ASPECTS REGARDING THE CONSUMER BUYER BEHAVIOUR FOR BUDGET HOTELS IN IRELAND

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Abstract

This paper aims to asses the behaviour of budget hotel consumers as well as to determine what characteristics and facilities are most important in making this high involvement purchase. The purpose of the conducted study is to evaluate the decision making process and its implications; all five stages in the decision making model (problem recognition, information search, evaluation of alternatives, purchase choice, and evaluation of outcome) are equally important in finding out what consumer want and how they behave in this situation. The research revealed that majority of budget hotel customers are business travellers. The attributes to be most important to customers of budget hotels are price, cleanliness, and convenience of location that are to be focused by the hotels in their future decisions.

Key words: budget hotel, Ireland, consumer behaviour, price, leisure, business
JEL Classification: M 31

1. Introduction

The English contemporary term *hotel* has its roots in Medieval Latin as the word *hospitale* meaning an inn. It was incorporated in to Old French as *hostel* referring to a lodging before it evolved in to modern French as the word *hôtel*. This word, however, did not initially refer to a commercial accommodation, but rather a public official residence. Today the word *hôtel*, with or without a circumflex, conveys its contemporary meaning in either language. Although different words may have been used, it is clear that commercial accommodations in some form or another existed long before the now synonymous term *hotel* was coined.

This paper shows the hotel types in Ireland and focuses on the budget hotels consumer behaviour.

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2. Hotel marketplace segmentation in Ireland

The hotel industry is normally segmented using a combination of price, service, and facilities. Depending on the granularity of segmentation required, Irish hotels are normally grouped thus: Luxury, Upper-upscale, Upscale, Midscale full service, Midscale limited service, Economy, and Budget. However, for the purposes of this report we shall confine ourselves to just four segments: Luxury, Upscale, Midscale, and Economy/Budget.

Although price, service, and facilities are an effective measure of a hotels position in the market there is often a degree of overlap between segments. This is apparent when you consider the high level of facilities provided by some budget accommodations and the heavy discounting practiced by some Midscale and Upscale hotels. An example of this can be seen in Table no. 1 where it is cheaper for a single adult to stay in the Upscale Slieve Russell Midweek than it is to stay in a Midscale Jurys Doyle Hotel.

Table no. 1 illustrates how we have segmented the market based principally on price but we have found that service and facilities do to a large extent correspond to the price being paid. For example Travel Lodge offers no additional service at all; breakfast is not even available in most cases. There are limited differences between Midscale and Upscale. Midscale hotels may in some instances be considered business hotels. Upscale tends to be more Leisure breaks oriented with higher quality/prestige leisure and restaurant facilities. Luxury hotels differentiate themselves on exclusivity, location, décor.

Table no. 1: Segmentation of Hotel Marketplace based on Price -Euro-

Segment	Sample Hotel	2 Adults + 2 Children		1 Adult	
		Midweek	Weekend	Midweek	Weekend
Luxury	Brooks Hotel	610	800	155	200
Upscale	Slieve Russell	245	245+	112	130
Midscale	Jurys Doyle	129	129	129	129
Economy/Budget	Travel Lodge	59	119	59	119

Source: own research

We are principally concerned with the Budget Hotel segment and will proceed to determine typical buyer behaviour for this segment. To assist we have constructed a simple fifteen question research instrument and surveyed a number of hotel consumers to determine their preferences. A copy of this survey questionnaire is included in the Annex. The research has also indicated to us that 59% of budget hotel consumers are business users and about 31% are leisure/tourist consumers. The remainder comprises corporate agreements (6%), conference/meetings (2%), and other (2%) [Deloitte, 2004].

Accommodation is a fundamental need for travellers whether they travel for leisure or for business. The need for a shelter is a basic physiological need, but the need for a hotel room is largely a consequence of a higher need, ego. Budget Hotels are a cheap alternative for those who just want to have a clean room with a bed and a shower, without having to pay for extra facilities that they may not even use.

People who choose to stay in a Budget Hotel will normally be price sensitive, but this is not the only factor that indicates that they are highly involved with the purchase. The perceived risk of their choice will also influence their purchase behaviour because of uncertainty about the decision and the potential consequences of choosing poorly. The financial risk (spending the money), the perception (about the room's quality), or the physiological risks will all increase their involvement in the purchase. The final decision has

a high degree of risk, principally because the Budget Hotel room effectively becomes the customers' home for the period of their stay, so it is important that it fulfil all of their demands and expectations.

Of course, the level of involvement with a Budget Hotel Room purchase varies by individual, but especially by social status. Those with lower social status tend to be more involved when booking a room in a Budget Hotel, even if the price is significantly lower than that of a luxury room. Those with higher status tend to use other kinds of hotels, like luxury or upscale hotels as they believe that this reflects or reinforces their status or position.

3. Consumer choice model for hotels

Booking a hotel room is not likely to be the most involved purchase people make in their lives but it is at least somewhat important to them for the reasons we have already discussed. There are typically a number of alternatives available with varying attributes such as price, quality, and facilities which all impact the consumers end goal of getting a comfortable night sleep and enjoying the facilities for which they have chosen to pay. It is reasonable, therefore, to consider all five stages in the decision making model: problem recognition, search for information, evaluation of alternatives, purchase choice and evaluation of outcome.

Problem recognition is normally quite straight forward. Organised travellers embarking on a predefined journey may decide to arrange their accommodation prior to travel. Others, perhaps on a less predictable trip may wait until the need for accommodation is more immediate.

Search for information will take various forms and will include internal and external sources.

Internal sources include their own past experiences for example if they stayed in a hotel before or if they have a loyalty toward a particular hotel chain/brand. Users of budget hotels are more likely to be influenced by physiological, safety, and social motives that users of upscale or luxury hotels that may be influenced by ego, and self-actualisation motives. Personal characteristics such as age, family lifecycle, career status, economic situation, and even usage occasion will also be factors.

External sources include environmental influences and marketing stimuli. Marketing stimuli will comprise the accumulated industry and brand knowledge/attitudes absorbed/learned by the person through the media. This will, however consciously or subconsciously, influence the customer once they begin to search for information. At this stage, the consumer also becomes more interested in media communications and may, for example, even respond to an advertisement for accommodation. Environmental influences may include a travel agent, an infomediary website or directory, or perhaps word of mouth from friends, family, colleges, or a recognised opinion leader. Travellers not booking in advance may even conduct their information search when they arrive at their destination; perhaps searching physically, asking local people or a tourist office, or by consulting a local paper or online directory. Business travellers may have little or no need to search for information if their business already has partnerships with preferred accommodations.

Evaluation of alternatives is an important part of buyer behaviour; it is of crucial importance to marketers to understand how customers evaluate and ultimately choose to purchase goods and services. In the absence of unexpected situational factors the customer

is at least more likely to make their purchase decision based on their evaluation of alternatives.

To gain a greater insight in to how people use budget hotels we conducted some primary market research in the form of a simple survey. Our sampling plan was based on non-probability convenience sampling of one hundred respondents, which were budget hotels customers from Donegal (Ireland). This research indicated that the dominant component of choice when selecting a budget hotel is price. The location of the hotel and the cleanliness of the room are also important factors.

If we attempt to apply Fishbein's multi attribute model [Solomon, 1992, 177-182] the customer identifies several attributes, in this case price, location, cleanliness, and possibly others according to individual preferences. They proceed to apply an importance or weighting to each attribute, in this situation price being the most heavily weighted. Subsequently the customer compares the relative weighted (importance adjusted) scores for each budget hotel that they are choosing between to ultimately arrive at the one which scores most highly overall.

This model takes in to account those attributes which are most important to the customer in such a way that they may still prefer a budget hotel that is inferior on some less important attributes so long as it scores highly on the more important attributes. According to [Solomon, 1992, 177-182] the multi attribute model may be less than accurate under various circumstances including those involving impulsive acts, sudden changes in situation, where novelty seeking behaviour is at play, or in simple repeat purchase situations. The same author warns that attitudes formed by direct or personal experience are often stronger than those formed indirectly such as those developed in response to advertising. For instance, if a customer has stayed in a particular budget hotel previously and enjoyed their stay this may be a more powerful motivator than the cheaper budget hotel next door that they saw on television.

Most of the people we surveyed used budget hotels for leisure/tourism purposes and travelled with family or friends for an average duration of about one week. This is a contradiction with the UK budget hotel survey conducted by Deloitte & Touche in 2004 that we referenced earlier but we put this discrepancy down to the small number of people that we surveyed. Also given the type of convenience sampling that we used it was unlikely that we would encounter many people using budget hotels for business.

The purchase choice, for our sample population, is made jointly for the most part and is most significantly influenced by word of mouth. Friends and family who have previous experience with budget hotels or a given budget hotel in particular are by far the most common opinion leaders.

It was also noticeable that past experience is a strong factor influencing consumers' attitudes toward budget hotels. Even if sometimes budget hotels are considered to have a low degree of quality in one or more areas the customer may still be satisfied overall. They even exhibit a certain degree of brand loyalty toward the budget hotel in question. We can only explain this through the principal of heuristics; "you get what you pay for", "the hotel has less overheads and staff and passes the saving on to me", etc. It could also be argued that this is a very ego defensive attitude and that the customers are simply protecting themselves from the 'pain' of having made a bad purchase decision in the first place.

If the money is very important, the most dominant influence in choosing a hotel is price. According to this customers will choose a hotel that is cheaper; a Budget Hotel. The next feature will be ranked and the consumer will decide what other characteristics of the

budget hotels are important like location, proximity with other interesting places, views etc. This is known as the conjunctive decision rule and is very common for those who rank hotels according to price.

Of course, other rules can be used, like the lexicographic rule where the customer has for example short listed the hotels he likes based on ranked attributes like location, view and additional services. The final decision is then taken according to the key feature; price.

Post purchase evaluation is the final stage of the buyer behaviour process and the point at which consumers consider the merits of their purchase decision. This is the point at which the consumer has the most influence by voicing their opinion of the accommodation and it is the last opportunity that the marketer has to influence the consumer hopefully avoiding any cognitive dissonance.

Service Quality is accepted as the contrast between customers' expectations versus their perceptions. Clearly expectations are not always that high, some customers don't expect too much when the price is low. However, we have determined that due to high competition, hotels and budget hotels especially are trying to provide better rooms at lower prices. This is shown by the continuous reduction of rates over the last few years [Deloitte, 2004] and the quality and quantity of facilities provided by most operators. As a result of these efforts most operators appear to be meeting or exceeding their customers' expectations so that customers perceive that they have received at least an adequate if not good quality of service.

According to our own research, when looking for a budget hotel room the customer relies on Internet searches (47.82%), but also on prior knowledge (26.08%) and word of mouth referral (17.39%). This demonstrates that although people often rely on Internet searches, existing knowledge and word of mouth from opinion leaders is also vital.

If the purchase is made and the consumer's needs are met or even exceeded the consumer will likely develop a positive attitude towards the brand. In this case, the consumer will be happy with what they got for their money. At this stage they may be considered an opinion leader by their acquaintances, a positive one who is going to give positive recommendations about the budget hotel. In short, if a customer is happy with the room they paid for they are going to influence other people's buying behaviour in a positive way. Conversely, if the customer's needs are not met, they are going to form a negative attitude and influence other people's buying behaviour in a negative way.

In conclusion it is very important for a customer to have 'good' information in order to make an appropriate decision and to form reliable expectations that can be satisfied. If the information is not true or reliable the customer will be unsatisfied, so they won't be a future possible customer, they will just be a negative opinion leader for other potential customers.

4. Implications and conclusions

Based on a combination of the UK budget hotel survey conducted by Deloitte & Touche and our own research we have concluded that budget hotels can be segmented into two broad categories, business users and leisure/tourism users. *Marketing communications* should be directed toward both of these segments. The degree to which resources should be committed should not necessarily follow in the same ratio as business to leisure/tourism users. This will depend on the degree to which we could reach each segment and the degree to which they are likely to respond to the message presented to them. This is probably a matter of trial and error and/or the subject of a great deal of additional research.

Almost half of the respondents of our own research indicated that they rely on the Internet when searching for budget hotels. This cannot be ignored; infomediaries, travel and accommodation directories, and targeted search engines such as Google (49.2% or searches), Yahoo (23.8% of searches), MSN (9.6% of searches), AOL (6.3% of searches) [Nielsen Net Ratings, 2006] should all be considered as viable media candidates.

Our research also indicated that the following publications are read on a regular basis by some respondents: The Irish Independent, The Irish Times, The Financial Times, The Sunday Business Post. These are suitable print media through which to communicate to both business and leisure travellers.

A lesser component of the customer mix is corporate agreements accounting for 6% of UK budget hotel business [Deloitte, 2004]. We feel that a direct sales force approach target-ing corporate accounts especially in the industries that have heavily based field sales force may be appropriate. For example Pharmaceutical and Insurance companies. These contracts would need to be negotiated heavily on price/volume usage by an experience corporate sales force. This could possibly be outsourced.

The attributes that we have identified, through our research, to be most important to customers of budget hotels are price, cleanliness, and convenience of location. Accommodation units should certainly base our appeal on these attributes. In particular we recommend a variable room rate, dependent on day of week, of between €26 and €75; this is the level of pricing that most of our respondents seek to pay. Hotels should also endeavour to promote a high level of cleanliness and choose strategic locations that have tangible and communicable benefits to potential customers.

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Annex

Budget Hotel Questionnaire

1. Do you stay in budget hotels when you travel?
   ☐ Yes (go to question 2)   ☐ No (end of questionnaire)

2. What is the main reason for your choice?

☐ Lower prices
☐ Convenient locations
☐ Consistent standards
☐ Other – please specify _____

3. What is your principal usage occasion for an accommodation/lodging?
Business Travel ☐   Leisure Travel ☐   Other ☐

4. How often do you stay in a budget hotel each year?
1-2 times ☐   3-5 times ☐   6-12 times ☐   More than 13 ☐

5. What is the average duration of your stay?
1-3 Nights ☐   4-7 Nights ☐   More than 1 Week ☐   2-3 Weeks ☐   1 Month or more ☐

6. Who do you normally travel with?

Alone	With Spouse	with Family	With Friends	With Colleges
☐	☐	☐	☐	☐

7. Who chooses the budget hotel as accommodation?

Myself	Family	Friends	Employer	Joint Decision
☐	☐	☐	☐	☐

8. How is this choice made?

Internet Search	Paper Directory	Word of Mouth Referral	Prior Knowledge	Other / Don't Know
☐	☐	☐	☐	☐

9. Please rate the importance of the following attributes in a budget hotel.

Not Important	-2	-1	0	1	2	Very Important

	-2	-1	0	1	2
Price	☐	☐	☐	☐	☐
Location	☐	☐	☐	☐	☐
Good Shower	☐	☐	☐	☐	☐
Television	☐	☐	☐	☐	☐
Tea & Coffee	☐	☐	☐	☐	☐
WIFI access	☐	☐	☐	☐	☐
Breakfast included	☐	☐	☐	☐	☐
Cleanliness of Room	☐	☐	☐	☐	☐
Attentive Service	☐	☐	☐	☐	☐
Meeting rooms	☐	☐	☐	☐	☐
Restaurant	☐	☐	☐	☐	☐
Bar	☐	☐	☐	☐	☐

10. Do you tend to use the same budget hotels (same brand) every time you travel?
     ☐ Yes   ☐ No

11. In general, how would you rate your overall satisfaction with budget hotels?
☐ Excellent   ☐ Very Good   ☐ Good   ☐ Fair   ☐ Poor

12. What Newspapers/Journals do you read on a regular basis?
……………………………………………………………………………………………

Please complete the following sentences:
13. "When I choose an accommodation the most important consideration in my decision is …………………………………………………………………………………………………… ………………………………………………..."

14. "The feature or facility I most enjoy when staying in an accommodation is …………………………………………………………………………………………………… …………………………………………….…….."

15. Are you ☐ female ☐ male

Thank you for completing our survey!