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**The Correlation Between Hotel Star Rating System, Online Guest Reviews, and
Consumer Decisions of Hotel Room Bookings: A Literature Review**

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HOSP6900: Hospitality Capstone

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Abstract

This article will be a working paper to discover the correlation between hotel star rating system, online guest reviews, and consumer decisions of hotel room bookings. A literature review will be performed through keyword-related research papers regarding study findings and causal relationship, to clarify rationale of whether online guest reviews have greater influence than hotel star rating system on consumer decisions of hotel reservations. A comparison of the information contained in the papers will be performed as a qualitative analysis, followed by implications for future research.

Keywords: hotel star rating, hotel star category, online guest review, electrical word-of-mouth, hotel booking intentions, consumer decisions

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Introduction

The hotel star rating systems in the world are usually established by the government authorities, private professional companies, or by volunteer organizations and institutes, and the system criteria utilized often reflect local cultural differences in value and preferences; therefore, the hotel star rating systems vary in different countries and regions (Su & Sun, 2007), such as AAA (American Automobile Association) Diamonds (AAA, n.d.), Forbes Travel Guide (Forbes Travel Guide, n.d.), the Hotel Star Union in Europe (Hotel Stars Union, n.d.), and the Taiwan hotel star rating system derived from AAA Diamonds. In current literature, there is no internationally harmonized hotel rating system has been developed (Cser & Ohuchi, 2008). Then, when it comes to online guest reviews, in recent years, consumers tend to make search queries and rely on online guest comments and ratings through multiple hotel booking and travel websites to identify hotel services and pricing levels, thereby transforming online guest reviews of respective hotels into a major determining factor for the hotel room bookings (Leung, Au, Liu, & Law, 2016).

Generally, the industry-endorsed hotel rating system from governments, professional organizations and institutes are usually regarded as a basic standard and requirement of the quality of hotel facilities and service, while online guest comments and ratings generated by other travelers who had the real hotel stay experiences are considered more authentic, informative when one consumer makes a decision of hotel room booking, and online guest

reviews usually guide the consumer decisions of hotel bookings (Leung, et al., 2016).

In addition, in recent years, since the amount of overseas and domestic travelers visiting Taiwan did not grow as many as expected, the Taiwan Tourism Bureau employed the hotel star rating system as a means of international marketing and promotion for domestic hotels and for Taiwan tourism, while the bureau urged the local hotels to participate in the evaluation of the hotel star rating and to meet the quality standards of hotel operation as well. Therefore, in this article, to analyze the correlation between the industry-endorsed hotel star rating system and consumer decisions of hotel room bookings is advantageous to clarify the effectiveness of the governmental strategies.

Literature Review

In Agušaj, Bazdan, and Lujak's study (2017), purchasing behavior involves one consumer's attitudes, preferences, intentions, and decisions regarding one consumer's behavior in the marketplace when purchasing a product or service. And current literature discusses if online guest reviews have impacts on consumer decisions of hotel bookings (Ye, Law, Gu, & Chen, 2011; Ye, Law, Gu, & Chen, 2011; Vermeulen & Seegers, 2009), while hotel star rating systems also can affect guest satisfaction and customer decisions of hotel reservations (Xie & Lee, 2015; Qi & Qiang, 2013). As to this article, the author focused on the two factors, hotel star rating system and online guest reviews, to discover whether these

two factors respectively have effects on consumer decisions of hotel room bookings.

Hotel Star Rating System

The World Tourism Organization defines a hotel rating system as classifying the hotels, motels and inns into classes, categories, or grades according to their common physical and service characteristics; therefore, the hotel rating system has to ensure that hotels of different star grades offer the acceptable level of necessary services to the travelers (Sufi & Singh, 2018). The hotel quality is based on laws or regulations approved by national or local governments, or by applying criteria established by independent organizations, hotel associations, national consumer travel organizations, guidebooks, travel websites and volunteer organizations (Denizci Guillet & Law, 2010). Hence, an industry-endorsed hotel rating system is established by prospective standards which national or autonomous authorities, independent organizations, or private professional companies set, while the rating system varies in different countries and regions as well (Cser & Ohuchi, 2008; Martin-Fuentes, Mateu, & Fernández, 2018).

Until now, there is no internationally harmonized hotel rating system has been developed (Cser & Ohuchi, 2008). The hotel rating systems vary in different countries and regions (Su & Sun, 2007), such as AAA (American Automobile Association) Diamonds (AAA, n.d.), Forbes Travel Guide (Forbes Travel Guide, n.d.), the Hotel Star Union in Europe (Hotel Stars

Union, n.d.), and the Taiwan hotel star rating system derived from AAA Diamonds. To be specific, the evaluation mechanism of Hotel Star Union more tends to physical hotel facilities and services, while AAA Diamonds classifies US hotels with tangible and intangible hotel services in diamonds rather than in stars, and the plum-blossom rating systems for early Taiwan hotels (Su & Sun, 2007). Besides, even though one universal hotel rating system is not developed, the annual luxury hotel rating of Forbes Travel Guide is relatively worldwide recognized, and a hotel should be inspected through Forbes Travel Guide's nine hundred rigorous, objective standards to obtain its star rating award (Forbes Travel Guide, n.d.). Thus, this article mainly focuses on the industry-endorsed hotel star rating systems rather than customer-generated hotel rating on the commercial travel websites, such as Hotels.com, and Booking.com.

Online Guest Reviews

Guest reviews or word-of-mouth (WOM) in the hotel industry can be presented in several ways, for instance, making oral comments to a hotel employee, a written comment in a guest comment letter or card, and online guest comments on travel platforms and social media. Through such method of communication, a guest can express subjectively personal experiences of hotel stays to rise up certain problems or issues, to describe details of experiences, to show individual dissatisfaction and satisfaction, and even to flaunt personal

premium experiences provided by the hotel, while the commented hotels can obtain the authentic feedbacks to improve their operations, and have more opportunities to increase their reputation and to market their products and services. More specifically, nowadays, due to the fast growth and development of information technology, online guest reviews play a significant role in travel consumption (Khan, 2017), while Cheung, Lee and Rabjohn (2008, p.231) described the term of “electronic word-of-mouth as the extension of traditional interpersonal communication into the new generation of cyberspace”. In Zhao, Wang, Guo, and Law’s research (2015), online guest reviews contain not only the similarities to traditional word-of-mouth but also other additional characteristics. In the online environment, both positive and negative reviews can be presented to prospective consumers simultaneously. Moreover, online reviews are measurable and enable customers to intuitively measure the quality and volume of online review content, because these reviews mostly published in written form. In this research, the author focuses on the impacts of positive online guest reviews of online travel platforms, for example, Expedia.com (Xie & Lee, 2015), Booking.com, and TripAdvisor.com (Martin-Fuentes, 2016), from consumers’ perspectives.

Consumer Decisions of Hotel Room Bookings

Purchasing behavior involves a consumer's attitudes, preferences, intentions, and decisions regarding the consumer's behavior in the marketplace when purchasing a product or

service (Velumani, 2014). The hotel products, in nature, are intangible, this is because the hotel industry sell only experiences to their customers, and these experiences, such as the feelings of comfort and care, are invisible. Hence, to make personally reasonable decisions of purchasing and to reduce the risks of not matching the expectations of consumption, in the numerous sources of information, many travelers currently often consider information clues and rely on different types of hotel ratings endorsed by the industry or generated by consumers on various social media sites as important and valuable reference sources to guide their decision-making on hotel selection (Leung et al., 2016).

Correlations

This article focuses on whether online guest reviews have greater influence than hotel star rating system on consumer decisions of hotel room bookings. Initially, through current literature, hotel star rating system and online guest reviews respectively affect consumer decisions of hotel room bookings. Then, when it comes to the comparison of higher influence on consumer decisions of hotel bookings, according to the findings from Xie and Lee (2019), online guest reviews have better performance than hotel star rating system. Nevertheless, the causal relationship that the higher hotel star rating leads to better online guest reviews and the sequent effect that better online guest reviews influence consumer decisions of hotel bookings is not discussed in this article.

The Correlation between Hotel Star Rating System and Consumer Decisions of Hotel

Room Bookings.

In Martin-Fuentes's study (2016), the analyzed data was from a sample of more than 14,000 hotels in 100 cities around the world through the two online travel platforms, Booking.com and TripAdvisor.com. Based on Martin-Fuentes's research, the results confirmed that despite the differences in criteria in implementing the hotel star rating system throughout the world, a relationship does exist with user satisfaction, based on the scores awarded by former customers both on TripAdvisor.com and on Booking.com, while the results also concluded that the hotel star rating system adequately fulfils its function as customer ratings increase with each additional star. Besides, consumers can use the star rating system as a tool in the choice of hotel establishment, and each additional star corresponding to the hotel category presents a higher level of user satisfaction. Generally, the higher guest satisfaction is, the more possibility to guide consumer decisions of hotel room bookings.

The Correlation between Online Guest Reviews and Consumer Decisions of Hotel Room

Bookings

In the study of four researchers, Zhao, et al. (2015), the guest reviews have either positive or negative impacts on a hotel's reputation and, consequently, to enhance or detract potential customers from a hotel. And Ye et al. (2011) were also devoted to examining the

causal relationship between online reviews and travelers' intentions and behaviors and studied the impacts of user-generated reviews on online sales. In the findings of Ye et al. (2011) showed that a 10-percent increase in travel review ratings would increase online hotel room bookings by more than 5 percent, while Vermeulen and Seegers (2009) found that exposure to online guest reviews would enhance consumers' consideration of a hotel.

Online Guest Reviews Have Greater Influence than Hotel Star Rating System on Hotel Room Bookings.

The guest-generated ratings (online guest reviews) and the industry-endorsed star ratings (hotel star rating system) are important clues to consumers in perceiving the quality standard of hotel especially in the initial stage of information search for hotel room bookings (Xie & Lee, 2015). In terms of clicking behavior of consumers during the sequential process of website search (searching, clicking-through to book), Xie and Lee (2019), furthermore, collected the clickstream data of 39,574 search queries made by users in a regional US market between November 1, 2012 and June 20, 2013, from 940,164 hotels on the travel website, Expedia.com. Then, according to Xie and Lee's findings (2019), consumers tend to click through hotels with higher consumer-generated ratings and industry-endorsed ratings, while they tend to rely on consumer-generated ratings rather than industry-endorsed ratings when committing to a booking.

Methodology

This research article employed current literature and working papers to discover if hotel star rating systems have greater influence than online guest reviews on consumer decisions of hotel room bookings. To achieve this goal, secondary qualitative research through online databases was used to locate studies relating to the above two factors affecting customers' decisions of hotel reservations. Key words were used as search guidelines, such as: hotel star rating, hotel star category, online guest review, hotel booking intentions, electrical word-of-mouth. Then, through the progress of compiling research literature and analyzing the causal relationship between hotel star rating system, online guest review, and consumer decisions of hotel reservations, the findings and conclusions were drawn concerning the better influential factor on consumer decisions of hotel bookings. Future research directions are given along with implications of this study.

Findings

In current literature, the topics regarding the relation between online guest reviews and consumer decisions of hotel room bookings interest enormous researchers to discover and analyze, while the relation between the industry-endorsed hotel star rating system and guest satisfaction also inspires scholars to study. In El-Said's findings (2020), due to online guest reviews facilitating choices of hotel room bookings quickly and effortlessly, online guest

reviews have become crucial factors in the hospitality sectors, occupying a near commonplace position in the purchasing habits of consumers. Agušaj et al. (2017) also found that more than 74% of travelers in Yoo and Gretzel's research survey (2011) take online guest reviews into consideration when planning a trip. Ye et al. (2011) studied the impacts of user-generated reviews on online sales, and their findings showed that a 10 per cent increase in travel review ratings would raise online bookings by more than 5 per cent. Vermeulen and Seegers (2009) found that exposure to online reviews would enhance consumers' consideration of a hotel. Hence, online guest reviews enhance the consumer decisions of hotel room bookings.

Regarding the relation between the industry-endorsed hotel star rating system and guest satisfaction, based on the discovery of Martin-Fuentes (2016), the overall quality of hotels can be inferred from their stars that are assessed by the industry-endorsed hotel star rating systems, and the star rating systems can be considered as being an indicator of higher quality and be useful to reduce the adverse effects of asymmetric information between hotels and consumers. Additionally, in the later research of Martin-Fuentes et al. (2018), they further found that the relationship between the hotel star rating system and quality is partially confirmed, this is because customers do not perceive any hotel rating system as a strongly important indicator in the selection of a hotel, and there are significant differences among guest expectations, perceptions, and hotel star rating systems, while, under customer

expectations, there is a lack of concordance between hotel star rating and the service provided.

In addition, the causal relationship between the industry-endorsed hotel star rating systems and the consumer decisions of hotel room bookings can be clarified in Xie and Lee's literature (2019), when comparing the more research volume of the correlation between online guest reviews and consumers' decisions of hotel reservations. As what this article presented, Xie and Lee (2019) assembled the clickstream data of search queries made by users in a regional US market on the travel website, Expedia.com, in eight-month period of time, to analyze the potential correlation. Then, according to Xie and Lee's findings (2019), the guest-generated ratings and the industry-endorsed star ratings are important clues to consumers in perceiving the quality standard of hotel especially in the initial stage of information search, even though customers are highly likely to click through hotels with considerably high industry-endorsed and consumer-generated ratings, they tend to rely on consumer-generated ratings rather than industry-endorsed ratings when committing to a hotel booking.

Nevertheless, in the proposal of United Nations World Tourism Organization by Blomberg-Nygard & Anderson (2016), a concept is presented that the online guest reviews and hotel star rating system can be integrated to improve the traditional rating system and to benefit customers' practical utilization and experiences when booking a hotel room. This is

because, according to 75% of surveyed consumers and hotels in Blomberg-Nygaard and Anderson's research (2016), consumers appear to use guest reviews and hotel classifications in different manners classification systems help filter hotels, whereas guest reviews provide a means of assisting to select from a smaller set of acceptable options.

Limitations

The limitation of this research article lies in the time constraints. With less time limitation, the references of current literature can be compiled more comprehensively, while the necessary local survey can be conducted to have the clearer view that whether Taiwanese consumers' decisions of hotel room bookings are tended to be influenced by the hotel star rating system or by the online guest reviews, meanwhile, the survey can be an objective measurement to supplement the findings of this literature review. Besides, Xie and Lee's literature (2019) provides a cornerstone as to the causal relationship between hotel star rating systems and consumer decisions of hotel room bookings only in regional US market; therefore, the findings in Xie and Lee's research can be applied to future research in Taiwan and other various markets.

Implications for Future Research

According to Xie and Lee's (2019) research in the regional US hotel market, the

industry-endorsed hotel star rating systems have less influence than online guest reviews on consumer decisions of hotel room bookings. If the same research measurement is conducted in the Taiwan market, and the domestic survey is employed as a study supplement, the depth of this research paper will be further achieved, while the research regarding the correlation between hotel star rating system, online guest reviews, and consumer decisions of hotel room bookings will be enriched by the perspectives and exploration from other hotel markets and bridges other related studies.

Conclusion

Based on this research article, since there is not any universal standard of hotel star rating system to be developed and widely recognized presently as Cser and Ohuchi's research (2008) previously stated, one industry-endorsed hotel star rating system is more adequate to be a set of national or regional standards of hotels and more practical to be a reliable reference point for local customers.

When it comes to the consumer decisions of hotel room bookings, although general customers utilize both the industry-endorsed hotel star ratings and online guest reviews as their reference points when making decisions of hotel bookings (Martin-Fuentes, 2016), the customers tend to more depend on online guest reviews and guest-generated rating when making hotel search queries due to guest-generated content corresponding to authentic travel

experiences (Xie & Lee, 2019), then the consumers proceed to make their room reservations. The better online reviews a hotel presents, the more possible a consumer books that hotel to stay.

Hence, as the introduction section of this article mentioned, the conclusions drawn here have initially clarified the effectiveness of the Taiwan governmental strategies whether the hotel star rating system can be an efficient method of international marketing and promotion for domestic hotels and for Taiwan tourism to attract global travelers. After all, one globally recognized hotel star rating system has not been developed till now, and to employ one national or regional hotel star rating system as a global recognized standard and a marketing strategy is less persuasive for international travelers. On the other hand, online guest reviews have the attribute of authenticity which comes from travelers' own experiences of hotel stays, and what Ye et al. (2011) and Vermeulen and Seegers (2009) found support the argument that online guest reviews affect consumer decisions of hotel room bookings. As to the propose of integrated hotel star rating system (Blomberg-Nygard & Anderson, 2016) which takes guest reviews into consideration to improve the traditional rating system and to benefit customers' practical utilization and experiences when booking a hotel room, it can be recognized as a comprehensive rating system and a more appropriate application to bridge hotel star rating system, online guest reviews, and consumer decisions of hotel room bookings.

Although the correlation between hotel star rating systems, online guest reviews, and

consumer decisions of hotel room bookings is initially found and clarified in this paper, the further verification in diverse markets will be the research goal in the future.

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