



# Multiple criteria decision making in hotel location: Does it relate to postpurchase consumer evaluations?



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## ABSTRACT

Hotel location is an important attribute in tourist behaviour and decision making. Using a multiple criteria decision making (MCDM) method, preference selection index (PSI), this paper identifies those criteria which are influential on tourists' hotel location choice. The prioritization of hotel location criteria as well as the ranking of hotels by location is demonstrated. Ranking of hotels by the PSI procedure based on objective metrics is compared with the ranking publicized in a global travel web site ([Booking.com](http://Booking.com)) based on subjective tourist evaluations. Rational decision making in hotel location is closely associated with tourists' postpurchase evaluations (PPE), and Tourist Attractions is the most important locational determinant. This study demonstrated the relationship between rational decision making in hotel location and tourists' postpurchase evaluations (PPE) by employing preference selection index (PSI) method that has previously not been utilized in tourism literature.

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## 1. Introduction

In a given destination, it is very important to invest in and focus on a hotel's location because good hotel location helps increase market share and profitability (Chou, Hsu, & Chen, 2008), and as a result, directly affects the hotel's success (Lee, Kim, Kim, & Lee, 2010). Furthermore, hotel's location, which has a profound impact on tourists' movements (Shoval, McKercher, Ng, & Birenboim, 2011), hotel selection (Chan & Wong, 2006; Chu & Choi, 2000; Hsieh, Lin, & Lin, 2008; Rivers, Toh, & Alaoui, 1991), and customer satisfaction (Lee et al., 2010), has drawn increasing attention from academic and business communities for the last two decades. However, they generally formulated the optimal conditions for hotel entrepreneurs and ignored the tourists' expectations and preferences.

While tourists are selecting the hotel with the best location, they follow the same way with the consumers selecting the best product among its alternatives. Similar to the consumers (Schiffman & Kanuk, 2007, pp. 528), tourists' decision making process may be rational/utilitarian or affective/experiential or bounded rational with experiential aspects in their decisions (Walls, Okumus, & Wang, 2011). However, there has been no research showing systematically that to what extent tourists are rational in their hotel location choice and its connection with postpurchase evaluations.

Thus, this study first aims to determine objective hotel location choice criteria for tourists; second, to introduce a new methodology, preference selection index (PSI) that has previously not been utilized in tourism literature, for unbiased ranking of hotels by location; third, to seek a relationship between rational decision making in hotel location and tourists' postpurchase evaluations (PPE). The criteria that affect tourists' hotel location choice are determined from the literature, online reviews of a given destination's hotels, and experts' opinions. According to those criteria, randomly selected hotels in Istanbul are ranked by employing PSI, and those rankings which are obtained objectively are compared to the subjective ratings/rankings of the tourists. As a result, the relationship between two separate rankings is statistically tested, and an inference about the existence of an association between objective-rational decision making and postpurchase evaluation stage is reached.

## 2. Hotel location decision making

Spatial location is among the most critical elements for hotel establishments having an effect on firm performance (Molina-Azorin, Pereira-Moliner, & Claver-Cortes, 2010; Peiró-Signes, Segarra-Oña, Miret-Pastor, & Verma, 2014), price premiums received (Enz, Canina, & Liu, 2008), competitive advantage (Luo & Yang, 2016), and the probability of survival (Lado-Sestayo, Vivel-Búa, & Otero-González, 2016). In terms of the role of hotel locations, the location decisions are multidimensional in nature (Adam & Amuquandoh, 2014), and a matter of critical concern for investors and hotel managers (Chou et al., 2008; Luo & Yang, 2016; Rianthong, Dumrongsiri, & Kohda, 2016). The hotel location

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decisions of investors are based on the hotel characteristics (Yang, Wong, & Wang, 2012), firm strategy and capacity (Juan & Lin, 2011), and costs (Puciato, 2016). The managers in hotel business paid more attention to such criteria as public security, modes of transportation to reach scenic spots and to combine these with the local character when a hotel is being designed (Adam & Amuquandoh, 2014).

Although the importance of hotel location decisions has been long recognized by academicians and industry, limited studies analysed the hotel location from the consumer demand side. The consumer demand for hotel location is directly associated with tourists' expectations and preferences which involve such factors as convenience of transportation, proximity to tourist attractions, and socioeconomic development of the related district (Yang, Luo, & Law, 2014). Similar to the investors' hotel location decisions, consumers' hotel location decisions are multi-dimensional. The vicinity of the city's main attractions, such as shopping, entertainment centres, and cultural resources is an important element in tourists' hotel location preferences (Arbel & Pizam, 1977). Further, convenience of transportation and parking are among the most important factors in hotel location evaluation of tourists (Tsaor & Tzeng, 1996). In sum, hotel location has a profound impact on subsequent behaviour of tourists (Shoval et al., 2011).

Tourism scholars have tried to understand tourist choice and decision making both theoretically and empirically since 1960s. In order to theorize tourist decision making processes, different models that are based on the consumer behaviour were developed (Jung & Kim, 2016; McCabe, Li, & Chen, 2016), and "there is no shortage of theoretical models and constructs" regarding tourist decision making (Walls et al., 2011). In an extensive review of the evaluation of decision making models in the tourism sector, Sirakaya and Woodside (2005) quoted from Wahab, Crampon, and Rothfield (1976) who have proposed the earliest model that a tourist is a rational decision maker. In line with the progress in consumer decision making theories, subsequent models in tourist decision making assumed that rationality of tourist is bounded within his/her capabilities and limited information (Mathieson & Wall, 1982; Schmoll, 1977). Later on, however, tourists' rationality has been questioned more deeply as several researchers drew attention to the emotional sides of their behaviour (Jung & Kim, 2016). Referring to the theory of planned behaviour and focusing on choice decisions in leisure decisions, Ajzen and Driver (1992) underlined that leisure decisions include both cognitive and affective components. More recent studies (Decrop & Snelders, 2005; McCabe et al., 2016) supported their findings by showing the importance of emotional factors in the decision making process. The belief that tourists behave rationally in their decision making process changed over time to the belief that they do not wholly behave rationally (Okumus, Okumus, & McKercher, 2005). However, there is an ongoing effort of scholars to show whether tourists are rational or irrational in their decisions (Jung & Kim, 2016) which reveals a persistent need to understand tourist decision making (Smallman & Moore, 2010).

All consumer behaviour models including tourist behaviour are based on the information processing theory which states that the consumer is a thinking problem solver going through the stages of input, process, and output (Sirakaya & Woodside, 2005). Postpurchase evaluation is the final stage in the output portion of consumer decision making. As consumers use a product/service, they evaluate its performance with regard to their own expectations. Consumers' expectations and satisfaction are closely linked; that is, consumers tend to judge their experience against their expectations when performing a postpurchase evaluation. An important component of postpurchase evaluation is the reduction of any uncertainty or doubt that consumer might have had about the selection. As part of their postpurchase analyses, consumers try to reassure themselves that their choice is a wise one; in other words, they try to reduce postpurchase cognitive dissonance (Schiffman & Kanuk, 2007, pp. 547) or, more explicitly, the state of psychological discomfort which motivates a person to reduce it (Sweeney, Hausknecht, & Soutar, 2000). For this, the following strategies are

adopted: they may rationalize the decision as being wise; they may seek information supporting their choice; or they look for satisfied users for reassurance (Schiffman & Kanuk, 2007, pp. 547).

Overall, efforts for delineating tourists' decision making continue to be a major issue in the tourism management literature (Wong & Yeh, 2009) with particular focus on vacation decision making (Bargeman & van der Poel, 2006; Walls et al., 2011) and travellers' destination choice (Djeri, Armenski, Tesanovic, Bradić, & Vukosav, 2014; Moore, Smallman, Wilson, & Simmons, 2012). Recently, it has been emphasized that much further research was required to explore which types of decision strategies are used by tourists in specific decision contexts (McCabe et al., 2016). This point and the paucity of research on the hotel location decision making of travellers (Shoval et al., 2011; Tsaor & Tzeng, 1996) including the huge gap in its relationship with postpurchase evaluations are the major motivations for this research.

### 2.1. Research objectives

As hotel location is a major factor in tourist behaviour and decision making, there is a potential to probe this phenomenon in different directions. The following objectives are set to serve this purpose:

- to determine those criteria systematically which are influential on the hotel location choice of tourists
- to calculate the weights of these criteria on hotel choice
- to demonstrate a novel methodology for objective ranking of hotels by location in a given destination
- to investigate the existence of a relationship between the MCDM results and postpurchase consumer evaluations (PPE) which will imply the existence of a strong rationality trait in tourists' hotel location decisions

## 3. Research methodology

### 3.1. The evaluation framework

To reach the research objectives, a seven-step framework has been developed into which three separate topics were integrated: Tourists' hotel location choice; PSI which is a new, objective and user-friendly MCDM method; and the relationship between rational decision making and postpurchase consumer evaluations. The framework starts with the selection of a touristic destination as a first step and continues with the determination of the hotel location criteria set. In the third and fourth steps, a limited number of hotels are randomly selected and the criteria weights for location are calculated, respectively. In the fifth step, the selected hotels are ranked using the PSI method which uses objective metrics for each hotel. The hotel rankings generated by the PSI method are compared with those rankings in a travel website (i.e. [www.booking.com](http://www.booking.com)) which have been developed according to tourists' subjective evaluations. Finally, the relationship between two separate rankings is statistically tested, and an inference about the rationality of the decision of tourists is reached. A thorough application of this framework to a selected destination, Istanbul, Turkey, has been presented in Section 4. Before that, however, a brief explanation about the properties of the PSI method will be presented.

### 3.2. Preference selection index (PSI)

Decision making by people is usually based on a multi-criteria setting in the real world. In their decisions, they need to evaluate alternatives with multiple criteria but they also encounter with many problems such as determination of weights of the criteria, preferences, and conflicts among criteria. MCDM is one of the most widely used approaches for these problems which involves evaluating the alternatives

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