Title:

Service experience through the Eyes of Budget Hotel Guests: Do factors of importance influence performance dimensions?

Abstract

The aim of this study is to test the influence of dimensions of importance (expectations) in hotel services on performance (actual experience) within the context of budget hotels in China. A theoretical model and nine hypotheses are tested to indicate whether the dimensions of importance such as room service, room comfort and reservation process, have any impact on performance dimensions such as in-room dining, front office service, room amenities and hotel access and safety. A final model is proposed which reflects the relationship between the constructs. The study uses a survey and interview technique. Findings from the analysis of 355 respondents from budget hotels in the Hainan province of China suggest statistical significances in several areas of relationship between rating of importance by the budget hotel guests and performance dimensions. Overall, the results indicate a significant difference between expectations of the guests and actual experiences, thus highlighting managerial implications. The current study cannot claim to be wholly conclusive as it is limited to a small sample size from only one province of China and there could be subjectivity in responses. From a practitioner's perspective the study provides an opportunity to recognise features that are considered important by the guests staying in budget hotels in the Hainan Province, China and to identify the areas of disparity in service and product quality. Despite decades of research and abundance of published studies service quality still remains an important issue within the lodging industry. This study provides an opportunity for budget hotel management generally and China's budget hotel management specifically to understand which factors have a significant impact on hotel guests' importance ranking and performance dimensions to assess customer satisfaction. The study investigates service quality perceptions of budget hotel guests in China, an area where research is generally sparse within the context of Asia and almost non-existent within the context of China. From this perspective the study contributes to the service quality literature in the lodging industry specifically the budget hotels.

1. Introduction

It has been 35 years since China opened its door to massive international inbound tourism in 1978. China's international inbound tourism has experienced significant growth in the last couple of decades. Witt and Turner (2008) stated that since China started economic reforms in 1978, the economy in China has grown rapidly. The reform-induced economic growth has also led to rapid improvement of the tourism industry, with international tourist arrivals and international tourism receipts increasing dramatically. China's ranking as a tourism destination moved from 40th in 1978 (Zhang & Zhang, 2000) to the world's 5th most popular tourist destination in terms of tourist arrivals and tourism revenue in 2008 (United Nations World Tourism Organization [UNWTO], 2008). Liu (2010) mentioned that the domestic demand for tourism has been grown with an average of about 1.4 domestic trips made by each Chinese citizen in 2009. For example, mainland visitors have become the highest spenders among all markets in Hong Kong, contributing with HK $83.47 billion or about 70% of total visitor spending (Hong Kong Tourism Board, 2010). With the increase of Chinese people travel, China has shifted from a seller's market to a buyer's marker, from inbound tourism dominance to domestic tourism dominance, and from a mass production orientation to a variability and personalization orientation (CNTA, 2010a).

Considering the huge increase of China's economy stimulated both domestic and international budget hotel sectors to come to the market (Dai & Shu, 20007; Zhang et al., 2008, National Bureau of Statistics of China 2004). JinJiang Inn, which was founded in Shanghai in 1996, is the first Chinese budget hotel (Li, 2008). The top 10 economy hotel brands in China are Super 8 and Ibis which represent international hotel groups; Seven-days Inn and Green Tree Inn which were founded with foreign investment and the remaining other six are all domestic brands namely: Home Inn, Jinjiang Inn, Motel 168, Hanting Inns and Hotels, Vienna Hotel, and Hotel Home (China Economy Hotel Network, 2010a). Additionally, according to the China Economy Hotel Survey, conducted by the China Hotel Association (2009); there were more than 100 budget hotels chains with over 4,000 properties and around 400,000 rooms in China at the end of 2008. The China Economy Hotel Network (2010b) reported that the amount of budget hotels witnessed a significant growth from 23 properties in 2000 to 3,757 in 2009.

Hu (2013) stated that even though China is relatively new to conducting tourism business, active investment and involvement from the Chinese government in tourism and hotel business in recent years have resulted in China being regarded as a prominent tourism destination in the world. Hotel rooms have become more commoditized; and this is especially true for the budget hotel (Xinhua News Agency 2006, Zhang et al., 2010).

Domestic tourism also achieved similar growth. Zhang (1997) stated that domestic tourism in the 1990s has developed at an unprecedented speed because of China's economic reform and the opening up of political and economic climates. According to the author "From 1990 to 1995, the average annual domestic tourist arrivals increased by 17.62%, and the average

annual receipts increased by 51.93% (pg 566). In 1990, domestic tourist arrivals amounted to 280 million; tourist receipts were 17 billion RMB. In 1996 tourist arrivals reached 640 million, an increase of 2.286times compared to those of 1990. Tourist receipts in the same year reached 163.8 billion RMB yuan, an increase of 9.635 times."

Recently, Hainan Province, which is attractive and famous for tropical weather, has become a popular destination for tourists from all over the world. Hainan Province is an island in the South China Sea on the southern periphery of China. It consists of 34,000 square kilometres of land and 2 million square kilometres of marine space. The annual average temperature ranges from 23 to 26 Celsius. "Because Hainan Province is not heavily industrialized, the mild climate, beaches, tropical scenery and favourable environment make Hainan an attractive place for escaping cold winter weather and relieving summer heat", Hu and Wall (2003) stated on page 208. Tourism in Hainan Province has become a "pillar industry" of the local economy, contributing 12-15% to the province's GDP (Hainan Province Statistics Bureau, 2001-2010). According to the interviews with officials from Hainan Provincial Tourism Development Commission (HPTDC) in 2010, Hu and Wall (2003) stated that 90% of visitors were from mainland China and the majority of them prefer taking guided package tours. Hainan Province has the potential to become a top Asia Pacific holiday destination. The most famous city in Hainan Province, Sanya, is also China's southernmost city and the most well-known coastal sunshine destination in winter for the country.

The development of tourism in the Hainan province has also lead to growth of the hotel industry especially in terms of budget hotels. The traditional food and cultural performances by the local ethnic minority communities in the Hainan have attracted both domestic and foreign visitors. Yu (2011) stated that according to the government's new plan released in 2009, it has become a national strategy to develop Hainan as an International Tourism Destination. The author also stated that Hainan is the only province in China clearly identified by the government for improvement of its tourism as a main industry. This brings unprecedented opportunities to the tourism industry in the Hainan, attracting more and more tourists from both domestic and foreign visitors; the hospitality industry is expected to benefit considerably.

However, the service and product quality in China's hotel industry has long been a concern for both the industry and academic research. The lodging industry has been criticized for being unable to deliver quality service expected as part of international standards (Cai, 2004; Cai & Robert, 1993; Cook, 1989; Cullen, 1988; Tsang & Qu, 2000). There are many issues that need to be addressed by hotel management; the hotel industry in the Hainan Province is faced with similar issues which include cleanliness, safety, and product and service quality. Furthermore, the literature reflects that the majority of the studies of Chinese hotels service and product qualities have been conducted from perspective of international tourists. There is limited research on how Chinese tourists perceive the service quality of China's hotels generally and the Hainan Province's particularly.

Therefore, conducting this research in Hainan Province helps to highlight gaps that exist between current budget hotels' service and product quality from customers' expectations and actual experiences. This should help hotel management to identify such gaps which need attention and help to meet and exceed customers' expectation effectively and efficiently. Hence, the main purpose of the study is to find the relationship between how hotel guests rank the importance of selected hotel services and how they rate the performance based on actual experience of those services. The purpose should help to accumulate information with regard to:

- General expectations (Importance) of guests who stay in budget hotels in the Hainan Province for different services and products.
- Actual experiences (Performance) of the guests in relation to their expectations of different services and product offered by budget hotels; how did the hotel perform?
- Impact of gender and main reason for stay at the hotel on expectations and actual experiences with different services and products offered by the budget hotels in the Hainan Province.

An extensive literature review has been undertaken as part of this process; primary data has been collected from budget hotel guests and managers in the Hainan Province. Analysis of primary data has been undertaken using SPSS version 20. We specified the measurement and conceptual models of the study using structural equation modelling (AMOS 20.0 software).

This paper will continue with a review of the literature before addressing the methodology, data results and the conclusion of the research. The paper will then finish by discussing the implication of the findings, recommendations and research limitations.

2.   Theoretical Framework and Hypotheses Development

Perceived service quality seems to positively influence customers' loyalty and their attitudes towards the service provider (Anton et al 2007; Bell et al., 2005; Aydin & Ozer, 2005). Suhartanto (2011) report that the majority of the studies published in developed countries mentioned that service quality is the key factor of customers' brand loyalty in the lodging industry. Study conducted by Stevens et al. (1995) found that high-quality service and customer satisfaction are two key factors of leading to the success of the tourism industries. Salomon (1994) predicted that if a hotel failed to understand and meet the customers' service standards, it will be out of business in seven to nine years.

Wu et al. (2012) believe that if the quality of a hotel does not meet customer expectations, perceived quality may be lowered and perceived risk may be raised automatically. Boulding and Kirmani (1993) analysed the relationship between service guarantee and quality from customer perspective. They found that when the bond credibility of a firm is high, perceived quality by consumers is positively related to the guarantee; therefore, not only service guarantee is important, but also the reputation of a hotel may also affect consumer purchase

intentions. Moreover, service quality builds corporate reputation which in turn impacts organisation's current activities and perceived future activity (Fombrun, 1996). Similarly, Goldsmith et al. (2000) asserted that corporate credibility built on service quality plays an important role in corporate reputation.

Given the importance of service quality and its relationship to customer satisfaction (Buttle, 1996; Caruana, 2002; Oh, 1999; Parasuraman et al., 1985, 1988) and loyalty (Bloemer & Kasper, 1995; Buttle, 1996; Caruana, 2002; McDougall & Levesque, 2000) it is necessary to identify a structured relationship between expectation and actual experience and antecedents of service quality in the lodging sector to help the management to improve its service quality. There is considerable research focusing on the criteria customers use in choosing a hotel such as purpose of travel (Callan & Kyndt, 2001; Knutson, 1988; Lockyer, 2002; McCleary et al., 1993; McCleary et al., 1994; Weaver & Oh, 1993), age (Ananth et al., 1992; Wei et al., 1999), gender (McCleary et al., 1994), or hotel standards (Callan, 1998; Callan & Bowman, 2000). Li and Krit (2012) hypothesized that service quality has a positive effect on customer satisfaction, customer loyalty and brand image.

Duncan (2005) mentioned that main challenges and concerns in the global hospitality industry; include employment issues, taxation levels and environmental issues. From a strategic angle, hotels are not only selling accommodation, food and beverages, but rather providing people with memorable experience of service (Yang & Cherry, 2008). Training and the enhancement of staff connects with service quality due to the reason that the relative training activities will strengthen certain behaviours and attitudes that contribute to effective service (Garavan, 1997). Enz and Siguaw (2000a, b) analyse hotels in the U.S hotel industry and recommended that it is the best practices that generate a service culture through leader development and training and knowledge building.

Furthermore, Chen and Cheng (2012) found that enhancing knowledge-sharing attitudes among personnel will benefit customer service. It will fundamentally help managers to model supportive attitudes, generate actual support in forms such as bonuses and resources, and build a culture that inspires personnel to attempt innovation. Kim and Lee (2006) also mentioned that knowledge sharing confers to a competitive advantage of a firm by increasing its ability of meeting customers' various and rapidly changing demands (Bock et al., 2005). Ballantyne (2003) argued that in order to gain the information and knowledge for the implementation of the firm's mandate, employees need to communicate with each other and share opinions. In addition, by educating and training such as interactive discussions, contributing to employees' sharing of knowledge, an open organizational climate will be seen.

Zhang (2004) stated that the Chinese government has policies to promote tourism and hotel development, even different policies to welcome the foreign hotels in the mid-price sector. These hotels finally became a major driving force for the rapid development of the budget hotel sector in China. The increased disposable income of Chinese consumers also drive the

budget hotels sector, Deloitte (2005) stated that the annual per capita disposable income of Chinese consumers reached RMB 8,472 and increases 9% every year.

The increasing China corporate market also boosts the value of budget hotels in China. According to American Express (2004), the value of China's corporate-travel market including hotels and transportation was U.S$6.81 billion in 2004. This ranks as the third-largest business travel market in the world, after the United States and Japan. Budget hotels are fast growing segments in the hospitality industry (Mohapatra, 2008). Lomanno (2004) considered budget hotels as the hotels which are the lowest priced in the markets they serve.

Based on the above literature review and considering the growth of budget hotels in China, this study attempts to highlight insights that would help the management. The study uses the importance-performance analysis (IPA) to examine what are customers' expectations and what was their actual experience to highlight areas that need attention to achieve customer satisfaction of budget hotel guests in the Hainan Province.

What do Customers Consider Important about Hotel Accommodation?

Previous research considered that there are various preferences between customers from different cultures and society (Wong & Kwong, 2004). Reisinger and Turner (1999) highlighted that the hosts' ability to respond to multicultural guests determines holiday experiences and satisfaction. Kandampully and Suhartanto (2000) found that the important factors affect customer satisfactions are reception, housekeeping, food and beverage, and price. Juwaheer and Ross (2003) highlighted that the behaviour of the manager and staff in the hotel when in contact with customers is an important aspect of determining a customers' experience. Therefore, Kessler (1996) stated that ensuring a high level of service from the frontline employees should be included in the hotels' management strategy. By doing so, a hotel should achieve the customer satisfaction logically.

According to Min et al. (2002), cleanliness of a guest room is the most significant feature in forming perceptions of hotel service quality; as well as courtesy of employees, quietness of a guest room, handling of complainants and the level of comfort of bedding. Compared to Min and Min (1996), the level of importance of the cleanliness stayed the same, while the level of importance of courtesy of employees and handling of complaints declined dramatically. Either way, improving employee performance and enhancing the level of customer satisfaction in hotel industry is crucial.

The study seeks to assess the influence of dimensions of importance (expectations) on hotel services performance (actual experience) using the IPA tool. Several studies have used this validated tool to achieve customer satisfaction by highlighting the areas of gap between expectations and actual experience, working on them to improve customer satisfaction (Abalo, Varela, & Manzano 2007, Ziegler, Dearden, & Rollins, 2012, Chu, & Choi, 2000). Our study has developed and proposes a theoretical model to test importance of following constructs:

- Room service;

- Room comfort;

- Reservation process

And how they relate with:

- In-room dining;

- Front office service;

- Room amenities

- Hotel access and safety.

The following hypotheses have been developed to test and propose service quality implications from this study within the context of budget hotels.

H1: Testing the relationship between the importance of room service (expectations) in selecting a budget hotel accommodation and its impact on evaluating performance (actual experience) dimensions.

The current literature suggests major inconsistencies in service quality performance across small, medium and large hotels. For example, in Scotland (Briggs et al 2007), Keating and Harrington (2003) find that many quality programs fail due to lack of interest and commitment on part of senior and middle management and front line employees. In China it is noted that tourists perceptions of service quality in hotels were consistently lower than their expectations (Tsang and Qu 2000). Generally as noted by Li and Krit (2012) service quality is the consequence of a comparison between expectations of a service and what is perceived to have been received. Implications from the literature suggest that room service quality importance ranking is expected to influence the performance or actual experience of the guests. Considering such implications the current study tests relationship between importance and performance dimension of constructs through hypotheses within service intensive areas of hotels. Hence H1a is proposed as below:

> *H1a: The higher the rating of importance of room service by hotel guests, the greater the influence on performance evaluation of in-room dining.*

It is generally noted that hotel guests who use room service are mindful to have appropriate amenities in the room which facilitates their meal experience in the room. This could relate to space and facilities which add to quality room service experience. The expectations of hotel guests with regard to room service hence impact their satisfaction evaluation of room amenities. The literature focuses on the question of how service quality can be perceived by different customers and how the perceived service quality can accordingly be measured using

suitable methods (Ghobadian et al. 1994, Stauss & Weinlich 1997, Wilkins et al., 2006, Tse & Ho 2009). Considering this the H1b is proposed to test importance-performance relationship between room service with room amenities as the statement below:

> *H1b: The higher the rating of importance of room service by hotel guests, the greater the influence on performance evaluation of room amenities.*

While there may not seem a direct link between room service and hotel access and safety, it is noted in literature that adding and providing a high level of service quality in a firm is important to maintaining a competitive advantage (Yoo & Park, 2007). Hence room service in hotels which also have ease of access and safety provides a competitive advantage to the hotel. This elevates the service quality perception and has a positive effect on customers repurchase behaviour (Palmer et al., 2000; Bell et al. 2005; Brodie et al., 2009). Hence following hypothesis is proposed:

> *H1c: The higher the rating of importance of room service by hotel guests, the greater the influence on performance evaluation of hotel access and safety.*

H2: Testing the relationship between the importance of room comfort (expectation) in selecting a budget hotel accommodation and and its impact on evaluating performance (actual experience) dimensions.

In assessing service quality of hotels customers usually consider what services are offered by the hotel? As a part of their room comfort having in-room dining facility adds to their service quality perceptions. Generally, perceived service quality seems to positively influence customers' loyalty and their attitudes towards the service provider (Anton et al 2007; Bell et al., 2005; Aydin & Ozer, 2005). Suhartanto (2011) states that service quality is a key factor in creating brand loyalty in the lodging industry. Hence to develop brand loyalty and improve service perceptions hotels need to provide services which add to customer comforts. The following hypothesis tests whether the importance of room comfort enhances the satisfaction with in-room dining facility:

> *H2a: The higher the rating of importance of room comfort by hotel guests, the greater the influence on performance evaluation of in-room dining.*

In 1994 Salomon predicted that if a hotel failed to understand and meet the customers' service standards, it will be out of business in seven to nine years. In 2012 Wu et al. believed that if the quality of a hotel does not meet customer expectations, perceived quality may be lowered and perceived risk may be raised automatically. Li and Krit (2012) hypothesized that service quality has a positive effect on customer satisfaction, customer loyalty and brand image. Hence, to reflect their satisfaction with hotel's service and product quality, it is expected that hotel guests will take into account room comfort and evaluate performance of

different amenities in the hotel room. How do customers perceive and rate room comfort as part of their quality assessment is tested using the following hypothesis:

> *H2b: The higher the rating of importance of room comfort by hotel guests, the greater the influence on performance evaluation of room amenities.*

Hotel guests tend to evaluate the standards related to service and product quality of the hotel based on their holistic stay satisfaction which includes reservation, access, safety, room amenities etc. To improve quality perception and raise repeat purchase (as per Palmer et al., 2000; Bell et al. 2005; Brodie et al., 2009) does room comfort add any value to hotel access and safety? Following hypothesis is proposed to test this relationship:

> *H2c: The higher the rating of importance of room comfort by hotel guests, the greater the influence on performance evaluation of hotel access and safety.*

H3: Testing the relationship between the importance of the reservation process (expectation) in selecting a budget hotel accommodation and and its impact on evaluating performance (actual experience) dimensions.

Amongst the high intensive services offered by the hotel, reservation process is one which influences customer perceptions of the service quality. Fisk (2002) highlighted that businesses have been satisfied by meeting perception of customers' 'adequate' expectation; Schneider and Bowen (1999) considered that a trend of achieving customer 'delight' will become important due to the reason that only satisfying customers is not enough to retain them. Generally, service quality often positively influences customer satisfaction (Kara et al., 2005; Olorunniwo & Hsu, 2006; Qin et al., 2010). The current study in assessing service quality in the budget hotels of China uses the following hypothesis to test how do hotel guests relate reservation process to their evaluation of front office services?:

> *H3a: The higher the rating of importance of reservation process by hotel guests, the greater the influence on performance evaluation of the front office services.*

The reservation process also provides information about room amenities which in turn adds to quality perceptions of the hotel guests. It is concluded that service quality perceptions of a hotel is the most important factor affecting business performance in the long run (Ghobadian et al., 1994, Zeithaml 2000, Akbaba 2006). How does reservation process relate to room comfort in establishing quality performance is tested by the following hypothesis?

> *H3b: The higher the rating of importance of reservation process by hotel guests, the greater the influence on performance evaluation of the room amenities.*

Once again the reservation process can also become a source to provide information about hotel access and safety which in turn adds to quality perceptions about the hotel. It is noted in

literature that better the quality of services provided by the hotel, the better is the perception about the hotel's standards of service quality (Kara et al., 2005; Olorunniwo & Hsu, 2006; Qin et al., 2010). How does reservation process relate to hotel access and safety is tested with the following hypothesis.

> *H3c: The higher the rating of importance of reservation process by hotel guests, the greater the influence on performance evaluation of the hotel access and safety.*

The Figure 1 provides the conceptual model to test the research hypotheses.

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Insert Figure 1 about here

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3.   Research Methodology

The study uses the Importance-Performance Analysis (IPA), a tool which has been validated and used by several researchers representing different areas of study. For example Hawes and Rao (1985) have used IPA to develop health care marketing strategies. Joseph, Allbright, Stone, Sekhon, and Tinson, (2005) used IPA to assess UK and US banks customer perceptions of service delivery technologies. Levenburg and Magal, (2005) applied importance-performance analysis to evaluate e-business strategies among small firms. The tool has also been used in assessing levels of customer satisfaction in the area of tourism and hospitality as evidenced by Chu and Choi (2000), Ziegler, Dearden, and Rollins (2012). The analysis suggests the gap between customer's expectation and their actual experience which in turn enables the management to address those areas of concern. The use of the tool is expected to help the analysis of budget hotel guests' expectations and experiences in the Hainan Province.

3.1 Data collection procedure and sample

The questionnaires were administered from January to April of 2013. The purpose of the research was clearly explained to every participant by providing a copy of the Project Information Sheet electronically. Pilot test of the survey and interview questions prior to administering was done to ensure the clarity of the language and appropriateness of the questions. The suggestions were incorporated in the final questionnaire and the interview questions. No names or contact details were required to maintain confidentiality of all participants. The total number of usable sample was 355. Initially the questions were structured in the English language then translated into the Mandarin. Assistance was taken from a person expert in English and Mandarin languages to translate the questionnaire.

The survey questionnaire comprised three sections. The first section gathered data on level of importance participants give to the list of features in the section. The second section, seeks their actual experience (performance) of quality dimensions as related to those features. The study uses a Likert type scale of 0 to 7, where 7 represents highest level of importance given to the variables in section-1, or highest level of performance rank given to the variables in section-2. On the lower end of the Likert Scale 1 represents lowest importance given to the variables in section-1 or lowest level of performance given to the variables in section-2. No opinion was expressed by circling 0, and was excluded from the analysis.

3.2 Development of measurement scales

Initially, we conducted an exploratory factor analysis to obtain the constructs to be used in the structural model. The factor analysis of each scale yielded 7 factors. Three factors were associated to the importance of indicators in selecting hotel accommodation (room service, room comfort, and reservation process). The exploratory factor analysis of the performance of the same indicators yielded four factors: in room-dining, front office services, room amenities, and hotel access and safety.

The items used to operationalize each construct were developed on the basis of existing literature.

The variables used to measure each of the constructs of the importance (expectations) in selecting hotel accommodation scale were:

1) Room service: *Prompt response from order taker, a variety of items on the menu, and prompt room service* if used.

2) Room comfort: *Standard of fixtures and fittings, comfort of the bed, cleanliness of the bathroom suite, and cleanliness of the room.*

3) Reservation process: *Receiving prompt confirmation of reservation and easily making a reservation.*

Those variables were measured on the bases of a 7 point-Likert Scale ranging from 1 (extremely unimportant) to 7 (extremely important).

The variables used to measure each of the constructs of the performance (actual experience) on the hotel accommodation scale were:

1) In room-dining: *Prompt response from order taker, a variety of items on the menu, prompt room service if used, the quality of food, value for money for room service, and the overall selection of beverages.*

2) Front office service: *Easily making a reservation, first contact with the hotel staff, helpful and friendly staff, and the check in and out procedure of the hotel.*

3) Room amenities: *Standard of fixtures and fittings, range of complimentary services, and size of television screen.*

4) Hotel access and safety: *Convenient location of the hotel and safety in the hotel*.

The measures used in the survey questionnaire were an outcome of interview with 12 managers from the local budget hotels in the Hainan province, China and literature review. They were also selected and customised based on studies such as Lockyer (2002), Mohsin (2003) and Mohsin and Ryan (2005).

The criteria for the sample selection included the requirement that the hotels should be categorized as budget hotels. Email and telephone calls were used to get consent to participant in an interview which was conducted using Skype. Questions asked in the interview helped to construct measures.

In addition to the variables specified in our model, we included gender and the main reason for staying in the hotel as control variables. These variables were used to see if gender and reason for stay such as it could be business trip or holiday, had any impact on expectations and actual experiences of the budget hotel guests in China (McCleary, Weaver, and Lan 1994, McCleary, Weaver, and Hutchinson 1993).

4. Analysis and Results
4.1 Reliability and Validity

We started by evaluating the psychometric properties of the seven constructs involved in the specified model. We initially performed exploratory factor analyses (EFA), computed item to total correlations, and calculated Cronbach's alpha coefficients for all constructs. Items which had factor loadings lower than 0.4 (Hu and Bentler 1995) were dropped from further analysis. Additionally, items whose deletion significantly increased the coefficient alpha or would present loading factor into two factors were also excluded from further analysis. Following these steps, three items were dropped from further analysis. As a result, all our measures were now unidimensional and showed accepted reliability levels with all coefficient alphas equal or above 0.73 (Cronbach, 1951).

We further assessed discriminant validity, convergent validity, and scale reliability with confirmatory factor analysis (CFA), based on the procedure suggested by Gerbing and Anderson (1988) and O´Leary-Kelly and Vokurka (1998). Tables 1 and 2 display the results obtained from the estimation of the CFA model. The results obtained from the estimation of the CFA model indicate that the overall chi-square for this model was 584.646 ($p<0.001$) with 225 degrees of freedom (df). Four measures of fit were examined: the comparative fit index (CFI=0.924), Tucker-Lewis fit index (TLI=0.907), incremental fit index (IFI=0.925), and the root mean square error of approximation (RMSEA=0.067). The results of the CFA model also show that the items employed to measure the constructs were both valid and reliable. More specifically, convergent validity is evidenced by the large and significant standardized loadings (t>1.96, $p<.05$) of the items on the respective constructs. Discriminant

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validity, on the other hand, was assessed by observing the construct inter-correlations. These were significantly different from 1, and the shared variance between any two constructs (i.e. the square of their inter-correlation) was less than the average variance explained in the items by the construct (Fornell & Larcker, 1981, Van de Vijver and Leung 1997) (Table 2).

Regarding the reliability test, all constructs present desirable levels of composite reliability as presented on Table 1. The lowest composite reliability scores was Hotel access and safety (CR=0.73) and the highest one was In room-dining (CR=0.92), meaning that all composite reliability scores fell well above the cut-off point established by the literature (Bagozzi, 1980). In terms of variance extracted, all constructs exceeded the recommended level of 0.50 (Fornell and Larcker, 1981). We conclude, therefore, that for all constructs the indicators were sufficient and adequate in terms of how the measurement model was specified.

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Insert Table 1 & Table 2 about here
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4.2 Testing of Hypotheses

Because of the complexity of the model and the need to test the relationships between the constructs in the model simultaneously, structural equations modelling were used by applying the maximum likelihood (ML) method (Amos version 20.0). The overall chi-square for the model exhibited in Figure 2 was significant (chi-square = 602.476, df = 232, $p<0.001$). Because of the weakness of the χ^2 test to assess the fit of models in large samples, other indices were employed to assess the adjustment of models (Jöreskog and Sörbom, 1984, Bagozzi and Yi, 1988). Because of the large sample size (355 observations) used in this study we examined the structural diagnostics for relative global fit suggested by Bollen (1989). As with the CFA model, we used four other measures of fit: comparative fit index (CFI=0.922), Tucker-Lewis fit index (TLI=0.907), the incremental fit index (IFI=0.922), and the root mean square error of approximation (RMSEA=0.067). Given that all the fit indices were inside conventional cut-off values, the model was deemed acceptable (Vandenberg & Lance, 2000). The relationships proposed in the model were examined next.

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Insert Figure 2 about here
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Our results reveal that the relationship between the importance of room service (expectation) in selecting a budget hotel accommodation and the performance (actual experience) of the in room dining was positive and significant (0.211; $p<0.001$), providing support for H_{1a}. This means that the more the customers (hotel guests) perceive and rank room service as an important factor in the selection of a budget hotel accommodation, greater the impact it has on their evaluating performance (actual experience) of the in-room dining service of the hotel they were staying in. This will influence their level of satisfaction with the hotel services.

As predicted by H_{1b}, the rating of importance of room service in selecting a budget hotel accommodation positively influenced the performance evaluation of room amenities (0.145; $p<0.001$). This means that the more the customers (hotel guests) perceive and rank room service to select a budget hotel accommodation, greater the impact it has on their evaluating performance (actual experience) of the hotel´s room amenities.

Supportive findings for H_{1c} (0.144; $p<0.001$) indicate that the higher the rating of importance of room service by the customers (hotel guests), the greater the impact it has on their evaluating performance (actual experience) of the hotel's access and safety performance.

Contrary to our expectations, the results obtained in the present study failed to provide support for H_{2a}, H_{2b} and H_{2c}. The results for the three path coefficients came out significant and negative, contradicting hypotheses H_{2a}, H_{2b} and H_{2c}. The path coefficient result for H_{2a} indicates that the rating of importance of room comfort negatively influenced performance evaluation of in-room dining. Thus, we can conclude that the higher the customers rate the importance of room comfort when choosing a budget hotel, the lower the impact it has on their evaluating performance (actual experience) of the hotel´s in-room dining performance (-0.791; $p<0.001$). In other words higher ranking of room comfort (importance) does not impact the evaluation of in-room dining (performance). The same rationale can be applied to interpret H_{2b} and H_{2c} results. The results for H_{2b} indicate that the higher the customers rate the importance of room comfort, the lower the impact it has on their evaluating performance (actual experience) of hotel´s room amenities performance (-0.701, $p<0.001$). Regarding H_{2c}, we can conclude that the higher customers rate the importance of room comfort for choosing a budget hotel accommodation, the lower the impact it has on their evaluating performance (actual experience) of hotel´s access and safety performance (-0.464, $p<0.001$). Thus, hypotheses H_{2a}, H_{2b} and H_{2c} are rejected.

Consistent with hypothesis H_{3a}, the results indicate that the rating of importance of reservation process by hotel guests positively influenced the performance evaluation of the front office services as indicated by a parameter estimated of 0.282 ($p<0.001$). These results point out that the higher guests rate the importance of reservation process, greater the impact it has on their evaluating performance (actual experience) of the hotel´s front office services.

Surprisingly, the results relating to the effect of the rating of importance of reservation process by hotel guests on the performance evaluation of the room amenities (H_{3b} = -0.089, $p>0.10$) and hotel access and safety (H_{3c}= -0.105, $p>0.10$) were found to be not statistically significant ($p>0.10$).

Although we did not specify *a priori* the hypotheses for the effects of the control variables gender and the reason for staying in the hotel on the dependent variables of performance in budget hotels, we did test those relationships in our final model. The results indicate that neither of the control variables significantly affected the other relationships in the model.

All path coefficient results and *t*-values are presented on Table 3, below.

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Insert Table 3 about here

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5. Discussion and Managerial Implications

The current study explores and examines whether ranking of importance (expectation) of room service, room comfort and reservation process within the context of budget hotels in China has any impact on hotel guests' evaluation of performance (actual experience) of in-room dining, room amenities, front office service, and hotel access and safety based on their actual experience. The study has applied the IPA tool which has been used and validated by several researchers (Abalo, Varela, and Manzano, 2007, Azzopardi, and Nash 2013, Chu, and Choi 2000, Hawes, and Rao 1985, Joseph, Allbright, Stone, Sekhon, and Tinson, 2005, Levenburg, and Magal 2005, Wu and Shieh 2009, Ziegler, Dearden, and Rollins 2012).

A theoretical mode is proposed in Figure 1 contributing to the literature in the context of budget hotels' IPA and determinants of the service quality. The literature seems to support the premise that generally perceived service quality seems to positively influence customers' loyalty and attitudes towards the organization (Anton et al 2007; Bell et al., 2005; Aydin & Ozer, 2005, Suhartanto 2011). The literature further suggests that major inconsistencies exist in service quality performance across small, medium and large hotels (Briggs et al 2007, Keating and Harrington 2003, Li Krit 2012). Considering the growth of budget hotels in China to cater for growing international and domestic tourism (Dai and Shu 2007, Zhang et al 2008), it essential to examine hotel guests' perceptions about the service quality offered by the hotels to help sustain business and customer loyalty. Selecting areas in hotel operations with maximum potential of guest contact H_{1a} results reveal that the relationship between the importance of room service in selecting a budget hotel accommodation and the performance of the in-room dining was positive and significant (0.211; $p<0.001$), providing support for H_{1a}. This is consistent with other studies stated above which reflect that the more the customers perceive room service as an important factor in the selection of a budget hotel accommodation, greater the impact it has on their evaluating performance (actual experience) of the in-room dining. It is generally noted that for hotel guests to enjoy room service, room amenities add to improve their satisfaction level.

Within the context of Chinese budget hotel guests it was tested through the H_{1b} and results show that the more the customers rate room service in selecting a budget hotel accommodation, greater the impact it has on their evaluating performance (actual experience) of hotel's amenities (0.145; $p<0.001$). This evidence is supported by studies such as Stauss and Weinlich (1997), Wilkins et al (2006), Tse and Ho (2009), which highlight that expectations of the hotel guest with regard to room service, impact their satisfaction with amenities in the room. Another interesting and unique scenario is noted in the importance-

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performance analysis within the context of service quality evaluation by the budget hotel guests in China. The results of H_{1c} reflect that the higher the rating of importance of room service by the hotel guests, the greater the impact it has on their evaluating performance (actual experience) of the hotel access and safety performance (0.144; $p<0.001$). This is also a reflection that perhaps added facilities and service add to service quality performance, in this case ease of access and safety in the hotel adds to room service perception ratings. Though there was no direct reference found in the literature with regard to this hypothesis results, it is noted that authors like Palmer et al (2000), Bell et al (2005), Yoo and Park (2007) suggest that elevation of service quality perceptions adds to the competitive advantage and repurchase behaviour. Hence importance of room service is also related to the ease of access and safety in the hotel within the context of budget hotels in China.

Room comforts are integral to service quality perceptions. How do room comforts relate to in-room dining, front office service, room amenities, hotel access and safety? Literature suggests that perceived service quality seems to positively influence customers' loyalty and their attitudes towards service providers (Anton et al 2007; Bell et al., 2005; Aydin & Ozer, 2005). Further, Torres et al (2014) state in their study that meeting customers' expectation might generate satisfied customers but does not guarantee excitement and delight. An important message for budget hotel management is that hospitality establishments should strive to exceed guests' expectations and not just meet them. Hence in assessing another high guest contact and comfort area within a budget hotel, the H_{2a} tests the influence of room comfort on in-room dining performance. The results indicate that higher the customers (hotel guests) rate the importance of room comfort, lower the impact it has on their evaluating performance (actual experience) of budget hotels' in-room dining performance (-0.791; $p<0.001$). In other words in-room dining experience is only a part of overall room comfort and on its own, it may not influence how overall room comfort is experienced and evaluated by the budget hotel guests in China. A study by Suhartanto (2011) states that service quality is a key factor in creating brand loyalty in the lodging industry and that hotel needs to provide services which add to guests' comforts and improve overall service perceptions. The results cultivate what has been suggested by several studies that guests use hotel standard as a criteria in choosing hotels (Callan, 1998; Callan & Bowman, 2000, Li and Krit (2012). Consequently, higher the rating of room comfort could result in lower evaluation of the in-room dining experience.

Similar results are noted when testing importance rating of room comfort and its relationship with evaluation of room amenities. The results of H_{2b} indicate that higher the customers (hotel guests) rate the importance of room comfort, lower the impact it has on their evaluating performance (actual experience) of hotels' room amenities (-0.701, $p<0.001$). This seems consistent with the work of Presbury et al. (2005) where the authors have identified that high expectations of guests impacts their service quality evaluations. Likewise, Ariffin and Maghzi (2012) also state that the hotel's star rating had a major effect on a customer's perception of delivered service quality. Overall higher the importance rating of room comfort influences room amenities performance evaluation. The results of H_{2c} show that the higher the customers (hotel guests) rate the importance of room comfort, lower the impact it has on

their evaluating performance (actual experience) of hotel's access and safety performance within the context of budget hotels in China (-0.464, $p<0.001$). This notion though contrary to our expectations seems to be consistent with what previous studies have suggested that higher guests expectations impact their evaluations of service performance (Presbury et al 2005, Ariffin and Maghzi 2012, Li and Krit 2012).

The next significant area in hotel operations with a high guest contact is the reservation process. In testing the importance rating of reservation process and its relationship with performance of front office services, results of **H$_{3a}$** reveals that the higher the customers (hotel guests) rate the importance of reservation process, greater the impact it has on their evaluating performance (actual experience) of the front office services (0.282 $p<0.001$). Since reservation is usually the first point of contact between the guest and the hotel, its performance impacts perceptions and evaluations of front office services. No other relationship was found to have any statistical significance.

So what is the significance and implications of this study?

Despite decades of research and abundance of published studies service quality still remains an important issue within the lodging industry (Bhavani and Pawar 2013, Soriano 2002, Torres et al. 2014, Chen and Chen 2014, Anton et al 2007, Bell et al. 2005, Aydin & Ozer 2005, Suhartanto 2011). This study provides an opportunity for budget hotel management generally and China's budget hotel management specifically to understand which factors have a significant impact on hotel guests' importance ranking and performance dimensions of service quality. Studying the service quality perceptions of consumers originating from different parts of the globe benefits hotel management in different countries to understand and assess how they could provide customised service to guests originating from different countries. We have also devised a model (see Figure 1) which shows the factors tested as part of theoretical model and final model (see Figure 2) describing the significance and non-significance of the factors influencing importance rating and performance evaluation or actual experience of the hotel guests. The outcomes of this study should help the budget hotel industry develop service quality strategies to delight their customers and retain loyalty.

Secondly, the study investigates service quality perceptions of budget hotel guests in China, an area where research is sparse generally in Asia and almost non-existent within the context of China. From this perspective the study contributes to literature on service quality in the lodging industry specifically the budget hotels. The current study cannot claim to be wholly conclusive as it is limited to one province in China. The results should be considered keeping this and subjectivity of responses in view. Nevertheless, the findings create options of further and comparative research in future.

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Table 1
Constructs Measurements Summary
Confirmatory Factor Analysis and Scales Reliability

Constructs/Variables	Standardized Loading	*t*-Value	AVE	Composite Reliability (ρ)*	Cronbach's Alpha (α)**
Factors of Importance					
1. Room Service			0.53	0.77	0.84
Prompt response from order taker	.769	Set to 1			
A variety of items on the menu	.663	12.150			
Prompt room service if used	.744	10.578			
2. Room Comfort			0.51	0.80	0.82
Standard of fixtures and fittings	.736	Set to 1			
Comfort of the bed	.823	11.603			
Cleanliness of the bathroom suite	.649	9.802			
Cleanliness of the room	.624	9.765			
3. Reservation Process			0.60	0.75	0.74
Receiving prompt confirmation of reservation	.701	Set to 1			
Easily making a reservation	.843	8.635			
Factor of Service Performance					
4. In Room-Dining			0.66	0.92	0.92
Prompt response from order taker	.840	Set to 1			
A variety of items on the menu	.870	23.404			
Prompt room service if used	.891	22.708			
The quality of food	.778	18.750			
Value for money for room service	.753	17.372			
The overall selection of beverages	.740	16.549			
5. Room Amenities			0.52	0.76	0.76
Standard of fixtures and fittings	.746	Set to 1			
Range of complimentary services	.770	12.133			
Size of television screen	.629	10.407			
6. Hotel Access and Safety			0.58	0.73	0.73
Convenient location of the hotel	.813	8.159			
Safety in the hotels – your	.705	Set to 1			

experience?					
7. Front Office Services			**0.58**	**0.84**	**0.83**
Easily making a reservation	.620	Set to 1			
First contact with the hotel staff	.850	12.573			
Helpful and friendly staff	.885	12.856			
The check in and out procedure of the Hotel	.649	10.350			

Note:

*ρ- composite reliability $(\rho_c=(\sum\lambda_i)^2\text{var}(\xi)/[(\sum\lambda_i)^2\text{var}(\xi)+\sum\theta_{ii}])$ (Bagozzi, 1980)

**α- Cronbach's alpha (Cronbach, 1951)

AVE = Average Variance Extracted (Fornell and Larcker, 1981)

Table 2
Correlation between Constructs

Construct	1	2	3	4	5	6	7
1. Room service importance	0.73						
2. Room amenities performance	0.373	0.71					
3. Reservation Process importance	0.462	0.108	0.77				
4. Room Comfort importance	0.574	0.164	0.490	0.72			
5. Hotel Access and Safety performance	0.208	0.587	0. 074	0.164	0.76		
6. In Room Dining performance	0.522	0.648	0.168	0.171	0.498	0.82	
7 Front Office Services performance	0.458	0. 619	0.279	0.227	0.398	0. 667	0.76

Table 3
Path Coefficients in the Structural Model

Linkages in the model	Standardized parameter estimates	
	Estimate	*t*-value
H1a: Importance of room service → In room dining performance	0.211	7.720***
H1b: Importance of room service → Room amenities performance	0.145	6.798***
H1c: Importance of room service → Hotel access and safety performance	0.144	6.089***
H2a: Importance of room comfort→ In room dining performance	-0.791	4.933***
H2b: Importance of room comfort → Room amenities performance	-0.701	4.287***
H2c: Importance of room comfort → Hotel access and safety performance	-0.464	3.395***
H3a: Importance of reservation process → Front office service performance	0.282	4.035***
H3b: Importance of reservation process → Room amenities performance	-0.089	1.224 (**NS**)
H3c: Importance of reservation process → Hotel access and safety performance	-0.105	1.321 (**NS**)

* $P<0.10$; ** $P<0.01$; *** $P<0.001$.

Figure 1
Conceptual Model

Figure 2
Final Model

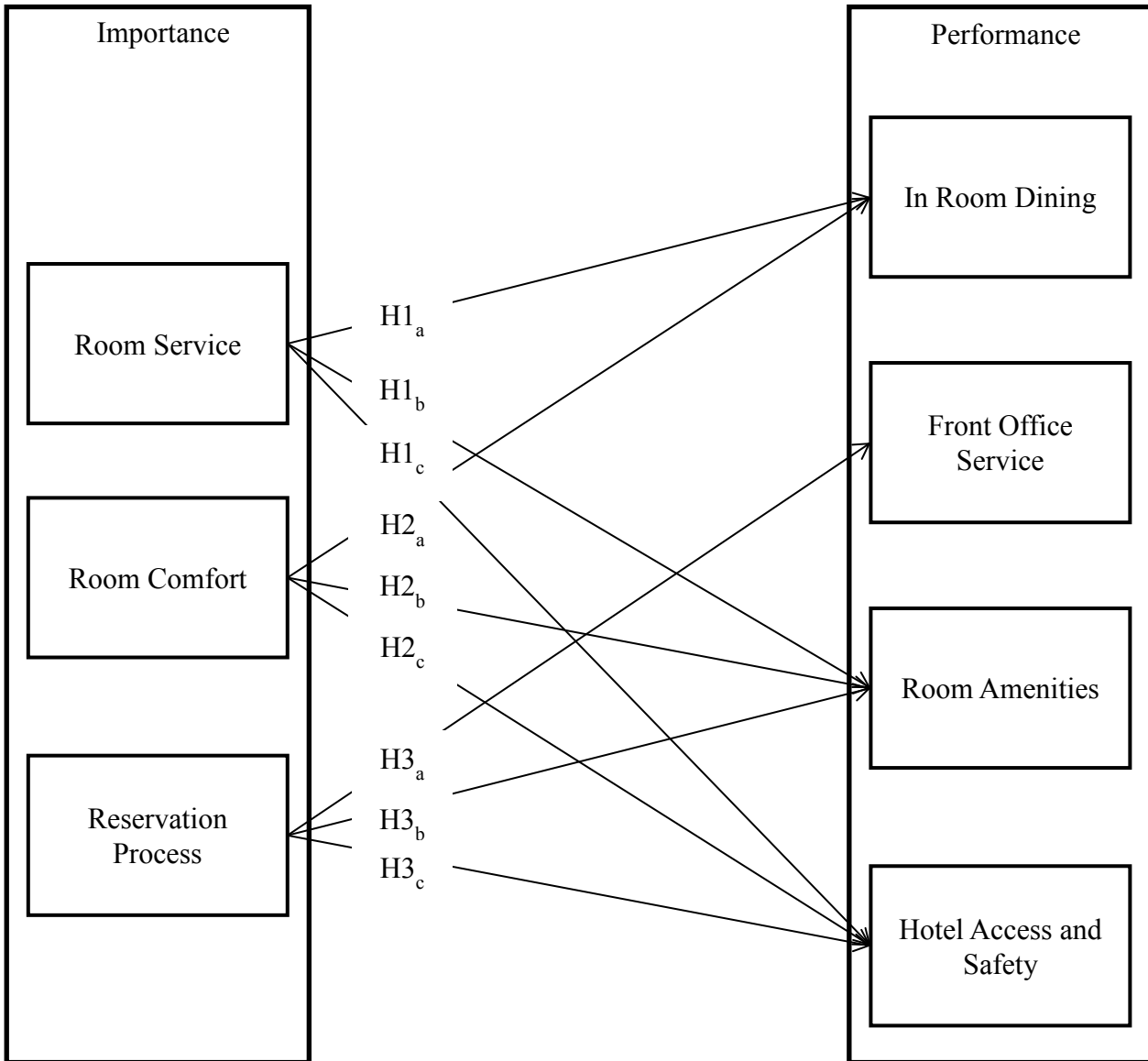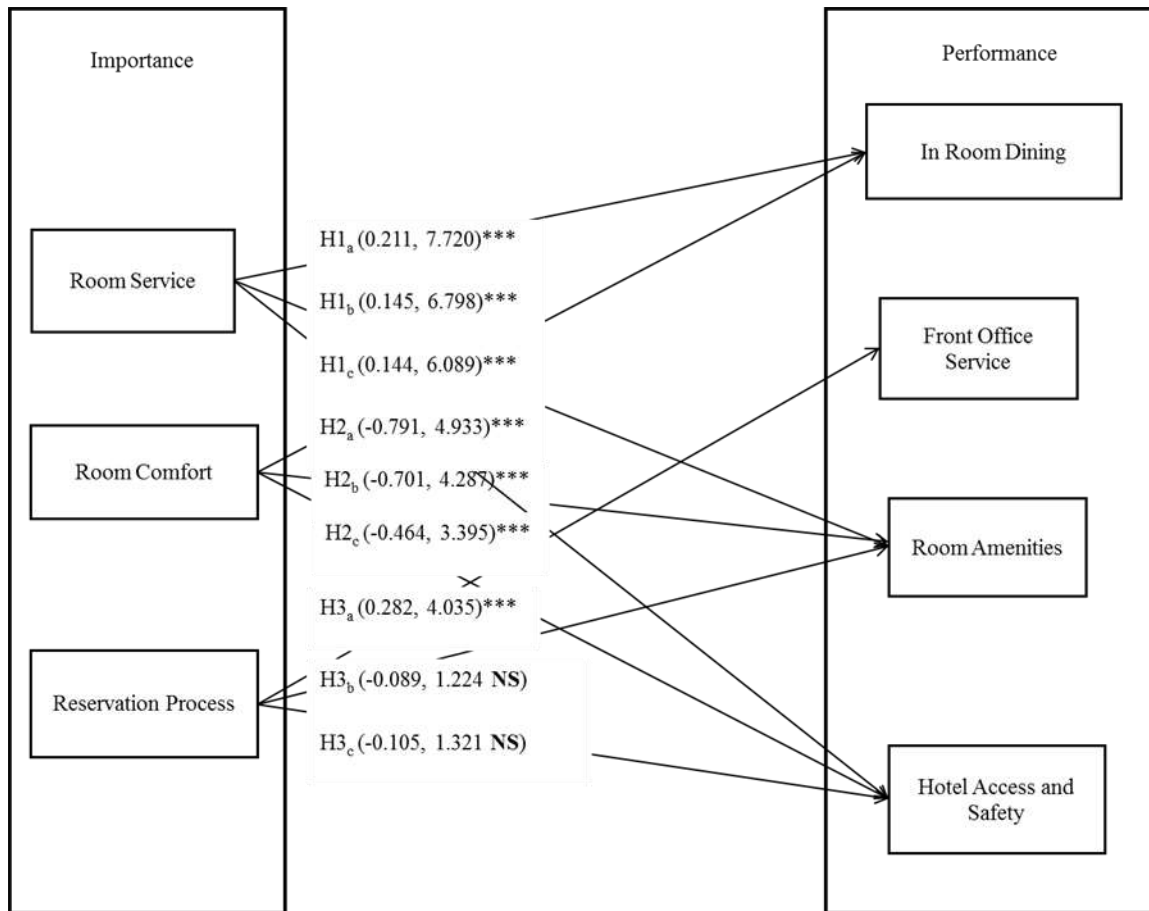Note: * $p<0.10$; ** $p<0.01$; *** $p<0.001$.
(path coefficient values, t value)