

Making China's Hotels Great

As China and its hotel industry gain prominence on the global stage, more and more foreign investors are turning their attention to this huge and extremely promising market. Chinese hotels are in desperate need of strategies to compete with the high-quality service and facilities offered by Western hotel chains. Thanks to a pioneering study by the SHTM's Dr Markus Schuckert, Professor Rob Law and their co-authors, they now have the perfect solution. Based on painstaking analysis of a huge new dataset of TripAdvisor reviews, the researchers show Chinese hotel managers exactly how their hotels are falling short of international standards, and what they can do to close the gap.

Fierce Competition

China's tourism industry is flourishing. The researchers note that the last few decades have seen not only rocketing demand, with inbound tourism increasing by 75 times since 1978, but also rapid growth in supply. In 2013, there were over 13,000 star-rated hotels in China, compared with fewer than 3,000 in 1994, and this figure continues to rise. Yet, domestic hotel companies are not the only beneficiaries. As the tourism industry becomes an ever more important driver of economic growth, its success spells good news for China as a whole.

However, the researchers are careful to point out that this phenomenal progress inevitably brings challenges. Chinese hotels still lag behind those in developed countries in the West. "Since the 1980s", they write, "the Chinese hospitality industry has been suffering from overcapacity,

quality issues, low efficiency and decreasing operational scale".

Foreign hotel companies have been quick to fill this gap, bringing their flagship brands to China to deliver the high-quality amenities and excellent service demanded by foreign tourists and, increasingly, by Chinese consumers themselves. Competition is particularly fierce in the luxury segment, the researchers comment, where Chinese hotel companies are being edged out by international brands such as Marriott, Hyatt and the InterContinental Hotels Group.

Differences in Quality

To make matters worse, the gap in quality between domestic and international hotels is increasingly visible with the rise of social media and e-commerce. According to the researchers, dissatisfied guests can now post reviews, photos and even videos showing exactly how and why Chinese hotels are failing to live up to expectations. Service, property maintenance, reservations and sanitation are all in need of attention.

"It is vital", stress the researchers, "for domestic Chinese hotels to detect and eliminate gaps in hardware and/or service quality between themselves and foreign competitors". Only then will they be equipped to meet the rising expectations of local consumers as well as foreign tourists.

A Way Forward

In today's era of e-commerce, the researchers tell us, the best – and cheapest – way for hotels to identify

and address their shortcomings is through online reputation management. By responding in a timely and conciliatory way to guest complaints on TripAdvisor, for example, managers can improve "consumer satisfaction, hotel ratings, the volume of positive reviews, and hotel performance".

Yet here, too, Chinese firms are at a disadvantage. Due to "a lack of budget, training, and technology as well as prevailing cultural factors", explain the researchers, "local Chinese hotel managers are less likely to use such strategies than managers of global hotel chains". For example, they may be inexperienced in dealing with complaints due to China's collectivist culture, which makes guests "more likely to control their emotions and save face for others".

Still, most studies of the service-quality gap in China's hotel sector have paid little attention to such differences in management response strategies between hotel types. And neither have they attempted to analyse online ratings, despite the overwhelming popularity of online booking in today's ultra-connected age. The researchers knew that to help Chinese hotel firms meet guests' expectations and compete with foreign brands in the future, they would need to break new ground.

Cutting-edge Dataset

As "one of the world's largest travel sites", TripAdvisor (and its official Chinese website DaoDao) offered the researchers the ideal setting to gather a comprehensive and novel set of online reviews on domestic and international hotels in China. They collected 84,997 reviews on

443 hotel chains in China's three biggest (and most international) cities: Beijing, Shanghai and Guangzhou.

All of the hotels were in the luxury segment, where domestic hotels face the greatest threat from their international rivals. About half were operated by mainland Chinese brands, and the other half were run by American, European or other Asian companies. This allowed the researchers to rigorously compare domestic and international standards from the perspective of real guests, taking into account cultural differences between China and the West.

The next step was to analyse the hotels in light of a few carefully chosen hypotheses. For example, the researchers expected management response strategies (such as empathy, an apology or even compensation) to be more effective for domestic than international hotels. Guests at Chinese hotels generally expect poorer service than those staying at international hotels, so when Chinese managers do respond swiftly to complaints, they have a good chance of surpassing guests' expectations.

Closing the Gap

A series of rigorous statistical analyses yielded some important findings. First, the researchers discovered that tourists in Beijing, Guangzhou and Shanghai "have more confidence in and prefer to stay at luxury hotels belonging to international hotel chains" than domestic firms. The next step was to figure out how and why international luxury hotels are outclassing their Chinese counterparts, and what can be done to close the gap.

In their online evaluations, guests expressed particular satisfaction

with the quiet and clean conditions offered by international hotel brands. They found it harder to sleep in Chinese hotels, and were dissatisfied with their level of hygiene. Service was also poorer in domestic hotels. The implications for the local hotel sector are clear. As the researchers note, the managers of Chinese luxury hotels should now focus on "improving their service quality, cleanliness, and sleep environment" to satisfy more guests.

International luxury hotel chains were also found to take consumer feedback more seriously than their Chinese counterparts did. More than half of the Chinese hotels never responded to guests' online reviews, whereas most of the international chains implemented management response strategies. This, explain the researchers, "indicates that international hotel chains have a better understanding of guest requirements and are also more likely to budget for service recovery and online review-management strategies".

To meet the standards offered by their foreign competitors, domestic hotel managers should take action to identify and meet the needs of their guests by carefully considering and responding to online feedback. The more detailed their responses, the better. But making guests happy is not the only reason for domestic hotels to adopt more positive management response strategies, suggest the researchers. "Managers can also learn a lot about how to further improve their services from the complaints and suggestions they receive."

China and Beyond

This ground-breaking study shows Chinese hotel brands precisely where they fall short of international standards, and offers the perfect solution. As the researchers note,

"management response is a fact-based, cost-saving, and more effective method than allocating resources to improve product and quality standards without listening to consumers' needs". Given the rapid growth of China's tourism industry as a major contributor to the economy, closing the service-quality gap between domestic and international hotel chains will ultimately enhance China's overall economic development. However, the value of the findings is not limited to China. The researchers also offer some sage advice for international hotel managers with mature response strategies: write more! Responding to guests' online reviews with more detailed feedback is an excellent way to improve their satisfaction – an insight of value to hotels worldwide.

POINTS TO NOTE

- Hotels make vital contributions to tourism and economic growth in China.
- However, Chinese hotels offer poorer service and facilities than their international counterparts.
- Chinese hotel managers must fill specific gaps to meet international standards.
- Responding swiftly and appropriately to guests' feedback is a highly effective way of improving their satisfaction.

Markus Schuckert, Sai Liang, Rob Law and Wenjun Sun. (2019). "How Do Domestic and International High-End Hotel Brands Receive and Manage Customer Feedback?" *International Journal of Hospitality Management*, Vol. 77, pp. 528-537.