How do guests choose a hotel?

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Abstract

Predicting consumers’ hotel choice is influenced by several different factors. The consumer decision-making process in hotel choice selection is influenced by hotel product, received information, and personal preferences. This study focuses on different factors which represent the reasons for consumer’s decision making in hotel selection and market segmentation with regards to the analysis of hotel attributes (factors) sought by international consumers. The findings of the study indicate that hotel guests can be divided into four different segments (clusters) with similar characteristics based on the reasons why customers choose a particular hotel. The results of the study can be applicable in defining an appropriate mix of marketing strategies on the part of hotel management.

Key words: hospitality industry, consumer decision process, hotel selection, consumer segmentation, cluster analysis
1 Introduction

In the highly competitive marketing environment in the hospitality industry, it is essential that companies understand consumers and their decision-making as they seek to gain a competitive advantage. Those hoteliers with a clear vision of consumer (guests) needs will survive and progress. Unfortunately, marketing research in hotels is still mainly limited to the analysis of guest related data, based on socio-demographic and geographic data collected while the guest is making the reservation or upon registration. This simply cannot be sufficient in an attempt to better understand the guest's decision-making behaviour. Understanding consumers in their decision-making processes in order to predict their future intentions is vital to their business success. In this regard, Niininen et al. (2006) consider a relatively new trend in marketing - consumer-centric marketing, which can be incorporated into customer relationship marketing. For companies it is important to have an insight into the general characteristics of their clients and allows them to understand the motivations, attitudes and values that shape consumer opinions (Niininen et al., 2006). How and why they choose a particular hotel, what the motives and reasons in the purchase decision are – these are some of the questions that are of interest to marketing management, as well as of psychology, marketing, and consumer-behaviour theories (Han & Kim, 2010). In recent research into the hospitality industry, researchers have showed the use of product attributes in predicting consumer preferences and segmenting markets (Bell & Morey, 1997). Researchers have frequently used motivational and emotional elements to accurately predict a wide range of customer intentions and behaviours (Perugini & Bagozzi, 2001). Industry researches tend to focus on motivation or product attributes in the hospitality industry which are relevant to the consumers’ decision-making process. In the context of segmentation, these approaches are referred to as psychologically-based and attribute-based benefit segmentation (Frochot & Morrison, 2000). More traditionally investigated consumer characteristics are socio-demographic and geographic patterns that might potentially influence the purchase decision. They use criteria such as age, family life cycle and more traditional geographic criteria (Swarbrooke & Horner, 1999). For example, Lepisto & McCleary (1992) segmented the hotel markets based on age. McClear et al. (1994) investigated the gender-based differences in business travellers. A “combination of multiple variables” in market segmentation has often been recommended in several major hospitality and tourism studies (Kotler et al., 1998). For instance, other dimensions which influenced consumers’ decision-making behaviour and segmentation studies include activities, values, involvement, psychographic factors and other similar factors.

A generation of consumer research has used the theories and techniques of social sciences in order to understand consumer behaviour (Foxall et al., 2005). Hotel choice behaviour involves a decision-making process consisting of a number of separate but interlinked stages and choice criteria are central to the process. Past studies investigated the most important choice criteria in hotel selection. For instance, Yavas & Babacus (2005) determined the baseline of hotel choice criteria for the business and leisure segments. They attempted to ascertain the extent of consistency between the segments while the general amenities dimension was the most important factor for both groups, the other factor demonstrating core service was the third most important for the business and second most important for the leisure traveller. On the other hand, Rivers et al. (1991) showed that a hotel’s location is an essential factor which strongly influences a tourist’s hotel selection decision. For instance, studies by Clow et al. (1994) indicated that the important attributes influencing leisure travellers’ hotel choices were security, personal interactions, and room rates. On the other hand, is branding growing in importance for a consumer while making a decision about which hotel to choose? Lamey et al. (2007) in their research concluded that the branded hotel could have a significant effect on consumer decisions, as well as marketing activities in the advertising offer.

A review of these writings suggests that different individual attributes and factors are used while choosing a hotel. The consumer decision-making process while choosing a hotel is under the influence of important
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Factors related to the characteristics of the hotel product, received information and personal preferences. With this in mind, this study focuses on different factors which represent the reasons for consumers decision-making in hotel selection and market segmentation regarding the analysis of hotel attributes (factors) sought by international consumers. The fundamental question addressed in this study is if it is possible to form segments (clusters) based on reasons for choosing hotels and socio-demographic elements. This paper is based on guests’ decision-making behaviour where guests can be divided into segments (clusters) with similar characteristics based on socio-demographic variables and reasons (factors) for choosing the hotel.

2 Consumer decision-making process

The range of the psychological processes by which an individual chooses to buy a product or a service is complex and difficult to measure. The mind of the consumer has been described as a black box, which shows the interaction of stimuli, consumer characteristics, decision-making processes and consumer responses (Sandhusen, 2000). This means that it can observe what goes in and what comes out, but what actually happens inside the consumers’ minds remains a mystery. Consumers are exposed to two kinds of stimuli: a) the marketing stimuli which are under control, planned and processed by marketing managers and b) the environmental stimuli, which are beyond marketing control, and based on the economic, political and cultural circumstances of a society. In the content of the black box are the consumer’s characteristics, such as attitudes, motivation, perceptions, personality, lifestyle, and the decision-making process, which determines the consumer’s response. Sproles & Kendall (1986 in Decrop & Snelders, 2005) define a consumer’s decision-making process as ‘a mental orientation characterizing the consumer’s approach to making choices’ and consider it to be a basic aspect of the consumer’s personality. They also provide empirical support that decision-making processes are largely independent of culture. Solomon et al. (1999) considers that consumers constantly face decisions regarding the selection of products and services. Ule & Kline (1996) defined selection between alternatives important to consumers because they have to choose between two or more alternatives; otherwise, they are forced to buy a particular product or service. Consumers seek and use information on products and services as part of their rational problem-solving in the decision-making process. Traditionally, these purchases needed brochures and contacts with a travel agent, however, today all the required information can be found on the internet and consumers can compare the information relatively easily. Belch & Belch (2007) explained that consumers undertake both an internal (memory) and an external search. Sources of information include personal, commercial, public, and personal experience. Bargeman & Poel (2006) pointed out that tourists are looking for information in four basic sources, such as neutral sources (tourist office in the destination), business (travel agencies, tour operators), social and welfare (friends, relatives, acquaintances) and promotional resources (print, radio, television, internet). The informative and persuasive functions of advertising are thus of immense importance, but so are interpersonal influences. Indeed, several studies indicate that informal, word-of-mouth communication may be much more effective than formal advertising in moulding consumer decisions (Engel et al., 1995; Kotler et al., 1998; Foxal et al., 1998). The consumer’s personal experiences have an impact on decisions not to seek additional information (Engel et al., 1995). Before the final purchase decision, consumers evaluate various alternatives based on information received. The evaluation process becomes particularly difficult when the product is hotel accommodation, as hospitality service is intangible in nature (Levitt, 1981). In case of hotel choice selection, this information is based on the characteristics of a product or service, quality, price, facilities, location, reputation etc. In making a genuine purchase decision, the consumers weigh which of these attributes give them more relevance and attention related to their own personal values, needs, and preferences. Therefore, they evaluate the worthiness of each attribute of each multi-attribute product alternative,
sum up all these attribute values for each product and then select the one with the highest net value.

3 Consumer decision under the influence of various factors

Predicting consumers’ hotel choice is influenced by several different factors. These are composed in dimensions which are linked to the attributes of the hotel product, marketing activities and personal characteristics of consumers. Hotel products can be viewed as bundles of various attributes which directly influence choice and they may arouse the consumers’ purchase intentions and differentiate themselves from their competitors’ offers (Alpert, 1971). Important elements which create the competitive advantage of the hotel are: product, location, product offers and services, quality, price and reputation. Wuest et al. (1996) defined perceptions of hotel attributes as the degree to which travellers find various services important and to the customers’ satisfaction. Bull (1998) stresses the importance of location for product differentiation in the hospitality industry which produces “place-sensitive products”. In the marketing literature there is a rising level of importance placed upon hotel branding and brand is treated as part of the firm’s intangible asset value (O’Neill & Belfrage, 2005) which also has an important influence on consumer decision-making in choosing a hotel.

Given the complicated nature of different attributes, various marketing activities and strategies can be launched based on an understanding of consumers’ perceptions of important attributes.

Furthermore, other different types of variables may also influence the consumer’s decision-making process. These dimensions include socio-demographics, behavioural characteristic, motivation and geographical factors, (Lamb et al., 2002). Socio-demographic dimension, for example, refers to the reference group, family members, acquaintances, friends etc. Among demographic factors which influence decision-making, are age, gender, education, lifestyle, personality and income (Saha et al., 2010). However, marketing managers realize that they have certain power and influence on the purchase choice decision (Kotler & Armstrong, 2001).

The key activities of hotel marketing communication may prove relevant in the consumer decision-making process. Among the factors that influence the choice of hotel, we highlight some competitive advantages in the present study such as location, hotel facilities, the recommendations of friends/tourist agency, personal experiences, price and advertising. Wilkins (2005) points out that marketers with a better understanding of researched links and impacts can perform more targeted marketing activities designed to persuade guests.

4 Methodology

The purpose of this study is to define different segments of guests based on different factors which represent the reasons for guest decision-making in choosing a hotel, as well as socio-demographic data.

The research objectives are to:
- determine the reasons for choosing a hotel,
- determine the socio-demographic characteristics of hotel guests,
- define segments (clusters) of guests based on the reasons for choosing a hotel,
- statistically test the given hypothesis.

The fundamental question addressed in this study is if it is possible to form segments (clusters) based on reasons for choosing hotels and socio-demographic elements. In accordance with the purpose, objectives and research question, we formed the following hypothesis:

Hotel guests can be divided into different segments (clusters) with similar characteristics based on the reasons (factors) for choosing a hotel and socio-demographic variables.

In order to test the hypothesis, a quantitative study was conducted using the survey method. In the next section, instruments and sampling are described, as well as the analysis and results of the study.
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4.2 Instrument

Within quantitative research, we used a questionnaire which was developed for the use of hotels on the Slovenian coast.

However, for the purpose of this study, we used only two sets of questions in order to evaluate the reasons for choosing a hotel and socio-demographic data. Hotel guests were invited by a front-line employee in the hotel reception to anonymously participate in the survey. The questionnaire regarding segmentation contained questions about the reasons for choosing the hotel that were measured with the multiple-choice questions: location, price, hotel facilities, promotion, recommendation of an acquaintance or a travel agency and prior personal experiences in this hotel. These questions were developed by Medlick (1996), other relevant literature and often exposed hotels competitive advantages as these are the key factors which are relevant for marketing management. At the end, socio-demographic data were collected (gender, age and nationality).

4.3 Sample

Data collection took place between March 2009 and November 2009. 1,520 hotel guests from 10 different hotels on the Slovenian coast participated in the study. The hotel sample represents medium-category hotels (3 and 4 stars).

The survey sample is based on probability sampling. There were guests from more than seven different states involved in the research: Slovenia (N=733), German speaking (246), Italy (203), Great Britain (N=19) and others (N=203). Our basis for national segmentation was the language area. Of the 1520 participants, 58.2% were male and 41.8% female. The average age was 52.33 years. Table 1 shows data with frequency division of the participants according to nationality and gender.

4.4 Analyses

The descriptive and multivariate statistical analyses were performed using the software SPSS 19.0.

Reasons for choosing a hotel

The participants were asked to choose the reasons which influenced their choice of hotel. Multiple answers were possible. Results are shown in Table 2.

Table 1: Nationality and gender

<table>
<thead>
<tr>
<th>Nationality</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Gender</th>
<th>Frequencies</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slovenians</td>
<td>733</td>
<td>48.2%</td>
<td>Ž</td>
<td>885</td>
<td>58.2%</td>
</tr>
<tr>
<td>Italians</td>
<td>203</td>
<td>13.4%</td>
<td>M</td>
<td>635</td>
<td>41.8%</td>
</tr>
<tr>
<td>Germans, Austrians, Swiss</td>
<td>246</td>
<td>16.2%</td>
<td>Together</td>
<td>1520</td>
<td>100%</td>
</tr>
<tr>
<td>Others</td>
<td>203</td>
<td>13.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Together</td>
<td>1534</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2: Reasons for choosing the hotel

<table>
<thead>
<tr>
<th>Reasons for choosing the hotel</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>479</td>
<td>31.5</td>
</tr>
<tr>
<td>Recommendation of friends/tourist agency</td>
<td>438</td>
<td>28.8</td>
</tr>
<tr>
<td>Price</td>
<td>384</td>
<td>25.3</td>
</tr>
<tr>
<td>Personal experiences</td>
<td>335</td>
<td>22</td>
</tr>
<tr>
<td>Promotion</td>
<td>335</td>
<td>22</td>
</tr>
<tr>
<td>Hotel facilities</td>
<td>242</td>
<td>15.9</td>
</tr>
</tbody>
</table>

Most respondents have chosen the hotel because of the location (31.5%), followed by other reasons for choosing the hotel: recommendation of an acquaintance or travel agency (28.8%), price (25.3%), personal experience with the hotel (24%), promotion (22%) and facilities (15.9%). Two reasons for choosing the hotel (image of the hotel and other) were eliminated from the analysis, as the value of skewness and kurtosis were
above [2] and therefore their distribution is not similar to a normal one.

5 Results

To test the research hypothesis, cluster analysis was conducted using the Wards Method. Firstly, a hierarchical cluster analysis was done based on six reasons for choosing a hotel, in order to find the appropriate number of clusters. Afterwards, five clusters were chosen for further analysis, where 14 outlays were eliminated.

The results of ANOVA established significant differences between five clusters. Having identified the clusters, the descriptive statistics were done (Table 3).

Table 3 shows the descriptive statistics of reasons for choosing the hotel, gender, age groups and nationality for 5 identified clusters/segments. The main purpose of this was to characterize those segments which demonstrate a significantly important link between reasons for choosing the hotel and socio-demographic data. Each cluster is described below.

Cluster 1 includes 294 guests in total and most of them are Slovene guests (50%) and German speaking guests (18%), women (59.9%), mostly in the age group 36–53 years (33.7%) and 54–71 years (29.3%). They chose the hotel because of the promotion (100%), price (37.8%) and location (27.2%). These guests can be named as representatives of the market (they trust the market).

Cluster 2 includes 1,002 guests in total and most of them are Slovene (57.6%) and German speaking (17.4%) women (57.6%), mostly in the age group 36–53 (33.3%) and 54–71 (28.2%). They chose the hotel because of a recommendation (41.6%), personal experience with the hotel (25.4%) and location (25.1%). These guests can...
be named as representatives of self and others’ opinions (they trust what people or an agency say and themselves).

Cluster 3 includes 61 guests in total and most of them are Slovene (83.6%), women (60.7%), mostly in the age group 36–53 (34.4%) and 54–71 (32.8%). They choose the hotel mostly because of a recommendation (100%), personal experience with the hotel (100%), hotel facilities (100%), location (68.9%) and price (39.3%). This segment of guest can be named as representatives of “verify”.

Cluster 4 includes 158 guests in total and most of them are Slovene guests (51.9%) and Italian guests (19.6%), women (57.6%) mostly in the age group 18–35 (20.9), 36–53 (33.3%) and 54–71 (28.2%). They chose the hotel because of the price (97.5%) and location (66.5%) and hotel facilities (40.5%). This segment of guests can be named as representatives of product oriented (they trust the hotel).

Cluster 5: as this cluster contains only five guests, it is not useful to include it in further analysis.

Based on the results of the cluster analysis, we partially confirm our hypothesis as the socio-demographic data in all identified clusters are almost completely the same (e.g. mostly Slovene guests, women in age groups from 36 to 71 years old). However, four different clusters can be identified based on different priorities of guests concerning their reasons for choosing a hotel.

6 Conclusion

To be successful in the hospitality business, one must understand how consumers perceive the product or service attributes and their importance and performance when compared with other competitors. Choosing a hotel is an important decision for a consumer, who is also associated with the expectations and risks to which the consumer is exposed.

Research findings have shown that guests, based on selected factors that have an influence on the choice of hotel, can be divided into four segments.

The results of the cluster analysis show that the first and the largest cluster includes the guests who choose a hotel based on the personal experience and recommendation of friends and tourist agencies. Before the final purchase, consumers evaluate various alternatives based on the informal information they have received. These guests can be identified as representatives of self and others’ opinion. Upon that, we can deduce that positive experiences are the key factor of a hotel’s success. The second most important segments of the guests are the ones who trust advertising. Marketing communication with attractive prices and hotel location is very important to them. The third segment represents guests who all verify. They check all sources of information to be sure they get a good price for good hotel facilities and they need some recommendations. The most important are recommendations, hotel facilities and good location and price. They are very demanding and not easy target consumers. The fourth segment of guests is hotel product oriented. They have to be sure to get the best value for money. Hotel facilities, price and location are very important to them. Location of the hotel is important as well as post-purchase marketing activities, such as news-letter information about new product offers, services, renovations, development plans etc.

The segments proposed by this research are valuable for practical purposes. Based on the study findings, various identified guest segments based on hotel selection, provide useful suggestions for marketing planning. On the other hand, in consumer decision-making process in hotel selection, our study defines typical attributes in all identified segments, such as recommendations, personal experiences and location. Firstly, recommendations and personal experiences are made according to the most important interpersonal influences through informal, word-of-mouth communication or personal experiences, which are much more effective than other factors. Finally, a very important decision-making factor is also the location of the hotel. “Location, location, location ...” as Hilton said, still remains a very appealing and sought after factor. Specifically, the analysis of a large sample of coastal hotels in Catalonia shows that location on
the beach increases hotels’ prices on average between 13–17% (Rigall et al., 2011).

Finally, several limitations of the study should be highlighted. Firstly, the study is limited to Slovenian coastal hotels. Another limitation of the study is the sample of the survey, which represents the typical national structure of the guests in the hotels, with more than 50% of Slovenes, which affected the results of the research. Additionally, the sample mostly represents guests whose purpose of visit was leisure and who usually search for hotel information from the travel agencies. Of socio-graphic characteristics, only gender, age and nationality were included. Another limitation is also the given reasons for choosing a hotel. Researchers have limited information on how hotels position themselves, which is critical to consumer perception and hotel success. Future research should include also non-Slovenian hotel locations and could compare the results within different countries. In the further research regarding consumer hotel choice, other factors should be included such as hotel category, quality, hotel brand, satisfaction, loyalty of guests, etc.

Kako gostje izbirajo hotele?

Povzetek

Predvidevanje glede izbire hotela s strani potrošnikov je podvrženo različnim dejavnikom. Na izbiro hotela v procesu odločanja potrošnika vplivajo hotelski produkt, prejete informacije in osebne preference. Raziskava se osredotoča na različne dejavnike, ki predstavljajo razloge za odločitev potrošnika pri izbiri hotela in segmentacijo trga na podlagi analize dejavnikov, ki jih zahtevajo mednarodni gostje. Ugotovitve študije kažejo, da lahko hotelske goste razdelimo v štiri različne segmente s posebnimi lastnostmi glede na razloge za izbijo hotela. Rezultati raziskave so lahko uporabni za hotelski management pri določanju ustreznega marketinškega spleta.

Ključne besede: turizem, proces odločanja potrošnika, izbira hotela, segmentacija trga, klastrska analiza
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