



## OVERVIEW OF PERCEIVED VALUE FOR MONEY SCORE FOR FIVE STARS HOTELS IN SELECTED CITIES – COMPARISON OF ONLINE REVIEWS

**Abstract:** In a highly competitive environment such as the hospitality industry, hotels should strive to gain competitive advantage by offering higher value for money for their customers. It is evident from the vast literature that multiple factors affect customers lodging decision. Being aware of the customers' decision making process as well as the attributes that receive higher weight, hotel managers make an effort to enhance these attributes.

Perceived value for money is one of the most important factors used by guests to evaluate their satisfaction with the hotel quality. Accordingly, the objective is to examine whether there are discrepancies in the perceived value for money among five stars hotels, operating in selected cities in Europe, based on available reviews on Booking.com.

The findings point out that guests may assign different score about the perceived value for money among five stars hotels even though it comes naturally that same level of value should be obtained from the same category of hotels. Moreover, the findings offer some recommendations about potential areas which may be of interest for further research.

### Author information:

#### Zoran Temelkov

PhD Associate Professor  
at Faculty of Tourism and Business Logistics,  
University “Goce Delcev”, Stip  
✉ [zoran.temelkov@ugd.edu.mk](mailto:zoran.temelkov@ugd.edu.mk)  
🌐 North Macedonia

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### 1. Introduction

Perceived value is one of the crucial elements that need to be considered to understand customers behaviour better. Hence, hotels need to identify which attributes have a significant positive impact on the perceived value for money. This is so due to the possibility for hotels to belong in the same class but yet they may receive different score by their guests when it comes to value for money evaluation category.

The objective of the paper is to examine whether there are differences in the value perceived by guests of five stars hotels across hotels in specific cities in Europe. For the purpose of this research, the ratings assigned to hotels through online customers reviews on Booking.com have been examined.

Areas for future research were identified based on the findings reached with the evaluation of data used. For instance, hotel chains may want to detect the potential reasons that lead toward different value for money score for hotels which are part of the same hotel chain.

### 2. The value for money concept

The value for money concept has received a fair amount of research in the last couple of decades because of the changes in customer preferences and changes coming from technological developments.

Customer perception about the value he/she receives from the purchased product or service may lay the foundation for a company to achieve competitive advantage (Nasution, H.N and Mavondo, F.T., 2008; Wu, J. et al., 2018; McFarlane, D.A., 2013, Morar, D.D., 2013). Hence, one of the main

focus of managers is to identify the potential characteristics and product features which can be used as a leverage to enhance the value customers receive to retain existing and convert new customers into loyal customers. The received value for money is of crucial importance because it can affect customers behaviour in numerous ways and at different stages of the decision making process.

Some of the aspects commonly identified to influence customers behaviour can be placed in three broad classes, the pre-purchase phase, possibility for product recommendation and the decision to become a loyal customer (Al-Sabbahy, H., et al, 2002). More precisely, the concept itself may augment the in-depth understanding of issues such as product choice, purchase intention and reasons, the possibility for repeat purchases and ultimately connect the activities with customer loyalty (Krasna.T., 2008). Consequently, the implications arising from the perceived value for money gives the concept an important position in the strategic decisions and the strategic objective of increasing customer value (Almoatazbillah, H., 2012).

### **3. Value for money in the hotel industry**

Value for money should become an integral part in the strategic decision for hotel managers since it is especially important for an industry where customer satisfaction is a primary goal (Chan Khin-Whai, N. and Siew-Hoong, L.A., 2017). Nasution, H.N and Mavondo, F.T., (2008) argue that hotels should be regarded as a value producing-entities in their efforts to offer the highest level of customer value. Also, hotels operate in a highly competitive environment with a high degree of similarity in services and any peculiarity which can make them stand from the crowd could augment their success. Moreover, increased availability and easy access to information enable hotel guests to easily discover the experience of other guests through different online hotel review websites and platforms (Rajaguru, R. and Rajesh, G., 2016). Hence, the changing environment and the swift information exchange between current and future guests push the hotel marketing department toward the need to pay special attention to the online reviews.

Additionally, hotel managers now have a plethora of freely available information and they need to use the reviews left from the previous guest to identify potential weaknesses in the services offered. Accordingly, some crucial aspects which require attention are the customers' perception and satisfaction in terms of the value received for the price paid. It should be noted that value creation is a process which can positively impact hotel operations, but it should be simultaneously performed with the value capturing that enables augmentation of the perceived value (Brlecic Valcic, S. and Bagaric, L., 2015).

Hotel managers need to find a method with which they will be able to define values, as perceived by customers, in their effort to create a base of loyal customers that will continually use and recommend their services (Krasna.T., 2008). One of the primary steps to achieve superior customer value is to identify relevant attributes and activities that could augment the customers' experience and satisfaction. Also, hotel managers should distinguish two components of the perceived value which are the perceived value a customer has before using the services and the perceived value during service utilisation or delivery (Ntimane, V. and Maloney, T.T., 2017). Besides, it is argued that customers perception of the value received is influenced by the experience with the reservation process, check-in and check-out procedures and the availability and accuracy of information. Moreover, the perceived value can be under the influence of hotel specific attributes such as room quality, food quality, the available facilities (Ntimane, V. and Maloney, T.T., 2017).

Nevertheless, another key aspect when examining the factors affecting perceived value is related to customer expectations for the consumed products and services (Ntimane, V. and Maloney, T.T., 2017). This is in a sense that different customers may have diverse expectations and assign a different value to the same attribute (Almeida, G. S. and Pelissari, A.S., 2018). For instance, while some customers may appreciate hotel proximity to desired areas (beach, town centre, landmarks, etc.) other customers may give higher weight to attributes such as the room size or availability of

recreational facilities. Hence, hotel guests who have booked a room through Booking.com can evaluate their stay in a hotel based on different attributes. For instance, they can assess the hotel location, facilities, cleanliness, comfort, staff, comfort, free WiFi and value for money, yet the value for money rating can be lower than the overall rating of the hotel.

#### 4. Overview of collected data and evaluation method

This research aims to compare the perceived value for money score assigned to five stars hotels in selected cities in Europe. The information used in the analysis was collected from reviews given by hotel guests that made room reservations through Booking.com, which is one of the most popular online hotels booking platforms. The hotels included in the analysis are selected using three primary criteria. First, every hotel included falls in the five stars category. Second, they all had an available room for a prespecified date and third, they all operate in the selected capital cities. The selection of cities serves the purpose to represent the activities of five stars hotels operating in economies with different level of economic development and different living standards.

A total of five cities were selected and the number of hotels included in the analysis from each city is as follows: 30 hotels in Vienne (Austria), 29 hotels in Lisbon (Portugal), 27 hotels in Athens<sup>1</sup> (Greece), 13 hotels in Sofia (Bulgaria) and 6 hotels in Belgrade (Serbia). Information about the total number of reviews, their overall rating and the rating assigned to “value for money” category was collected for each hotel individually. Following the defined criteria, the relevant data was extracted manually for a total of 105 five stars hotels operating in the selected cities which have received a total of 107,548 reviews from guests through Booking.com platform. Table 1 gives an overview of the data for each city.

**Table 1: Overview of collected data**

| City            | Number of Hotels | Number of reviews |
|-----------------|------------------|-------------------|
| <b>Vienne</b>   | 30               | 44,461            |
| <b>Lisbon</b>   | 29               | 24,313            |
| <b>Athens</b>   | 27               | 25,269            |
| <b>Sofia</b>    | 13               | 10,065            |
| <b>Belgrade</b> | 6                | 3,440             |

Source: Compiled by the author using data collected from Booking.com

While table 1 is providing a summary about the number of hotels and their total number of reviews, it should be noted that when the data is broken down to individual hotels, it is evident that different hotels have received a different number of reviews. For instance, the Hotel de France Wien in Vienna has received a total of 4281 reviews. In contrast, Palais Coburg Hotel Resident has been evaluated by a total of 120 guests. It can be noted that a similar situation appears among hotels in other cities as well. Because each hotel has a different number of reviews, the simple average method is excluded from the analysis as it may cause overestimation or underestimation of in the score received for the analysed category. Consequently, the bias problem which appears with the simple average is overcome with the calculation of the weighted average score. Thus, the weighted average rating was calculated for the relevant categories using the data for selected five stars hotels in each city.

It can be noted that this analysis contributes toward the new trends in hospitality research aimed at utilisation of new forms of data which provides significant insight into issues and aspects related to hotel operations. Nonetheless, there are certain limitations that restrict the validity of the findings.

<sup>1</sup>. The actual number of hotels was 28, but one hotel did not have any reviews at the time of data collection and was excluded from further analysis.

However, the evolution of new research technologies and methods which are born alongside with the creation of new means for data collection as well as new forms of data will be of special interest for academics and practitioners in the upcoming years.

### 5. Research findings

It can be stated that the data used for performing the analysis in this paper are only a tip of the iceberg compared to the quantity of data available on the online hotels booking platforms. Nevertheless, the examination of the selected data provides some interesting insights that extend the analysis related to perceived value for products and services offered by five stars hotels. The weighted average score, as well as the overall score assigned to five stars hotels in each of the cities under consideration, are presented in table 2.

**Table 2: Weighted average rating of five stars hotel in the selected cities**

| City     | Number of Hotels | Number of reviews | Value for money rating | Overall rating |
|----------|------------------|-------------------|------------------------|----------------|
| Vienne   | 30               | 44,461            | 7.95                   | 8.65           |
| Lisbon   | 29               | 24,313            | 8.34                   | 8.90           |
| Athens   | 27               | 25,269            | 8.11                   | 8.86           |
| Sofia    | 13               | 10,065            | 8.35                   | 8.68           |
| Belgrade | 6                | 3,440             | 8.66                   | 9.05           |

Source: Compiled by the author using data collected from Booking.com

The analysis points toward some interest findings about the value for money assigned by guests. First and foremost, it can be noted that five stars hotels in Vienna have the lowest weighted average score while the highest score is received by five stars hotels in Belgrade. Hence, it is an indication that five stars hotels operating in emerging economies make extra efforts to provide higher value to its customers.

Another finding refers to the relation between the number of reviews received by each hotel and the value for money rating. The general finding is that hotels with a higher number of reviews often have a lower score for perceived value for money. The validity of the reviews to value for money relation can not be firmly concluded as it imposes the need for analysing larger quantities of data.

Another issue which could be detected when online reviews are examined is that although different hotels may have same overall rating assigned by customers, they could have different rating when it comes to the perceived value for money. Table 3 lists certain hotels from Vienna, Lisbon and Athens and their respective score, as an example of this phenomenon.

**Table 3: Examples of hotels with an identical overall rating and their value for money rating**

| City   | Hotel   | Overall review | Value for money |
|--------|---|----------------|-----------------|
| Vienna | Hotel Sans Souci Wien                                       | 9.4            | 8.7             |
| Vienna | Palais Coburg Hotel Residenz                                | 9.4            | 8.3             |
| Lisbon | The Lumiares Hotel & Spa - Small Luxury Hotels Of The World | 9.3            | 8.6             |
| Lisbon | Raw Culture Art & Lofts Bairro Alto                         | 9.3            | 8.7             |
| Lisbon | Santiago de Alfama - Boutique Hotel                         | 9.3            | 8.4             |
| Athens | Coco-mat Athens BC  | 9.5            | 9.2             |
| Athens | Somewhere Vouliagmeni                                       | 9.5            | 8.9             |

Source: Compiled by the author using data collected from Booking.com

As it can be seen from the examples, there can be a significant difference in the value for money rank among hotels with the same overall score. Interesting enough is that it is not an isolated occurrence characteristic to a specific country or a city. Instead, this issue seems to appear among five stars hotels in every city considered in this research.

This finding is of particular interest for hotel managers since an in-depth analysis of the perceived value may indicate the weaknesses or the strength of the hotel which has same overall rating as its competitors but scored lower on the value for money category. Consequently, identifying and resolving the problematic issues may bring competitive advantage for these hotels. For instance, table 3 shows that three hotels in Lisbon have the same overall score of 9.3. However, they have scored differently in terms of perceived value for money. The managers of Santiago de Alfama - Boutique Hotel, which scored the lowest with 8.4, should identify the issues that caused this hotel to have the lowest score. Resolving these issues may mean that this hotel will have a competitive advantage over the other two hotels as the identical overall rating shows that the hotel enjoys similar or even higher perceived value in other areas.

Moreover, although there are some minor discrepancies in the weighted average grade assigned to the value for money category across different cities, it can be noted that hotels operating in less developed economies or developing economies have higher perceived value for money among their guests. Hence, managers may need to pay attention to detect the potential attributes and factors which have led toward differences in the perceived value.

Noteworthy mentioning is that even though some interesting findings were reached with the data gathered from Booking.com, the sample size limits the ability for the conclusions to be firmly confirmed. Nevertheless, even with the research limitations, the above findings offer insights into possible areas that can provide a better understanding of the perceived value for money for five stars hotels.

## **6. Suggestions for future research**

While the findings do provide some interesting aspects regarding the perceived value for money for five stars hotels, the results also point toward specific areas for further research. The type of data used can be further employed in studies which will serve the purpose to identify attributes and issues related to the perceived value. The suggestions for future research can augment the vast literature related to hospitality services and offer a fresh view in the analysis of potential methods with which hotel managers can gain competitive advantage.

Firstly, it can be said that hotel chains can use the information from Booking.com and similar platforms to their advantage and examine the differences in perceived value for money in their hotels operating in different locations, cities, countries, etc. It has been noticed that hotels in different cities, being part of the same hotel chain, could receive different scores. This would mean that they offer a different level of perceived value for money across their hotels. Consequently, indicating that there is a lack of consistency that could potentially jeopardise the level of customer satisfaction, especially among brand loyal customer. However, the difference in the perceived value across hotels belonging to same hotel chain may be due to variations in services offered, which is some of the reasons why this issue requires further research.

It was noticed that the overall rating of the hotels was higher than the rating achieved for the value for money category. This implies that even though guests' value certain attributes high enough, their perceived value for money is lower. To better understand what drives this discrepancy, it may be suggested that guest should evaluate their stay based on a higher number of attributes. Consequently, online booking platforms should consider expanding the list of attributes available for the assessment of hotel products and services.

Another issue that would be of interest for future research is the relation between the number of reviews and the overall rating as well rating for categories such as the value for money. Although the

relation between the reviews and ratings seems to be straightforward, it does need a further examination. The justification for such a research is to conclude whether the lower grade accompanied by a higher number of reviews is due to deteriorating service quality or other forces impact the relation. For instance, hotels may give their best efforts to satisfy guests when they are initially opened to receive a positive review, but later on, they become lazy and there is a decrease in service quality.

The results from this study also show that there is a different level of perceived value for money for five stars hotels offering their services in different economies. Consequently, future researchers should aim at the identification of the reasons behind the higher perceived value for services offered by hotels in emerging economies and less developed economies.

The suggested research areas can help the manager to identify and better understand various hotel attributes that drive perceived value for money among guests. In-depth knowledge of how customers perceive the value offered by hotels can affect hotel activities in numerous ways. For instance, certain areas valued more by customers can be used in the process of increasing the customer base and augment the number of loyal customers.

## **7. Conclusion**

The quantity of data examined for the purpose of this research represents only a fraction of the vast amount of data readily available to be used in further analysis. Nevertheless, it is a move toward the need for analysing the data created as a result of technological advances and their implementation in the hospitality and tourism industry.

The evaluation of collected data yield few worthy findings and pointed toward areas which require an in-depth analysis in the future aimed at a better understanding of customer preferences and enhance the understanding of value for money in the hospitality industry. Even though the perceived value is compared between hotels operating in countries with different socioeconomic conditions, in general, it can be said that similar conclusions have been reached. Nevertheless, the differences are the one can make or break the success of a hotel. It is found that in the majority of cases, the value for money rating is lower than the overall hotel rating. Moreover, the findings indicate that while hotel may have identical overall score there can be a significant difference in the value for money score between hotels.

Finally, it can be concluded that this type of research is still in its early stage of application in hospitality research, but it provides plenty of opportunities for future analysis. For instance, it may be of particular interest to see why hotels belonging to same hotel chains have a different value for money scores.

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