



An importance-performance analysis of hotel selection factors in the Hong Kong hotel industry: a comparison of business and leisure travellers

Raymond K.S. Chu, Tat Choi*

Department of Hotel and Tourism Management, The Hong Kong Polytechnic University, Hung Hom, Kowloon, Hong Kong Special Administrative Region, People's Republic of China

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Abstract

Using an Importance-Performance Analysis (IPA), this paper examined business and leisure travellers' perceived importance and performance of six hotel selection factors in the Hong Kong hotel industry. The six hotel selection factors identified were: Service Quality, Business Facilities, Value, Room and Front Desk, Food and Recreation, and Security. Both business and leisure travellers held the same perceptions towards all the six hotel selection factors. The IPA grids illustrated that the Value factor fell into the Concentrate Here quadrant; Service Quality, Room and Front Desk and Security in the Keep Up the Good Work quadrant; and Business Facilities and Food and Recreation in the Low Priority quadrant. Room and Front Desk and Security were found to be the determining factors for business and leisure travellers, respectively, in their hotel choice selection. Implications for Hong Kong hoteliers and researchers were discussed. © 2000 Elsevier Science Ltd. All rights reserved.

Keywords: Importance-Performance Analysis; Hotel selection factors; Business and leisure travellers

1. Introduction

1.1. The Hong Kong hotel and tourism industry

Hong Kong has long been Asia's most popular tourist destination. The total visitor arrivals for 1996 reached a record of 11.7 million, representing a remarkable 14.7 per cent growth over 1995, with HK\$84.5 billion (US\$10.8 billion) flowing into the Special Administrative Region's economy in foreign exchange earnings. The 14.7 per cent growth rate in 1996 out-performed the world average of 4.5 per cent, as well as the average growth rates for East Asia/Pacific and South Asia, with 7.9 per cent and 4.0 per cent respectively (WTO, 1997). In addition, approximately 8 per cent of Hong Kong's Gross Domestic Product (GDP) is attributable to tourism (HKTA, 1998). However, since the beginning of 1997, Hong Kong's inbound tourism industry has experienced

an unprecedented decline. As illustrated in Table 1, the Hong Kong Tourist Association (HKTA) revealed that the numbers of visitors declined from 11.7 million in 1996 to 10.4 million in 1997, representing a 12 per cent fall (HKTA, 1998). The fall in visitor arrivals has been aggravated by the regional currency turmoil, which has made Hong Kong an expensive destination to travel in comparison with other Southeast Asian regions (Poole, 1997). The depreciation of the Thai baht, the Indonesian rupiah, the Malaysian ringgit, and the Philippine peso has inevitably attracted international travellers who prefer to seek bargain visits to these cheaper destinations. Hong Kong is now considered less 'vacation-friendly' than previously as high inflation has driven up prices. In 1989, 60 per cent of travellers rated shopping in Hong Kong as 'above average' in value for money, but in 1993 the number fell below 45 per cent (HKTA, 1998). In the early 1990s, Hong Kong suffered from a relatively high inflation rate of about 10 per cent per annum as a result of an increase in labour and land costs. Although inflation fell to 8.7 per cent in 1995, Hong Kong is still at a disadvantage when compared with most industrialised countries, where inflation has been running at 3–4 per

* Corresponding author. Tel.: +852-2766-6363; fax: +852-2362-9362.

E-mail address: tate@inet.polyu.edu.hk (T. Choi)

Table 1
Visitor arrivals to Hong Kong, 1988–1997

Year	Visitor arrivals (1,000,000)	Business travellers (%)	Leisure travellers (%)	Others (%)
1988	5.6	21	62	17
1989	5.4	25	56	19
1990	5.9	25	55	20
1991	6.0	23	59	18
1992	6.9	28	56	16
1993	8.9	31	54	15
1994	9.3	29	58	13
1995	10.2	30	55	15
1996	11.7	29	58	13
1997	10.4	26	61	13

Source: Adapted from A Statistical Review of Tourism, Hong Kong Tourist Association (1998).

cent per annum in recent years (Hueng, 1997). The rising cost of accommodation in Hong Kong and the dwindling number of shopping bargains are continuously affecting the Hong Kong tourism industry (Brevetti, 1995). Such price inflation threatens Hong Kong's reputation as a Shopping Paradise. Looking at the visitor profile, in particular at a comparison of business and leisure travellers, there appears to have not much significant change between the two groups. The leisure segment has constituted almost 60 per cent of total visitor arrivals to Hong Kong over the past ten years, while the business segment contributed up to 30 per cent of total visitor arrivals over the same period (see Table 1).

Regarding the hotel industry in Hong Kong, room rates have long been considered as the prime factor that adds to the cost of a trip, contributing to tourism downturn (Beck, 1997; Schloss, 1997). Schloss (1997) reported that Hong Kong hotels are more expensive to stay in than in Tokyo hotels, even when they offer discounts. Beck (1997) mentioned that Hong Kong hotels are too expensive and that the high cost is the single factor that continues to affect tourism in Hong Kong seriously. Research studies have shown that satisfaction with hotel properties, including services, facilities and price, appears to be one of the major factors leading to the success and repeat patronage of the destination (Shih, 1986; Stevens, 1992).

To be successful in business, one must understand how customers perceive the product or service attributes, their importance and performance when compared with other competitors. The importance of 'being competitive' and 'offering competitive advantage' has been recognised for some years. In the hotel environment, where competition dominates, hoteliers must study the strengths and weaknesses of the product or service they provide and accurately define their importance and performance. To maintain Hong Kong's present status as one of the world's most attractive tourist destinations, hoteliers

must thoroughly understand which hotel attributes are perceived by travellers, and the level of performance of these attributes.

This paper attempts to identify both the importance and performance of hotel selection factors in the Hong Kong hotel industry using the Importance–Performance Analysis (IPA) model. More specifically, the paper intends to compare perceptions of business and leisure travellers, in terms of importance and performance of hotel selection factors. By identifying the needs, desires and expectations of different segments, hoteliers will be in a better position to develop tailor-made marketing strategies to cater for their target customers and to achieve competitive advantages.

2. Literature review

2.1. Importance–Performance Analysis

Importance–Performance Analysis (IPA) conceptually underlies the multi-attribute models that date back to the late 1970s. Martilla and James (1977) applied the IPA technique to analyse the performance of the automobile industry. Hawes, Kiser and Rao (1982) and Hawes and Rao (1985) used the IPA concept in retirement communities and health care applications. Sethna (1982) found the IPA technique to be a valid and powerful technique for identifying service quality areas that require remedial strategic actions. The underlying assumption of the IPA technique is that customers' level of satisfaction with the attributes is mainly derived from their expectations and judgment of the product's or service's performance. IPA has become a popular managerial tool that has been broadly used to identify the strengths and weaknesses of brands, products, services and retail establishments in various industries in recent years (Chapman, 1993; Cheron, McTavish & Perrien, 1989). Hemmasi, Strong and Taylor (1994) measured the service quality of hospital services using IPA as an alternative to the traditional SERVQUAL instrument devised by Parasuraman, Zeithaml and Berry (1988). While Evans and Chon (1989) used the IPA to formulate and evaluate tourism policy, Keyt, Yavas and Riecken (1994) and Hsu, Byun and Yang (1997) adopted the IPA technique in restaurant positioning. Lewis (1985) used the IPA as a competitive analysis technique to identify tourists' perceptions of the hotel industry. Lewis and Chambers (1989) reported the effective use of IPA by the Sheraton Hotel in monitoring customer satisfaction. Almanza, Jaffe and Lin (1994) used the IPA matrix to determine means for improving customer satisfaction. Martin (1995) examined service providers' perceptions of customers' expectations of quality service in the hotel industry using the IPA technique. In an increasingly competitive environment, a determination of the strengths and weaknesses of a

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