention of the tourist focuses on the hotel chosen and, therefore, expectations are mainly influenced by items related to the specific solution selected. Another point may be that companies have already considered

the actions of their competitors in differentiating their product, setting its price and communicating it to their customers (Ivanov, 2014); hence more or less, competitors' offers and actions have been considered within the elements of the marketing mix of the companies.

Furthermore, a company's offers and actions creates expectations about its own products; the same is valid for its competitors. Therefore, we may observe the formation of expectations on two levels: the actions of all companies in an industry would form general expectations about the products, services and prices in that industry, while the actions of one company form expectations about its specific offer. In that sense, the competitors' actions have an umbrella effect about what customers can expect from the industry (e.g. expectations about the quality and price of tourism offer in a destination), while company's actions shape these generic expectations into expectations about its particular offer (e.g. expectations about the offer of a particular hotel in a destination). Of course, the link between the two levels of expectations might be bidirectional – the expectations about the product and prices of a specific company might influence the expectations about the products and prices in the industry it operates in in general. However, further research is needed to confirm or reject this conjecture.

From a managerial perspective, findings indicate that in order to form proper customer expectations about their offer, hotel managers need to focus on the factors they can control, i.e. to actively use the marketing mix elements. They should consider the competitors' action in designing their product, offers, and determining their price levels, but it is their actions in regard to the marketing mix that have more influence on customers' expectations.

The paper has some limitations. The sample is mainly composed by Italian persons, therefore the findings are generalizable in this cultural context only. Moreover, most of the respondents were young adults.

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