

Factors Influencing Customer Choices: A Case Study of Budget Hotels in Seoul, South Korea

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ABSTRACT

Development of the budget hotel business has turned out to be a standout amongst the vital tourism products that adds to the national income through cash inflow from foreign as well as domestic tourists. South Korea is a culturally rich and vibrant nation with lots of fascinating and appealing touristic spots, for example, beaches, highlands, mountains and more. For this reason, that many entrepreneurs who have both local and international presence began to run budget hotels in areas of historical, commercial and touristic importance. The motivation behind this study is to understand the customer needs and factors affecting their choice to stay in budget hotels in Seoul, South Korea. The study revealed that customers favoured budget hotels that fulfils their requirements and competitive room rates and value for money. SERQUAL has been used in this study to analyse the relationship between various factors affecting customer satisfaction and service quality that will affect the budget hotel industry in Seoul, South Korea.

Keywords: Service Quality, Budget Hotel, Guest Satisfaction, Seoul.

1. INTRODUCTION

Seoul is the capital city and the largest metropolis of South Korea. Seoul forms the heart of the capital city with the nearby Incheon metropolis and Gyeonggi province. It is also one of the major technology hubs centered in Gangnam and Digital Media City and home to the headquarters of 15 Fortune Global 500 companies, including Samsung, LG, and Hyundai. Seoul has hosted many world sports events such as the 1986 Asian Games, 1988 Summer Olympics, 2002 FIFA World Cup, and more recently the 2010 G-20 Seoul summit. According to KTO (2019), Korea is one of the most popular tourist destinations for Japanese and Chinese visitors because of the geographical proximity and attractive tourism offerings. The increasing number of foreign visitors is a critical gauge for approximating the hotel demand. There had been several exceptions like MERS in 2015 and other geopolitical issues in 2017 however, over the past few years, the number of foreign tourists has increased on average by 10% annually (KTO, 2019). The number of international visitors in 2017, was 13.3 million, which was 22% less from 2016. As a result of the political tensions with China, several K-Pop concerts and cultural events were restricted in China. Korea saw a decline in the number of Chinese tourists by almost 50% in 2017 especially Jeju with an all-time decline of 75%. However, this phenomenon was mitigated by the increase in number of visitors from other Asian countries like Vietnam, Taiwan and Thailand. The Average Daily Revenue published by the Korea Hotel Association was KRW 114,253.56 in 2019 whereas the occupancy percentage was 74.7% compared to KRW 114,523.86 in 2018 and 77% respectively for 5-star hotels. The tourism industry is focussing on a change in diversifying the tourism products to attract the

local guests as Korea is currently practising a 5-day work week providing the millennial generation to equally balance work and personal life and seek recreational activities during the weekends typically called as 'staycations'. With 'Hallyu', the culture promotion programme of the Korean Tourism Organisation and the Korean wave, the industry is showing positive signs of growth despite many adversities internationally.

2. LITERATURE REVIEW

2.1. WHAT ARE BUDGET HOTELS?

Budget hotels are often synonymous economic accommodation or budget or limited service hotels which are used interchangeably. Roper and Carmouche (1989) studied the trends in the hotel industry and stated that there is a contradiction to what we understand literally however, the concept of budget hotel is highly segmented. The major segments that were identified included *new-system*, *traditional* and *upper-tier* hotels under the concept of budget hotels (Roper & Carmouche, 1989). Senior and Morphew (1990) studied the competitive strategies in the budget hotel sector in the context of budget hotels in UK, French and recommended that service quality will be the primary strategy to be focussed on while planning for it. Budget hotels have evolved as an innovative concept. The success of such hotels primarily depends on a product formula that is designed on a purpose driven service. This is based on the fact that the international hospitality organisations have carefully considered the growth opportunities both in domestic and international markets (Fiorentino, 1995). He also argued that budget hotel product concepts normally offer value for money to the new value-conscious travellers. This could probably be the reason there is a strong demand for such hospitality products. Brotherton (2004) identified the Critical success factors for budget hotel operations in the context of UK. He explored a range of factors through content analysis that are relevant and important from various academic journals. Hua, Chan, and Mao (2009) explored the budget hotel operations and development from the perspectives of various stakeholders, including customers, industry professionals, government authorities, and hotel investors in the context of China and identified five critical dimensions such as physical product, service quality, price, promotion, and location that were found to be important by the industry professional, government authorities, and hotel investors.

2.2. SALIENT FEATURES OF BUDGET HOTELS

Budget hotels can be perceived as an outcome of financial and social development, and it is not quite the same as the full-service hotel in a privileged society. Budget hotels meet the general masses' travel needs. Due to the reduction of services and facilities, the fundamental attribute of budget hotels is the supply of an essential service at low cost. The concept of budget hotel centres around customers who are millennials, business travellers and solo travellers, since this category of customers prefer the lower cost yet making a point on comfort rather than luxury during the short stay. There are essential attributes to the budget hotels. For example, the hotel location. Such hotels are usually located along the streets near or at the passage of the city or downtown. In the urban communities, business territories are ought to be found near public train, transport or metro stations which can be conveniently accessed. Architecture and size are also essential characteristics of the budget hotels because facilities are limited with just the rooms, back-office, reception, a little café and a space for essential self-service equipment. A little space for self-service laundry can be attractive. As an option, laundry services can be outsourced to someone who can provide service to a group of hotels of a similar chain. To stay

away from elevators, the architecture with horizontal structures can be preferred. Lobby must be used for just gathering or reception, and as little as a resting zone. Guest rooms should be planned with the number of projected target clientele across all seasons. The number of guest rooms can be minimal to more than the competitors in upper classifications relying upon the customers' attributes. Guest rooms should also be designed for disabled individuals. Usually in business hotels, the size of the rooms is usually smaller than the leisure hotels. They also come with single beds or twin beds based on the size of rooms. It is critical to identify suitable furniture for smaller guest rooms, while making a careful design for the accessible area. The number of parking places must be sufficient and equal to the number of rooms (Andrade et al., 2000).

2.3. DIFFERENCE BETWEEN BUDGET HOTELS AND FULL-SERVICE HOTELS

There is a lack of established widely agreed definition for budget hotels, however, based on the characteristics of the hotel, it may be inferred that a budget hotel is any sort of hotel that offers limited services. Yu (2012) differentiated between full service and limited-service hotels. A limited-service hotel refers to a free-standing property hotel that does not give additional services, for example, eateries, front of the house staff, and housekeeping or give all the other facilities. A full-service hotel is differentiated by the provision of an assortment of services when contrasted with a budget hotel (limited-service hotel). Customers at full-service properties have more options, for example, a new outlet and beverage service that comprises of mixed drink lounges, formal eateries, and cafés, etc. The large full-service hotels may have a mall with retail shops and boutiques to give comfort to customers who stay at the hotel. There will be laundry service and valet service, pool, gym, wellbeing spa and beauty salons. A magazine kiosk and beauty care products counter may likewise be advertised. Considerably more, they may likewise offer more service you may not have contemplated. Most of the full-service hotels may offer a full cluster of the novel services that will be useful for more significant gatherings, organizations, business exercises and festival occasion. Furthermore, as indicated by the online study on the Full Service versus Limited-Service Hotels (Markel, 2012), the one apparent distinction between full service and Limited-service hotels is that the limited-service hotels do not have an in-house restaurant which full-service hotels have. A budget hotel may not have its very own eating outlet and does not give any related service. However, this does not mean that limited-service hotels never offer any refreshments to their customers. Full-service hotels offer more in services and lodging. Customers can expect 24-hour valet service, cleaning, warmed pools and saunas, pool, gyms, and high-speed internet access. The rooms should highlight the top-notch furniture, machines, and touch screen TV with premium link service. In any case, limited-service hotels simply have some facilities and services to offer, for example, pools, which may not be warmed, and ideally guests should not anticipate a spa. Limited-service hotels offer their rooms at a very reasonable rates than the full service hotels (Yu, 2012).

3. METHODOLOGY

Quantitative research has been utilized to lead this research because numerous respondents participated, the place where the data is assessed and speculations that are produced. As a quantitative report, analysts need to convey the survey to respondents to conclude. As indicated by Pallant (2010), data has been extracted by utilizing the structured form, causal research structure and results that have been targeted with less inclusion of researchers. Moreover, the

research has been secured with a large number of respondents. Subsequently, the quantitative method has been more reliable as opposed to the subjective technique where the utilization of a small sample is done.

4. RESULTS

4.1. DEMOGRAPHIC PROFILE

Table 4.1.1. Demographic Profile

No	Item	Description			
		Male		Female	
1.	Gender	44		56	
2.	Age	Below 20	20-30	31-40	41-50
		2	65	28	5

Table 4.1.1. shows that the number of males were 44 and females were 56. Age range was two below 20 years, 65 between 20-30 years, 28 between 31-40, and 5 between 41-50 years old.

4.2. DESCRIPTIVE STATISTICS

Table 4.2.1. Descriptive Statistics

Item	N	Min	Max	Mean
Budget hotels have value for money	100	2.00	5.00	3.93
Budget hotel room rates are reasonable	100	3.00	5.00	3.97
Budget hotel room rates are cheaper than 3 -5-star hotels	100	3.00	5.00	4.05
Budget hotels always project a positive image	100	3.00	5.00	3.84
Budget hotels are always small and compact	100	3.00	5.00	3.97
Budget hotel environment is very cosy and inviting	100	2.00	5.00	3.87
Budget hotels offer limited services	100	3.00	5.00	3.95
Budget hotels have very professional service staff	100	2.00	5.00	3.81
Budget hotels offer limited food and beverage options	100	2.00	5.00	3.66
The overall service in budget hotels is very satisfying	100	3.00	5.00	3.84
The F&B service in budget hotels is good	100	2.00	5.00	3.59
Only budget hotels with more than 50 rooms offer F&B	100	1.00	5.00	3.60

The highest mean point obtained from the study for guest service quality dimension is at 4.05 for the item 'budget hotel room rates are cheaper than 3 -5-star hotels' meanwhile the lowest mean under descriptive analysis for service quality dimension is for the item 'the F&B service in budget hotels is good' with 3.59 point. The respondents expect that some of the budget hotels offer food and beverage service in their small restaurant at their hotel. However, this is also not a significant concern for most of the budget hotel guests or customers because of the cheap room rates. Respondents choose the rate of the budget hotel room reasonably, and the item 'budget hotels are always small and compact' became the second highest in the questionnaire with a mean point of 3.97. Followed by a mean point of 3.95 is 'budget hotels offer limited services', 3.93 for 'budget hotels have value for money' and respondent rate 3.87 for 'budget hotel environment is very cosy and inviting' as their choice from the questionnaire. The items

'budget hotels always project a positive image' and 'the overall service in budget hotels is very satisfying' shared the same mean point of 3.84, according to the customer responses. 3.81 is the mean for 'budget hotels have very professional service staff' and for the item 'budget hotels offer limited food and beverage options', the respondents' mean point is 3.66. Lastly, 'only budget hotels with more than 50 rooms offer F&B' obtained a mean score of 3.60 because most of the respondents are aware that the offerings from budget hotels are minimal, especially food and beverages.

Table 4.2.2. Budget Hotel Customer Overall Satisfaction

Item	N	Min	Max	Mean
I am satisfied about budget hotel price	100	3.00	5.00	4.08
I am satisfied with the cleanliness of budget hotel	100	2.00	5.00	4.03
I am satisfied with the efficient service of budget hotel	100	2.00	5.00	4.03
I am satisfied with the environment of budget hotel	100	3.00	5.00	4.02
I am satisfied with the food and beverage of budget hotel	100	2.00	5.00	3.96
Overall, i was satisfied with budget hotel customer service	100	3.00	5.00	4.05

The highest mean point is 4.08 from the budget hotel customers who are satisfied with budget hotel price, followed by the overall customer satisfied with budget hotel customer service with 4.05 mean point. Mean point of 4.03 customer satisfaction feedback from the customer who is satisfied with the cleanliness of the budget hotel and the customer satisfied with the efficient service of a budget hotel. The customer satisfaction feedback that fulfils the environment of the budget hotel get 4.02 mean point, and lastly is the customer satisfied with the food and beverage of budget hotel with 3.96 mean point.

Table 4.2.3. Budget Hotel Customer Loyalty Dimensions

Item	N	Min	Max	Mean
I will return to the budget hotel	100	2.00	5.00	4.17
I am willing to stay at a budget hotel next time	100	2.00	5.00	4.16
I will choose a budget hotel everywhere when travelling	100	2.00	5.00	4.16

The highest mean under budget hotel customer loyalty dimensions is 4.17 mean point that is the customer will return to the budget hotel and the lowest mean 4.16 point shared with both the customer willing to stay at a budget hotel next time and they will choose budget hotel everywhere when travelling.

5. DISCUSSION

The SERQUAL has been used in this study to analyse the factors that affect the budget hotel industry in Seoul, South Korea. The relationship among the factors of budget hotel industry service quality measurements and customer loyalty has been tested in the research. The finding conveyed more prominent comprehension to the relationship among budget hotel service quality and customer loyalty affecting customer satisfaction. This research showed that, for the budget hotels in Seoul, service quality measurement is the precursors of customer loyalty. The study mainly took a peek at the budget hotels and focused on four service quality measurements and customer loyalty in the context of hotel industry. The result of the study gives guidelines to budget hotels that are planning to convert customer satisfaction, service quality and customer

loyalty into sales and enhancing their preferences to pull in progressively potential guests or customers. These suggestions are separated into two categories, specifically, managerial and theoretical implications.

6. RECOMMENDATIONS

In view of the consequence of the literature review and the study, some suggestions for future research are required. The significant implication is the requirement for further thought of comparative models to SERVQUAL or even to be utilized in a joint effort with SERPERF. Future researchers should think about estimating the physical items or different services in order to break down and give the fundamental measurements to the consistency and unwavering quality of the model in clarifying different items and services from various divisions of the hotel. SERVQUAL is a scale with excellent unwavering quality and legitimacy in determining the service quality, which budget hotel industry can use for a superior comprehension of customer service desire and service quality, accordingly, it will improve the service quality, and create loyal customer. The instrument has been intended to be pertinent over an expansive range of services. Therefore, it gives a fundamental skeleton through the configuration of customer discernments, including decrees for every one of five service quality measurements. This skeleton, when essential, can be adjusted or enhanced to fit specific research needs of a specific hotel service quality or an eatery. Another imperative region of customer loyalty is customer esteem. The propelled improvements in worldwide time have brought about a world society that places much significance on esteem. Accordingly, esteem has a crucial task to carry out in connection to customer loyalty of customer esteem with customer loyalty looks set to be another fascinating region of study. Some analyst has contended that esteem could all the more likely impact customer loyalty contrasted with devotion because the present pattern among Gen Y customer is to look for an incentive in their purchase of services and merchandise. The limit of which value can impact customer loyalty in either the item or the service quality region could likewise be considered for future research to get a target, that is customer loyalty.

7. CONCLUSION

Excellent service quality with significant factors such as value for money, hotel's brand image, hotel service standards and food & beverage service will give a good impact on customer satisfaction (Ariff, Fen, & Ismail, 2012; Lasman, 2019; Wee et al., 2014). The guest or customer feedback is essential as they are the most prominent stakeholders in the service delivery and consumption. With excellent customer service, you create loyal customers. Several consumer behaviour studies have proven that satisfied customers will return to an establishment be it any category of hotel. Lack of perception about the importance of customer satisfaction and customer loyalty, particularly the cognitive and affective components of the satisfaction, could wreck the intensity of customer retention and loyalty (Yu & Dean, 2001). It is essential to understand the foundation and the variables affecting customer loyalty, which in turn can help a budget hotel in strategic planning and choosing the best methodology to galvanise the budget hotel industry for sustainability and competitiveness in the hospitality business.

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