Exploring Factors that Influence Domestic Tourists' Satisfaction with Budget Hotel Services in Egypt

Hossam, Samy

Higher Institute for Tourism Hotels, Egypt

12 July 2016

Exploring Factors that Influence Domestic Tourists' Satisfaction with Budget Hotel Services in Egypt

Hossam Samy
Higher Institute for Tourism & Hotels, Egypt

Abstract: *This paper aims to explore the primary factors that affect the perception of domestic tourists towards the service quality of budget hotels in Egypt. The factors were divided into three main constructs: physical quality, service quality and value for money. The primary findings reveal that the budget hotel location, cleanliness, maintenance, comfort level, hotel staff service, value for money room rates and food and beverage values are among the significant factors that influence domestic tourist satisfaction within predefined constructs. Primary Elements associated with the budget hotel stay were also ranked according to guest satisfaction.*

Keywords: Budget hotels, domestic tourism, guest satisfaction, value for money

JEL Classification: *L83, M1, O1*

Biographical note: Hossam Samy is associate professor at the Higher Institute for Tourism & Hotels, Egypt. Corresponding author: Hossam Samy, e-mail: samyhossam2007@yahoo.com

1 INTRODUCTION

In developing countries, budget tourists are primarily seen as international backpackers or domestic tourists with limited disposable incomes. Unfortunately, domestic tourists are given limited attention in official promotional activities despite the various socioeconomic benefits they generate (Scheyvens, 2002). The UNWTO (2016) reported that the volume of domestic traffic ranges from 5 to 6 billion tourists worldwide. The WTTC (2016) also confirmed that domestic travel spending generated 72.3% of direct travel and tourism GDP in 2015 compared with 27.7% for visitor exports (e.g. foreign visitor spending or international tourism receipts)

Domestic tourists with limited incomes generate numerous economic benefits for the local communities in third world countries, of which: 1-bringing economic benefits to areas not frequented by other tourists 2-spending more on locally produced goods with cheaper prices compared to imported luxury items 3-requiring small accommodation services with basic infrastructure therefore ensuring lower overhead costs and minimizing the need for imported goods. 4-less subject to seasonality than international tourism 5-significant multiplier effect from relying on local skills and resources (Scheyvens, 2002).

Domestic travelers seek the best price-quality ratio (value for money service products) or often the lowest possible price in all segments of the tourism value chain (e.g. air transport-accommodation-catering). Unit expenditure is significantly lower than international tourism but higher in term of the markedly overall level of expenditure. It's important to note that domestic tourism is less sensitive to crises, such as economic downturns, political instability, epidemics and natural disasters. Therefore, it is considered as an efficient shock absorber during times of crisis. Not to forget the numerous social benefits fostered by budget tourism for modest and middle class segments seeking to travel domestically. The success of the 'tourism for all' notion in any destination, which has multiple socioeconomic benefits, largely depends upon the availability of a diverse range of low-cost business models (e.g. low-cost carriers-budget accommodation services) (Pierret, 2001).

2 LITERATURE REVIEW

There is a shift in focus from luxury to mid-market budget hotel during the last few years in regards of service quality and customer loyalty. This trend has opened up a new horizon for the development of the hospitality industry (Hospitality India, 2014). Budget hotel is a modern concept that meets the demand changes in the tourism industry. Unlike the conventional full-service accommodation hotels, budget hotels are considered as limited service establishments that provide basic services for guests with no extra amenities (Yu, 2012; AbuKhalifeh & AlBattat, 2015).

Figure 1: Critical success factor dimensions for budget hotels
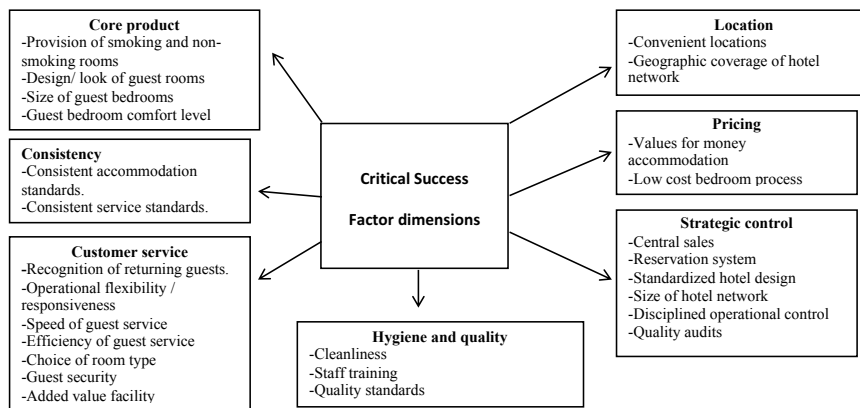
Stakeholders and practitioners are both paying more attention to the opportunities offered by the growing demand for budget establishments. Hirsh Bedner Associates (HBA) - the global hospitality design corporation recently established a special division, called: Studio HBA, which specializes in designing low-budget accommodations. The corporation believes that there is a growing demand for budget travel around the world. Dubai, as a luxury tourism destination, is currently investing in three-star budget hotels that will provide adequate service quality without solely relying on the cost factor to satisfy its guests. Many Gulf based accommodations are criticized about neglecting service standards in budget accommodation, in favor of providing their customers with low budget residence (Wales, 2014).

Budget hotels can be defined as: "No frills entities that offer modern guest rooms for value for money rates and standardized quality level" Budget hotels have several alternate names: such as: limited-service hotel, no-frills hotel and economy lodging. It's hard to find an obsolete definition for the budget hotel model. However, there are of common attributes that can differentiate budget hotels from other accommodation models. These characteristics are: 1- Low construction and operating costs 2-Simple design 3-Highway locations with some exceptions in town centers and airports 4-Live-in managers plus desk clerks 5-Small size room volume 6-Standarized unit construction and layout of guest bedrooms 7-Fixed room rates with same discounts offered promotionally only 8-Limited service 9-High value for money 10-Easily and accessible locations (Zeglat, 2008). The two fundamental factors that enable hotels to differentiate themselves are good location for the relative target market and quality of service. Rates are determined according to the level of differentiation achieved through several elements, namely: location, management staff and guest ratios and other miscellaneous factors such as quality of architecture and decoration, furniture and interior design (Cheng, 2013). The following diagram demonstrates the critical success of budget hotels from the viewpoint of guest experience.

On the other hand, Hua (2009) concluded the top critical factors of budget accommodation services from the perspectives of industrial professionals, government authorities and hotel investors and they are: -Guest safety and security, bedroom comfort level, hygiene and cleanliness, convenient locations and speed of guest service.

2.1   The dilemma of guest satisfaction and service quality

Satisfaction can be defined as: 'a judgment that a product or service feature provides a pleasurable level of consumption that includes levels of under or over fulfilment'. In other words, customers will be satisfied when his weighted sum total of experiences shows a sentiment of gratification when compared with expectations (Nash, 2006). This sentence assures the interdependent relationship between service quality and guest satisfaction. Hotel managements must put guest satisfaction and service quality in complete harmony with an aim to surpass customer expectations.

No doubt that the management of quality is a fundamental factor in the management of any hotel property. It is one of the key areas supporting the corporate success of the hospitality industry. The other factors include the management and the market. Every hotel corporation develops its own perceptions of what customers want and sometimes they differ from what the customers really want. A key to providing a superior level of service is recognizing and responding to customer's expectations. It is confirmed that customer service expectations have two levels: desired and adequate. Thus, the following diagram is developed; the zone of tolerance is zone that separates desired service level from adequate service level (Sidin, 2001).

*Figure 2: Service level of expectations*

Source: Sidin (2001)

Hotel guests' expectations tend to rise simultaneously with the level of hotel rates. Previous research indicated that business travelers staying at mid-priced hotels expected relatively low-price family restaurants and pre-arranged bill, whereas other travelers staying at luxury hotels expected a bellman service, a concierge service, gourmet restaurants, a bathrobe and hair dryer. In conclusion, guests who stay at budget hotels may only expect minimal product and service standards to meet their basic needs and wants (Hua, 2009).

The crucial question for contemporary budget hotel managers is not 'why' but 'how' to guarantee efficient service management. The primary goal of budget hotels is to provide comfortable accommodation at modest prices. During the past decade, the budget hotel sector has undergone rapid developments in terms of company brands, unit numbers, and social influence. The increasingly open policies on travel and accommodation needs at the economy class category are expected to rise faster than the luxury hotel sector. The environment will surely attract more investment into the budget sector, which will eventually lead to a larger market share and a higher level of profitability. The budget hotel needs to enhance their service packages to satisfy customers' critical needs within a price limit. The core product of budget hotels is related to the room cleanliness, bed comfort and additional amenities/ facilities are likely to influence the guest experiences. Other auxiliary attributes, such as extended breakfast menu, high-speed internet connectivity and transport convenience will also have an impact on the overall experience. It's important to note that hospitality management is an intersection between service product paradigms and customer satisfaction towards hotel quality. Previous research showed that the dimensions of service quality had various patterns across economy, mid-price and luxury hotels. Although budget hotels provide simple accommodations (attributes like room and bed are critical for service quality, customer experience and hotel performance). No doubt that today's environment will drive budget hotels to enrich their service packages beyond the core attributes (Peng, 2015).

2.2 Prospects of domestic tourism in Egypt

The World Economic forum (2015a) divided the tourist destinations of the Middle East into three categories: 1- Those which have created a strong business environment, developed sound infrastructure, grown specific niches and remained relatively safe as destinations (United Arab of Emirates, Bahrain, Morocco, Saudi Arabia and Oman) 2- Those that are not leveraging enough their travel and tourism capacity (the majority of Arab countries) 3- Those that maintain great tourism attractiveness, but have experienced safety and security concerns or infrastructure limitations.

Figure 3: International tourism arrivals in Egypt, 2010-15

Source: UNWTO (2016)
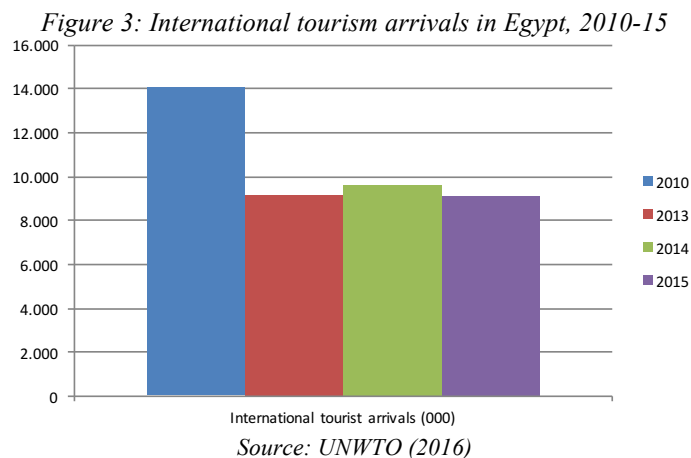
Egypt is among the third category along with Lebanon and Jordan. Statistics indicate that Egypt is currently is in the 83rd position in the global ranking and the 10th in the region, with approximately 9 million tourists on a yearly basis. This is definitely below the country's full potential as a price-competitive destination (2nd), with significant investments in the travel and tourism sector (23rd). Egypt's outstanding cultural resources (41st) and its long history are definitely under leverage. The current eco-political instability is reducing Egypt's appeal to international tourists, and limiting its receipts and thus its investment in travel and tourism. The country's low global rankings regarding safety performance (136th) and international openness (115th) have certainly a negative impact on its international tourism receipts (The World Economic Forum, 2015 a). In 2015, international arrivals in Egypt fell by 5% as a result of various incidents (UNWTO, 2016). The following figure demonstrates the downfall of international tourist arrivals in Egypt during the past few years.

There is no doubt that the political uprisings related the wave of Arab revolutions had its negative impacts on Egypt since January, 2011. This is apparent in the decrease in international tourist arrivals in recent years. The Ministry of Tourism (2016) reported a sharp decline in inbound tourism revenues. The revenue declined from $12.5bn in 2010 to $6.1bn in 2015.

On the domestic level, Egypt is still suffering from a widening fiscal deficit, rising public indebtedness and persisting inflationary pressures. Years after the uprising, the country is just starting to gain an acceptable political and security level of stability (The World Economic Forum, 2015 b). Egypt is considered as a lower middle income country; where 28 percent of the population is living below the poverty line, with poverty rates as high as 60 percent in rural Upper Egypt. Responding to large

fiscal imbalances, the government has introduced a bold fiscal consolidation program. The program includes measures to increase tax revenues, control the civil servants' wage bill, shift spending from commodity subsidies to targeted cash transfer programs as well as undertake much needed infrastructure investments (The World Bank, 2017). By the end of 2016, the inflation rates had reached a record of 23.3 % (the highest rate in the past eight years) (Bloomberg, 2017). The following statistics indicate the expenditure level of both international and domestic tourism in 2016.

Figure 4: Travel and tourism contribution to GDP in Egypt
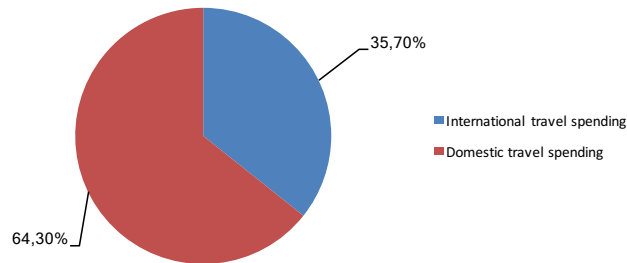
Source: World Travel and Tourism Council (2016)

It's clear from the previous figure that domestic tourism is currently surpassing the international tourism contribution to the Gross Domestic Product (GDP). Domestic travel spending generated 64.3% of direct travel and tourism GPD in 2015 compared with 35.7% for visitor exports (e.g. foreign visitor spending or international tourism receipts). Domestic travel spending is also expected to grow by 3.4 % by 2026 in Egypt (World Travel and Tourism Council, 2016). In 2015, international tourist arrivals reached 9,139 million and the domestic tourist traffic reached 19.5 million travelers within Egypt. Domestic tourists spent EGP 20.8 million in various tourist destinations. The traffic was divided among Egyptian tourist destinations as follows.
The previous cited statistics confirm that the timing is suitable for Egypt to fully exploit the opportunities offered by domestic tourism. This strategic option can support the country's tourism sector during this critical transitional phase of the nation.

Figure 5: Domestic tourism in Egypt, 2015
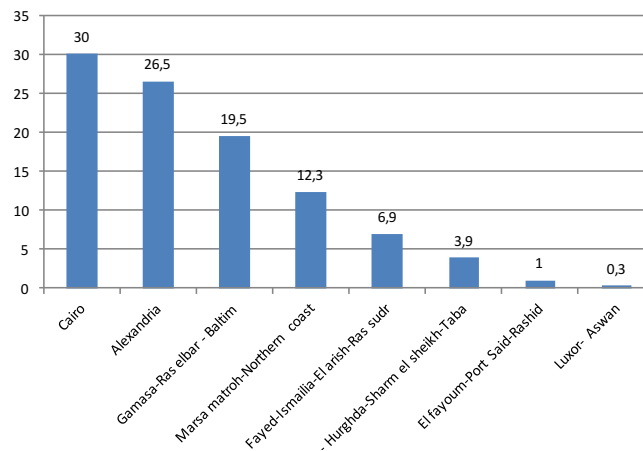
## 3   RESEARCH METHODOLOGY & HYPOTHESES

The research model consists of all constructs that measure independent and dependent variables of the following three hypotheses.

H1: Physical quality has a significant influence on tourists' satisfaction with budget hotel accommodation.

H2: Service quality has a significant influence on guests' satisfaction with budget hotel accommodation.

H3: The provision of 'value for money' services has a significant influence on guest satisfaction with budget hotel accommodation.

Figure 6: Research model
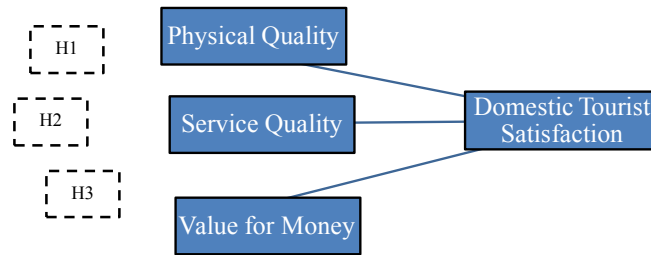
The research primary aims to explore the factors that have the most significant influence on domestic tourists' satisfaction with budget hotel accommodation.

All research questions were formulated according to the chosen constructs with an aim to test the relationships between all variables and domestic tourists' satisfaction with budget hotel services. A 5 point Likert scale was used with the following choices: 5=strongly agree and 1=strongly disagree. The SPSS v.22.0 was used to elicit various results. In the following table, various constructs were coded and then included in the guest survey. Each construct is measured by several variables as shown in Table 1.

The target population of the research survey consists of domestic tourists who experienced budget accommodation services in Egypt. A random sample of guests visiting three star hotels located in ten tourist destinations in Egypt, namely: Cairo, Alexandria, Hurghada, Sharm el sheikh, El-ein el Sokhna, Port Said, Marsa Matruh, Taba, Luxor and Aswan formed the sample of the survey. The selected regions are the most popular tourist areas in Egypt according to trip advisor's traveler's choice list (Trip advisor, 2016) and are among the most visited destinations by domestic tourists (Ministry of Tourism, 2016). Budget hotels in these destinations were randomly selected on the basis of a non-probability convenience sampling technique. Only members of the Egyptian Hotel Association were included in the survey (EHA, 2017).

Due to the absence of accurate data regarding the total number of budget hotel visitors in Egypt, a table of sample sizes was used at a confidence level of 95% and a reliability level of ± 5 which is appropriate for this type of research (Ritchie and Goeldner, 1994). The maximum sample size was chosen (n=384), and 16 additional questionnaires were added to compensate for non-responses. The final sample was size was determined to be 400 questionnaires.

Table 1: Design structure of the questionnaire

Construct	Item code	Statement
Satisfaction (SAT)	SAT	The hotel provides high quality budget accommodation
Physical Quality (PHY)	PHY 1	The hotel is in a convenient location
	PHY 2	The room is clean and well maintained
	PHY 3	The room is quiet and comfortable
Service Quality (SER)	SER	The hotel staff are friendly and willing to serve guests in a professional manner
Value for Money (VFM)	VFM 1	The room rates are value for money
	VFM 2	The food and beverages are value for money

A sample of budget hotels were randomly extracted from a table that contained all EHA establishments presented in numeric codes. The questionnaire was distributed to Egyptian travelers who experienced budget accommodation services throughout the pre-selected destinations during the time frame of the survey (January-February- 2017) with a response rate of 52 %; which is an acceptable percentage for this type of surveys (Ritchie and Goeldner, 1994). A total number of 208 valid questionnaires were statistically analyzed and tested.

4   FINDINGS AND DISCUSSION

The majority of respondents were males (73.4%) and the responses were mostly from Cairo (17%). The following figure demonstrates the percentages of tourist destination covered in the survey. The Figure 7 shows that only 27% of respondents agree that their hotel provided high quality budget accommodation.

The reliability of a measure refers to the degree to which the instrument is free of random error. It is concerned with consistency and stability of the measurement. Cronbach's alpha was calculated for all constructs to ensure internal consistency among the items. The reliability test result (α =0.72) shows that items exhibit an acceptable level of reliability (α>0.70).

Table 2 shows the level of agreement related to all variable associated with budget hotel guest satisfaction.

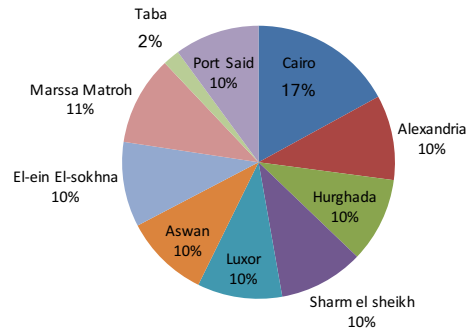*Figure 7: Respondents' distribution according to tourist destination*

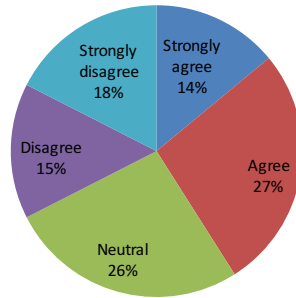*Figure 8: Respondents' perception of overall service quality of budget hotels*

Table 2: Ranking of budget hotel factors according to guest satisfaction

Rank	Factor	Mean	SD	Level of agreement
1	Location	3.80	1.36	Strongly Agree
2	Hotel staff service	3.27	1.42	Agree
3	Room rates	3.10	1.35	Neutral
4	Room comfort	3.06	1.38	Neutral
5	Cleanliness / maintenance	3.05	1.38	Neutral
6	Food and beverages	3.02	1.42	Neutral

4.1   Hypothesis testing

A multiple regression analysis was used to test the effect of all factors (independent variables) on respondents' satisfaction (dependent variable) with budget hotel services. Table 3 shows the results of the multiple regression analysis.

Table 3: Multiple regression analysis results

Construct	Factor	Beta	t-test	P value	Remark
Physical Quality	PHY1	0.116***	3.806	0.000	
	PHY2	0.144**	3.096	0.002	Supported
	PHY3	0.128*	2.608	0.010	
Service Quality	SER	0.209*	2.098	0.037	Supported
Value for money	VFM1	0.282***	3.683	0.000	Supported
	VFM2	0.101*	2.075	0.039	

*Note: * $p<0.05$; **$p<0.01$; ***$p<0.001$*

Hypothesis: 1- validity: **Supported**
The results confirm that all physical quality factors have a significant influence on respondents' satisfaction with budget hotel accommodation. [PHY 1]-The location convenience ($\beta=0.116$, $p<0.001$; t-value=3.806), [PHY 2]-the room cleanliness and maintenance ($\beta=0.144$, $p<0.01$; t-value=3.096) and [PHY 3]-the room comfort and quietness ($\beta=0.128$, $p<0.05$; t-value=2.608) were all significant to guest satisfaction (SAT).
Hypothesis 2 - validity: **Supported**
The results confirm that hotel staff service quality (SER) has a significant effect ($\beta=0.209$, $p<0.05$; t-value=2.098) on respondents satisfaction (SAT).
Hypothesis 3 - validity: **Supported**

[VFM 1] - The hotel room rates (β=0.282, p<0.001; t-value=3.683) and [VFM2] - food / beverages (β=0.101, p<0.05; t-value=2.075) have a significant effect on respondents' satisfaction (SAT) with budget accommodation.

5   CONCLUSIONS

Egyptian tourists can highly benefit from the low rates offered by budget hotels throughout various destinations within the country, especially during a time where the nation suffers from high inflation rates and rising public debt. Tourism authorities also need to shift their focus towards promoting cheap domestic tourism, under the notion: "tourism for all", especially during this period of uncertainty. International inbound tourism is still recovering from numerous sociopolitical incidents that hit the country after the revolutions. Hotels can no more solely rely on international inbound tourism to sustain their profitability in the market. Diversifying the tourism product has become a necessity for the tourism sector more than ever. A great part of this diversification policy should be targeted towards the development of standardized budget accommodation services. The research results indicate that only 27% of respondents agree that budget hotels provide high quality budget accommodation. It's clear from the multiple regression analysis results that the hotel location is the primary factor affecting respondents' perception of overall service quality comparing to other physical quality elements. It is also seen as the strongest element of their overall experience.

Other physical quality factors, namely room cleanliness, maintenance and comfort, should be improved by the hotel management. They have significant effect on guest satisfaction and the majority of respondents were neutral regarding their service quality.

It's important to note that the budget hotel's staff behavior and professionalism in such basic accommodation facilities is very crucial. They can overcome many weak points associated with the hotel's limited resources and amenities. Effective training can develop their knowledge and skills with an aim to meet industry standards.

It's also clear that room rates have a primary effect on guests' perception comparing to food and beverages. The food and beverages received the lowest ranking among respondents in terms of value for money. Many budget hotels tend to rely on outsourcing and franchising when it comes to catering. This model can be very suitable for limited service hotels. The significance of the value for money factor comparing to other quality factors, confirms that the pricing strategy is still the core competitive advantage of budget hotel accommodation facilities. The majority of respondents were neutral when asked about the rooms' value comparing to their prices. Hotel managers should further renovate physical quality elements and broaden the additional guest amenities.

Many budget hotels are relying on the low rates to guarantee that their services are within the zone of tolerance between desired and adequate level of service. The heavy reliance by the management on this concept is risky for the hotel's reputation, and hence its survival in the market. Providing a value for money experience at a standardized level of service with the help of a professionally trained staff will ensure the growth of such accommodation facilities in Egypt.

REFERENCES

AbuKhalifeh, A. & AlBattat, A.R. (2015). Customer perceptions of service quality in luxury hotels in Jordan. Journal of Tourism, Heritage & Services Marketing, 1(1), 30–34. http://doi.org/10.5281/zenodo.376328

Bloomberg (2017). *IMF Says Egyptian Pound at 'Genuine Equilibrium' After Float*. https://www.bloomberg.com/news/articles/2017-01-18/imf-says-egypt-recovery-to-take-time-with-taming-inflation-key. Accessed the 30th of January 2017, at 11:00

Brotherton, B. (2004). Critical success factors in UK budget hotel operations, *International journal of operations and production management,* Vol (24), 944-969

Cheng D., (2013). Analyze the hotel industry in porter five competitive forces, *The Journal of global business management*, Vol. 9(3)

Cherdchmadol, P. and Sriboonjit, J. (2013). *The factors influencing customer satisfaction with chain budget hotels in Bangkok*. Paper presented at ERES Conference, Vienna University of Technology, Vienna: 4 July 2013.

Egyptian Hotel Association (2017). *Hotel members*. http://www.egyptianhotels.org. Accessed the 30th of January 2017, at 12:35.

Hospitality India, (2014*). Success story of budget hotels: a balancing act.* http://www.hospitality india.com/detailNews.aspx?aid=19154&sid=5. Accessed 30th of January, 2017,at 12:00.

Hua, W., Chan, A. and Mao, Z. (2009). Critical success factors and customer expectation in budget hotel segment-a case study of China, *Journal of quality assurance in hospitality and tourism*, Vol. (10), 59-74

Ministry of Tourism (2016). *Domestic tourism*, Tourism sub-accounts unit report, 1-2.

Nash, R., Thyne, M. and Davies, S. (2006). An investigation into consumer satisfaction levels in the budget accommodation sector in Scotland: a case study of backpacker tourists and the Scottish Youth Hostels Association, *Tourism Management*, Vol. (27), 525-532

Peng J., Xinyuan, Z. and Matilla, A. (2015). Improving business management in budget hotels, *International journal of hospitality management*, Vol. (49), 139-148.

Pierret, F., (2001). *Some points on domestic tourism*, Paper presented at "Recontre International sur le development du tourism domestique", Algiers, 9 December, 2001.

Ritchie, J. and Goeldner, C. (1994). *Travel, tourism and hospitality research: a handbook for managers and researchers*, 2nd edition, US: Wiley

Samy, H. (2010). Analyzing the budget tourism phenomenon: a socioeconomic approach, *Tourism today*, Vol. (10).

Scheyvens, R. (2002). *Tourism for development: empowering communities*, US: Prentice Hall.

Sidin S., Rashid, Z. and Zainal, R. (2001). Measuring customers' perceived service quality in hotel industry*, Pertanika journal of social science and humanities*, Vol. 9 (2), 71-85.

The World Economic forum (2015a). *The travel and tourism competitiveness report*, Annual report, p.28

The World Economic forum (2015b*). The global competitiveness report*, Annual report, p.160

Tripadvisor (2016). *Egypt traveler's choice*. https://www.tripadvisor.com/Tourism-g294200-Egypt-Vacations.html. Accessed the 28th of February 2017, at 12:00.

United Nations World Tourism Organization (2016). *Tourism highlights*. Annual report, 1-16

Wales   J.,   (2014).   *Designing   three   star   hotels   is   a   new   gold   mine*. http://arabi/arabianbusiness.com/business/constructionindustry/2014/Jun/19/364380. Accessed the 29th of January 2017, at 01:00.

World Bank (2017). *Egypt: country at a glance*. .http://www.worldbank.org/en /country /Egypt. Accessed the 15th of February 2004, at 02:00.

World Travel and Tourism Council (2016). Travel and tourism: economic impact Egypt. Annual report, 1-24,

Yu, Y., (2012*). Factors and customers satisfaction of budget hotel customers in China*, Unpublished PhD Thesis. Thailand: University of the Thai Chamber of Commerce.

Zeglat, D. (2008). *An investigation of the relationship between service quality and profitability in the UK budget hotel sector*, Unpublished PhD Thesis. US: University of Surrey.