



# **HOTEL STANDARDS, REPUTATION MANAGEMENT, BUILDING AND RETAINING CUSTOMER LOYALTY**

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Hospitality & Guest Services

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## **Executive Summary**

This report aims to illustrate the demanding nature of the hospitality industry. The discussions draw attention to the fact that star rating standards are no longer a guarantee of quality. With the emergence of social media platforms, customer rely more on public opinion, and they want to see how negative situations are being mediated. In this context, hotels need to put in place reputation management strategies, and they need to be able to build a long-lasting relationship with customers. By doing this they can also ensure probability and they can differentiate against competition.

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## Introduction

Over the last decade, the global hospitality industry has grown steadily which has resulted in an increased competition between hotels (Duman et al., 2019). In the context of increased competition, hotel managers have begun to realise the importance of service improvement in order to achieve a high quality of service. The purpose of this report is to discuss the importance of quality standards, placing a focus on the requirements a hotel needs to meet in order to obtain a high rating that would differentiate the business from competition. The report discusses different rating standards which can vary from country to country and also gives examples from famous hotels chains of the industry. Furthermore, the report will discuss how social media content and third-party websites such as TripAdvisor have come to play a key role for the reputation of the hotel as well as building customer loyalty.

## Main Body

### *Hotel star rating standards*

The significance of quality in the hospitality industry is an aspect that cannot be overstated. Based on the need to ensure customers of high quality, a classification system of hotels, commonly referred to as the star rating system has been developed (Vilimova, 2014). The presumption was that enhancement of quality can happen when a hotel is being assessed and graded in order to discover the areas that need further improvement. Tefera and Govender (2015) mention that while the star rating system has is a universal concept, different countries have come up with their own rating systems. For instance, the UK rating scheme also known as the AA (specifically AA Hotel Services, a division of Automobile Association) were the first to introduce the star rating scheme in 1912. The AA also developed the Common Quality Standards for inspecting and rating accommodation as well a set of criteria that needs to be met in order for each hotel to achieve its star rating. For example, the criteria that differentiate a 5-star hotel from a 4 star is enhanced services and facilities such as valet parking, a spa and leisure centre and at least one permanent luxury suite available (The Nare, 2023). Some other universally accepted schemes for hotel rating are Forbes Travel Guide or the AAA in America (Wu, 2010) which are similar to the one in UK.

### *Quality Standards*

Furthermore, while the star rating systems have been used to determine the basic feature of a certain service, hotels have gone even further in implementing Quality Standards, which include various specifications that need to be met to achieve hotel competitiveness. Evans and Lindsey (2010) note that quality has the ability to fulfil or exceed customer expectations and because of this, companies must clearly evaluate which aspects of the services customers consider valuable and what it is exactly that would lead to their contentment and loyalty. In an attempt to do so, hotels strive to develop their own quality assurance models that can differentiate them from competitors. For instance, IHG has established a programme called IHG Way of Clean to ensure customers of the brand of the highest cleanliness standards (IHG, 2023). Furthermore, branding is one way in which hotels are trying to ensure quality. According to O'Neill and Mattila (2010) mention branding as a quality mark of for competitiveness, and a key part in marketing strategies due to the general belief that brand offers more value. Thanks to customer's preference to patronize brand names they familiar with, it has been argued that brand hotels can outclass non-brand hotels (Wu et al., 2010). For instance, customer of the Ritz Carlton brand associate all Ritz properties with superior luxury and experiential service design (Nixon et al., 2010).

### *Reputation Management*

Furthermore, it is essential to discuss the future of hotel rating. As Henses (2015) points out, the influence of social media platforms and new data integration technologies has already started to shape the way hotels are being rated. Moreover, a complete integration of online guest reviews is required since conventional rating systems no longer suffice in this competitive market. Even though it took some time for TripAdvisor to become a popular review platform, the changing focus of customers from trusting conventional hotel star ratings systems to focusing more on online guest reviews is also changing the dynamic of the industry from whereby an official institution dictates hotel standards to one in which customers dictate what represents hotel quality (Cizel, 2015). Very often, unhappy customers resort to leaving negative reviews on the internet and businesses face challenges in handling this. It has been noted (Meng et al., 2018) that if left with no response, negative reviews can lead to revenue

loss and discourage potential guests from booking a room. On the other hand, Meng et al (2018) mention that negative reviews can also be seen as a second chance to rectify issues, improve service quality and turn an unhappy customer into a happy one. Moreover, it can also improve on brand image since other customers will see that complaints are taken onboard by the company and will feel a sense of safety if they are to book with the respective business (Meng et al., 2018). In this sense, reputation management is considered a vital strategic issue since the hotel industry depends on positive reputation that can affect customer purchase decision (Zhang and Vasquez, 2014). Lee et al (2015) findings suggest that hotels that already have an official high rating such as four star and five stars are more likely to respond to negative comments and a guest service manager is the most common job title for the person responsible of managing online reputation. Furthermore, Li et al., 2018 argue that the way hotels deal with reviews need to be improved upon since many brands such as Accor have been criticised for offering a standard reply to the customers without efficiently dealing with the problems. An example of best practice comes from the Four Seasons a brand which crafts responses based on individual customer review. Their responses have features such as: immediate, framed as empathic, professionally written by someone in a high position, consumer-centric and targeting problem solving (Wan and Law, 2017)

### *Customer Loyalty*

By engaging with customers on different channels, hoteliers are not only trying to rectify issues, but they are also training to maintain a good relationship with their guests even after they have left the hotel (Cizel, 2015). Literature from Shoemaker and Lewis (1999) is challenging the belief that hotel's only aim is to attract as many new customers as possible. Recent trends have shown that firms now focus on customer loyalty and loyalty marketing. The benefits of doing this are increased customer satisfaction, free marketing, advertising through word of mouth and creating a connection between customer and brand which eliminates the threat of competition (Cizel, 2015). Given the interest in loyalty, popular hotel brands have developed a special way to retain customers. They have created Loyalty Programmes which are set to benefit both the company and the customer. For example, in a study on the economics of customer loyalty, Bowen and Shoemaker (1999) have found that

members of a loyalty programme in luxury hotels such as Ritz Carlton and Four seasons take at least six overnight businesses trips per year, and they look to use the same brand each time they make a reservation and are less likely to ask about the price. They are likely to tell up to 12 people about the hotel towards which they feel loyal most and they would go out of their way to mention their favourite hotel in a group discussion with their friends. Similar successful story of a loyalty programmes comes from IHG Hotels, their programmes being one of the most popular in the world, with their customers spending 57% more at IHG properties after enrolling (Berman, 2006).

## Conclusion

To conclude, this report has focused on the most important requirements a business has to meet in order to remain competitive in a high demand hospitality industry. Firstly, businesses need to strive to obtain official ratings from authorised institutions such as the AA in the UK in order to be able fully accredited and to be taken into consideration as a legitimate option by customers. Furthermore, given the rise of social media it has been noted that conventional hotel ratings should now consider including online guest reviews as part of their evaluation. Lastly, an equally important trend is the rise of loyalty programmes, since they have been shown to drive customer retention which helps with increasing revenue as well as word-of-mouth publicity.

## Recommendations

Based on trends and current literature, this report offers recommendation of practices that can help businesses remain competitive. Firstly, based on Musembi (2021) we recommend that conventional rating systems should be further developed to integrate online guest reviews from diverse social media platforms. This may offer greater transparency to the customer to build trust with the company. Furthermore, based on Cizel (2015) we recommend for hotels to give equal attention and importance to both negative and positive reviews, since the positive ones are often overlooked which can make guests feel like their effort and money spent are not appreciated. Lastly, Henses (2015) gives a best practice example from Abu Dhabi hotels which we recommend being followed by all tourism destinations. Abu Dhabi hotels make use of an online management software that can track the ratings on social media. When a hotel scores below minimum rating, integrated word recognition can help to identify where the hotel

falls short. A mystery shopper is also involved to assess the standard of service and helps with giving the hotel a warning of a period time to rectify the issue.

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