

World Tourism Organization



UNWTO

Online Guest Reviews and Hotel Classification Systems

An Integrated Approach



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Foreword



Tourism is one of the most dynamic economic sectors of our times. Representing 9% of the world's GDP, 30% of service exports and one in every eleven jobs, the sector has grown from the privilege of a few to a global socio-economic activity moving billions of people across borders every year.

In just six decades, tourism has seen a dramatic rise in breadth and scope. In 1950, a mere 25 million people traveled the globe, mainly to and from the traditional destinations of Europe and North America. In 2013, the annual number of international tourists hit 1087 million, with emerging economies increasingly capturing the imagination of travelers.

Beyond this exponential growth, the sector has significantly transformed with few areas showing so much dynamic change and innovation as the online space. The emergence of user-generated content reviews has completely revolutionized the travel decision-making process as increasingly 'would-be travellers' depend on online guest reviews to make their purchase decisions. This impact has been especially evident for accommodation providers.

Both guest reviews and hotel classification systems serve important and complementary purposes; whereas hotel classifications concentrate on objective, amenity-based elements, guest review systems lend more focus to the perception of service-related elements. Our research shows that both are necessary, but that both, consumers and industry, are interested in seeing a closer fit between the two, as well as a common framework for guest reviews.

Moreover, with online activity set to expand, boosted by the growth in travel-specific websites and social media and the widening appeal and availability of mobile technologies, it is imperative that hotel offerings are presented in a way that is consistent with consumer needs.

Tourism is about experiences. The consumer mindset is shifting towards encompassing the quality of both service and facilities and the tourism sector needs to be ready to meet consumer requirements and enhance their satisfaction. This report looks at how to further reduce the gap between guests' expectations and experiences. It challenges hotel classifications and guest reviews to be closer integrated in a manner which encompasses subjective elements and objective requirements and benefits both consumers and hotels.

We would like to thank the Ministry of Trade, Industry and Fisheries of Norway for partnering with UNWTO through the QualityMark Norway department of Norwegian Accreditation in the development of this report. The contribution of QualityMark Norway to the report is an example of the excellent research the department carried out on hotel classification and quality assurance in Norway and internationally, and of the leadership of Norway in this field.

Taleb Rifai
Secretary-General, World Tourism Organization (UNWTO)



Executive Summary

Online travel-related searches are on the rise, and hotel classifications and guest reviews have complementary roles in this process...

The proliferation of online travel-related content is changing how consumers book and research travel. Before making an online hotel reservation, consumers visit on average almost 14 different travel-related sites with about three visits per site, and carry out nine travel-related searches on search engines. Official hotel classifications are often used by consumers as a filter mechanism in the booking process, with guest reviews being used to make a final selection among a smaller group of hotels.

Most consumers and hoteliers support the idea of closer integration of hotel classifications and guest reviews...

Recently there has been interest in taking the classification processes into the digital/social age, with regions and associations like Abu Dhabi, the German Hotel and Restaurant Association and Hotelleriesuisse looking at the integration of online guest reviews into traditional methods for hotel

classification. Research shows that the general consensus amongst suppliers and consumers is that the integration of guest reviews into hotel classification systems is a good idea, provided that an appropriate methodology for doing so is developed. This report looks at the feasibility of incorporating guest reviews into hotel classification (star level) systems on a broad scale.

An integrated approach is proposed whereby guest reviews add a quality dimension to hotel classifications, thereby refining the classification. Aggregated guest scores can be presented in parallel to hotel classifications, or integrated fully...

Traditionally, classification systems have been about amenities whereas guest reviews are about meeting expectations, thus guest reviews should be able to provide a quality check upon the amenities that are required as part of the classification system.

To this end, aggregated guest reviews can be presented in parallel to the official hotel classification. However, for a more



thorough integration of guest reviews into hotel classification systems, a framework is proposed whereby guest review data is separated into two categories: departmental (or amenity-focussed) data, and non-departmental data. Departmental data addresses physical attributes, and non-departmental data focuses on quality, value and cleanliness. Departmental data from aggregated guest reviews would then be used to ensure the quality of the amenities that are required to meet classification standards, whereas the scores from more subjective service-related measures (e.g. scores on cleanliness, value and service) would be used to potentially elevate a hotel to a higher classification.

A refined and integrated model is expected to have positive financial impacts...

Finally, an estimation is made of the financial impacts of the inclusion of guest reviews in hotel classification systems. The impacts on individual hotels, and the potential costs related to a systematic national/regional inclusion of reviews into classification systems, are both assessed. As costs for integration are minimal, requiring only that data feeds from online reputation management firms be used in concert with simple weighting methods, a positive financial impact from integration would result from even small firm level price changes.



1. Introduction

Summary

The emergence in recent years of online guest reviews has challenged the role of hotel classification systems.

Both systems can play an important role in ensuring that accommodation offer meets customer needs.

The matching of offer and expectations can have a considerable positive financial impact on establishments, hence further research into the complementarity of hotel classifications and guest reviews is warranted.



Hotel classification systems and online guest reviews, or user-generated content (UGC), are themes of great importance and interest to the accommodation industry and the wider tourism sector. When well-designed, they offer an independent and trusted reference on the standard and quality of hotel services and facilities, thereby facilitating consumers in the choice of their accommodation. They also provide a framework for accommodation providers to market and position themselves appropriately and to leverage the investments they have made in the quality of their product-service offer.

The emergence of online guest reviews in the last decade has challenged the necessity for hotel classification systems, with critics arguing that guest reviews are better at providing a benchmark on the quality and range of services a hotel can offer. Conversely, critics of guest review systems point to the difficulty of verifying their authenticity, and to their lack of objectivity.

Despite these issues, it is clear that hotel classification systems and guest reviews can play an important, and not necessarily mutually exclusive, role in the establishment of a commonly held understanding of quality such that accommodation offers either

meet or exceed customer expectations. The matching of offer and expectations is a critical success factor for accommodation providers, as supported by research indicating that being officially classified and working to improve your guest review scores can both have a considerable positive financial impact. There is therefore the need for further research in this area.

In this light, UNWTO and QualityMark Norway carried out a study looking at models for incorporating guest reviews into classification systems with a view to providing a service that meets the needs of a wider and more demanding customer base.

A comprehensive research programme, involving primary and secondary research was undertaken to meet the project's objective. This embraced all key publics – consumer, hotel industry and intermediaries. Based on the outcomes of this research, two potential models for closer integration of hotel classifications and online guest reviews are presented, and an estimation made of financial impact of such integration.



2. Online Consumer Behaviour

Summary

Before making an online hotel reservation, consumers visit approximately 14 different travel-related sites with about three visits per site combined with almost nine travel-related searches.

Consumers often use hotel classifications as a filter mechanism, with guest reviews used to make a final selection.

Any discussion of the relationship between guest reviews and hotel classifications needs to be grounded in an understanding of online consumer behaviour. A comScore study¹ looked at travel-related online behaviour that precedes an online booking, by tracking the online behaviour of a sample of just under 400 consumers for 60 days prior to booking with a major hotel brand. The average number of unique travel sites visited by these consumers during the 60 days prior to booking was 13.60, with consumers visiting each site 2.92 times on average for a total of 39.90 travel site visits per consumer. In addition, consumers on average performed 8.60 travel-related searches on search engines such as Google, Yahoo or Bing. Figure 1 illustrates the distribution of travel site visitation before booking a hotel room, and Figure 2 shows the distribution of travel-related searches and travel-related site visits, again prior to making a booking.

1. Anderson, CK. (2011) Search, OTAs, and Online Booking: An Expanded Analysis of the Billboard Effect, Cornell Hospitality Report Vol. 11, No. 8, April 2011



Figure 1. Distribution of travel site visits

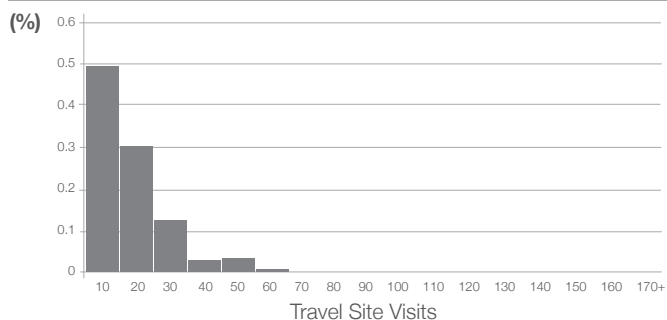


Figure 2. Distribution of travel site visits and searches

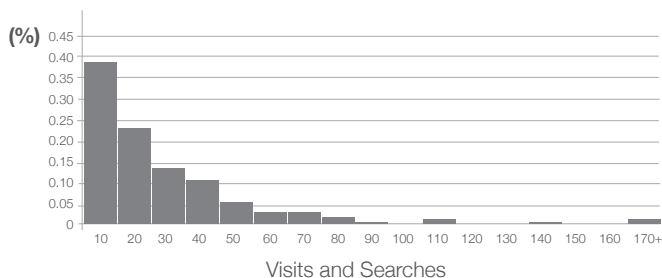
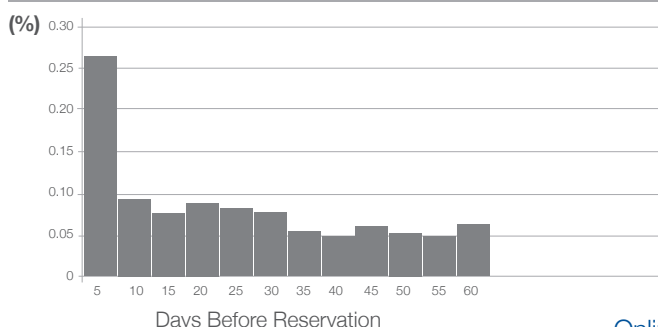


Figure 3. Distribution of days before booking of TripAdvisor visits



The distribution of online behaviour indicates that the majority of consumers exhibit online research below the aforementioned averages, with 49% of consumers visiting ten or less unique travel sites. Nevertheless, a substantial number of consumers do spend considerable time online researching travel (hotel) decisions, with more than 20% of consumers visiting more than 30 unique sites.

Figure 3 illustrates the distribution of ‘days before reservation’ of visits to TripAdvisor, one of the leading sources for online guest reviews. The distribution indicates that the majority of research centred on guest reviews (on TripAdvisor at least) is concentrated in the final few days prior to booking, thus supporting the hypothesis that consumers use reviews not to filter hotels but rather to decide amongst a smaller choice set already weeded out from prior search and site visitation and falling within desired hotel classification categories. This is consistent with findings from a recent survey of 2,500 consumers where 35% of respondents use online reviews early on to identify hotels to consider, while 28% use them to narrow down pre-determined choices².

2. Carroll, P. (2014), Digging deeper into hotel reviews: exactly how and why travelers use them (online), available: Ehotelier.com (11-07-2014).



3. Making a case for integration

Summary

There is generally a positive correlation between guest review ratings and classification categories (star levels), though 3 and 4 star hotels appear to have greater scope for meeting and exceeding expectations than 5 star hotels and therefore score relatively high on guest reviews.

Despite concerns about guest review authenticity, a vast majority of consumers find them helpful and over half will not book a hotel that has no guest reviews.

OTAs and guest review sites are actively combating the so-called fake reviews.

Consumers and hoteliers agree that hotel classifications are important when choosing a hotel, and guest reviews even more so.

Hoteliers favour the integration of guest reviews into official classification systems but this support is qualified, owing mostly to doubts about authenticity of guest reviews.

OTA support for integration is less evident.

Official hotel classifications and online guest reviews clearly serve different, yet complementary purposes. This chapter examines the correlation between hotel classifications and guest reviews, the issue of guest review authenticity, and whether there exists stakeholder demand for an integration of the two systems.

3. Given its leading position in the market, TripAdvisor was used as broadly representative of guest review sites and online travel agents in general. Data from online reputation providers, who provide aggregate scores across all guest review providers, could provide an even more accurate picture.



Correlation

One of the issues of integration of guest reviews with classification systems is the degree to which reviews are correlated with star levels. Table 1 presents a summary of user ratings from TripAdvisor³ for its ‘Top’ hotels by star level for eight cities. Panel A of the table shows average TripAdvisor ratings by hotel star level across the eight cities. TripAdvisor ratings consistently increase with increasing star level, but the numbers are quite different by location. The difference in TripAdvisor rating by star also varies considerably by city.

For example, in New York City there is only a 0.35 difference between the average of 2 star and 5 star hotels, whereas this difference is almost two in Sydney.

Panel B shows the percentage of each star level with the TripAdvisor ‘Top’ Hotels. These percentages favour 3 and 4 star hotels, most likely reflecting the ‘value’ component of guest reviews, i.e. lower star hotels may get better reviews than higher star hotels, not because of amenities, but rather because of perceived value for money and exceeding expectations for that star level.

Table 1. Average TripAdvisor ratings

Panel A: Average ratings by star

Star level	New York	Chicago	Los Angeles	Melbourne	Sydney	Copenhagen	Stockholm	Berlin
2	4.13	3.56	3.91	3.5	2.43	3.18	3.44	3.67
3	4.24	4.03	3.84	3.22	3.3	3.51	3.7	3.77
4	4.29	4.15	4.01	3.83	3.69	3.6	3.94	4.09
5	4.48	4.63	4.41	4.35	4.34	4.08	4.1	4.5

Panel B: Top TripAdvisor hotels by star (%)

Star level	New York	Chicago	Los Angeles	Melbourne	Sydney	Copenhagen	Stockholm	Berlin
2	2.0	7.0	13.3	0.8	6.0	15.1	6.6	11.3
3	35.3	50.4	48.3	19.2	23.9	45.2	37.7	39.8
4	47.3	35.7	29.2	64.6	48.7	33.3	51.6	40.4
5	15.4	7.0	9.2	15.4	21.4	6.5	4.1	8.5

Table 2. Average TripAdvisor ratings – 100 global markets

Star level	Average ranking	Average review score
1	56.1	3.95
1.5	57.5	3.3
2	58	3.75
2.5	53.7	3.97
3	53.7	4.01
3.5	51.1	4.1
4	46.5	4.2
4.5	38.9	4.31
5	30.3	4.43

The potential impact of guest reviews upon hotel classification increases with decreasing star levels.

Consumers appear to react positively, by giving better reviews, for 3 and 4 star hotels that deliver strong value or improved service, whereas for 5 star hotels, it may be more difficult to exceed expectations of consumers.

In general, the findings indicate that the potential impact of guest reviews upon hotel classification increases with decreasing star levels. Consumers appear to react positively, by giving better reviews, to 3 and 4 star hotels that deliver strong value or improved service, whereas for 5 star hotels, it may be more difficult to exceed expectations of consumers.

Review authenticity

One of the concerns regarding guest reviews is their authenticity. Research suggests that hoteliers have incentives to write fictitious positive reviews of their own hotels, and to write negative reviews about competing properties. There are even examples of businesses which have not yet opened and still received poor reviews. There appears to be relatively more positive than negative cheating.

However, despite the inevitable presence of false reviews, a PhoCusWright study on TripAdvisor shows that 98% of respondents have found TripAdvisor hotel reviews to accurately reflect the actual experience, and that 95% would recommend TripAdvisor hotel reviews to others. Among 2,739 randomly selected visitors on TripAdvisor, 87% of the users agree with the statement that “guest reviews on TripAdvisor help me feel more confident in my decisions”. Despite travellers’ increasing expectations and demands, the study also revealed that eight out of ten users agree that TripAdvisor hotel reviews “help me have a better trip”. Furthermore, the study shows that 53% of the respondents will not book a hotel that does not have any guest reviews on the site.

Inauthentic reviews can easily be overcome by the utilization of so-called qualified reviews. Most online travel agents (OTAs) only accept reviews from guests who have purchased a room through their site (the OTA sends an email after the stay requesting the consumer feedback on their purchase). Booking.com, the world’s largest OTA, has over 30 million of these qualified reviews. Expedia, through its combined pool of reviews from its Expedia.com and Hotels.com brands, has over 20 million. In the case of TripAdvisor, which has over 150 million reviews, the reviewer is not required to have stayed at the hotel. Yet, TripAdvisor is continuously upgrading filters to weed out any reviews it suspects may be fake. Moreover, the sheer magnitude of reviews across all providers is likely to minimise the impact of inauthentic entries.

Inauthentic reviews can easily be overcome by the utilization of so-called qualified reviews.

The sheer magnitude of reviews across all providers is likely to minimise the impact of inauthentic entries.

4. Mayzlin D, Dover Y & Chevalier J, (2012), Promotional Reviews: An empirical investigation of online review manipulation, pp 2-9, available: http://www.analysisgroup.com/uploadedFiles/Publishing/Articles/Chevalier_Promotional_Reviews_Reviews_August_2012.pdf
5. The famous chef Graham Elliott’s restaurant received negative reviews prior to opening the restaurant. Time Magazine, 179(7), 20 February 2012.
6. O’Neill, S. (2012), TripAdvisor responds to provocative study of bogus online reviews (online), Available: <http://www.tnooz.com> (10-08-2013).
7. Quinby, D. and Rauch, M. (2012). Social Media in Travel 2012: Social Networks and Traveler Reviews. PhoCusWright.

Surveys

The present report contains primary data from surveys carried out across three potential stakeholders: consumers, hoteliers and third party intermediaries (OTAs). The survey responses are summarized in appendices A, B and C, respectively. A consumer survey facilitated by AA Ireland resulted in 23,702 responses from Irish travellers. An additional 26,000 responses were received from international travellers for a shorter survey conducted by Tourism Ireland. 575 responses from hotel executives, managers and general managers were received through Cornell University's Center for Hospitality Research, and 27 telephone interviews were conducted with OTAs.

The AA Ireland consumer survey showed that while 65%–to 75% of respondents considered hotel classifications from agencies and/or OTAs to be important or very important in the hotel purchase decision, a larger proportion (93%) thought the same of recommendations from friends, and 84% for more anonymous word-of-mouth via online guest reviews. A Tourism Ireland survey focussed on international travelers produced very similar results, with 75% of respondents indicating classification systems to be important or very important, compared to over 80% for guest reviews.

As with consumers, hoteliers viewed official hotel classification as important or very important to their establishment (75%), but attribute more significance to guest reviews (97%). The survey showed that hoteliers use consumer reviews predominantly for quality management (72%) and understanding customer needs (77%).

The results from OTAs show a different pattern. They consider classification to be one of the most important features of their listings, with guest reviews slightly less important, and the integration of reviews into classification only marginally important. OTAs most likely view integration as less critical owing to their current side-by-side use of reviews and classifications. In essence, they are already offering a mild form of integration.

The views of the three stakeholders' categories on the integration of reviews into classification systems mimic those on the importance of classification systems; about 75% of both consumers and hotels indicate that the integration of reviews into classification is important or very important, and this reduces to 44% for OTAs. The lower importance attributed by OTAs is understandable as the provision of reviews is one of their competitive advantages – OTAs heavily advertise their database of qualified reviews.

Despite generally supporting the idea of integration, hoteliers also expressed, via freeform responses from 188 respondents, concerns regarding the methodology for such integration and, in particular, how to deal with inauthentic reviews. The issue of authenticity has been addressed in the previous section, whereas the questions regarding methodology shall be addressed in the following chapters.

When asked about the integration of reviews into classification systems, the results mimic those for the importance of classification systems; about 75% of both consumers and hotels indicate that the integration of reviews into classification is important or very important, and this reduces to 44% for OTAs.



4. Integration models

Summary

Opaque travel sites have been integrating guest reviews and hotel classifications successfully for many years.

Several countries are moving towards integrated models.

Two options available: full integration and comparative performance.

Full integration implies that the hotel can move up or down a star level depending on its perceived quality, as measured by guest reviews, compared to that of its industry peers.

In a comparative performance model, the aggregated guest review rating is displayed separately to the hotel classification, without integration.



The integration of consumer reviews into hotel classification is not new; opaque travel sites have been doing so for over ten years. Opaque travel sites like Hotwire.com and Priceline.com mostly operate in the United States of America. These sites sell rooms not in specific hotels but in classes of hotels in general areas, e.g. a 4 star hotel in Times Square, New York City.

Figure 4 shows listings from these two travel sites for New York City. The listings jointly show star level and review information but not names of hotels. Consumers, in return for not knowing the specific name of the hotel until after they have paid for the fully non-refundable room in advance, receive discounts of 50% or more. The accuracy of the star information is therefore critical to the success of these sites – if consumers purchase a 4 star hotel but feel it is really a 3 star hotel due to the quality or amenities, they may not revisit the travel site. Consequently, to

decide whether a hotel should be listed as a 3.5 star or 4 star hotel, these sites look at numerous sources, including online guest reviews.

Presently, Norway and Switzerland have documented models of guest review integration into hotel classification, and regions of the United Arab Emirates, Germany and Australia are well on their way to developing integrated platforms. The model in Norway developed by QualityMark Norway, while yet to be implemented owing to resistance from major hotel chains, is an example of full scale integration. On the other hand, the system currently being used in Switzerland, which uses Hotelstars Union criteria for its official classification, involves instead a parallel presentation of aggregated guest review information alongside traditional hotel classifications.

Figure 4. Opaque hotel listings in New York

 \$260* \$122 per night	Hoboken - North Bergen area boutique hotel See on map 95% recommended Internet access, Pet friendly, Fitness Center, Business Center and more ...	53% OFF	EXPRESS DEAL Midtown East Area This Hotel has: Restaurant Business Center Bed choice available	\$150 per night Show Me	
EXPRESS DEAL Times Square - Theatre District Area Rated out of 10 (or higher) This Hotel has: Pets Allowed Restaurant Fitness Center					\$209 per night Show Me

Full integration – the QualityMark Norway model

The model is based on proposals put forward in Norway for a fully integrated official classification/star rating and guest review system. This innovative model involves the inclusion of the overall guest review ratings for the hotel as part of the evaluation criteria. A series of formulae are applied as a conduit for the inclusion of the consumer perspective into the formal classification.

A key component of this model is the calibration of the weighting given the guest rating. The weighting allocated to the guest review rating could be gauged by taking into consideration the type of classification system being used and the relative importance of mandatory vis-à-vis optional criteria. Ultimately, the weightings given to guest ratings as part of the total classification criteria mix would be at the discretion of the classification authority.

Central to the evaluation process is how the hotel performs on guest ratings compared to, for example, a national average for its category. A rating statistically significant above the average could lead to awarding the hotel a higher grading, providing that it meets mandatory criteria for the higher grade; the converse would apply if the hotel fared poorly compared to its peer properties.

Comparative performance – the Switzerland model

The model consists of two elements: the official hotel classification using the European HotelStar Union system and, displayed separately, the average score from a number of guest reviews rating sites. The guest review rating is additive to the official hotel classification rating and they are displayed

separately without integration. The two operate individually and are equally illustrated in all marketing material including online material. The average guest review rating is derived through using an online management reputation/filter company (TrustYou). This provides additional guidance for the consumer. In addition to the objective elements in the hotel being portrayed by the stars awarded, a numerical award displays the subjective elements – the quality of the welcome, service and comfort.

Central to the evaluation process is how the hotel performs on guest ratings compared to, e.g., a national average for its category. A rating statistically significant above the average could lead to awarding the hotel a higher grading, providing that it meets mandatory criteria for the higher grade; the converse would apply if the hotel fared poorly compared to its peer properties.



5.

A proposed framework for full integration

Summary

A granular inclusion of guest review information is proposed, separated into two categories: departmental/amenity-based data (requirements) and non-departmental/service-related data (expectations).

Performance across departmental and non-departmental data can be compared to, say, a market average, with performance above or below a pre-determined threshold making the hotel a candidate for an increase or decrease in star level.

Many online reputation management firms carry out this aggregation of data across online guest review sites.

The proposed integrated model would not replace guest reviews but rather use them to improve the classification process.

As shown in Tables 1 and 2, higher classified hotels tend to have higher review scores, but they are neither perfectly correlated nor symmetrical across locations. One of the issues with integration is the different uses of review and classification information. On the one hand, reviews reflect post purchase satisfaction and the degree to which expectations have been met, hence the reason why a 2 star hotel may get great reviews compared to, say, a 4 star. On the other hand, classification systems have historically been about an amenity checklist. It is for these differences in purpose that a more granular inclusion of guest review information is proposed.

Table 3. Hotel classification and guest review categories

CRITERIA CATEGORIES	
Hotel classification systems	Guest reviews
Room	Room comfort/standard
Service	Service
Food and beverage	Food and dining
Access	Location
Front desk services	Staff performance
Communication (internal and external marketing)	Value for money
Bathroom	Cleanliness
Temperature control	

However, the feedback obtained across review platforms is varied. Table 4 indicates the number of review criteria and scales for the three main review sites as well as the major OTAs.

In order to get a balanced comparison of review data with classification data, review information should be aggregated across the numerous platforms.

Table 4. Number of guest review categories by OTA/review site

Guest review sites	Main Location	Number of review criteria	Scale
HolidayCheck	Europe/Germany	6	1–6
MyTravelGuide	United States of America	3	1–10
TripAdvisor	Worldwide	8	1–5
OTAs			
Agoda	Asia	6	1–10
Atrapalo	Spanish site/worldwide	8	1–10
Booking	Worldwide	6	1–10
Expedia	Worldwide	4	1–5
Hotels	Worldwide	5	1–5
HotelTravel	India and expanding	6	1–5
HRS	Worldwide	14	1–10
Orbitz	Worldwide	6	1–5
Priceline	United States of America	4	1–10

Many third-party firms, including popular providers such as Brand Karma, ReviewPro and TrustYou, carry out this aggregation. In addition, some of these firms break down information into departments across the review criteria categories in Table 3. For example, Table 5 illustrates the aggregated review data supplied by ReviewPro. The table shows ReviewPro's GRI (Global Review Index™), an overall guest review score which is based on scores by department (food and beverage, room, etc.) as well as more subjective, service-related categories (overall cleanliness, service and value).

Using departmental scores we can separate the impact of reviews into expectations versus requirements. Following the framework of QualityMark Norway, departmental scores (from Table 3) could be compared to acceptable regional values based on the distribution of scores for hotels of the designated classification. If a suspect property is below the acceptable range across some departments, it may be classified lower. Similarly if a hotel exceeds acceptable levels (e.g. surpasses the Upper level across all departmental scores in Table 5) and also scores highly on non-departmental elements (value, service and cleanliness) then it may be classified higher, assuming it meets minimum amenity requirements (and associated departmental scores) of the higher class.

As an illustration, Table 5 displays hotel scores as well as the market average and the top quartile (upper) and bottom quartile (lower) for hotels of the same star classification as the sample hotel. The hotel in question has amenity scores within acceptable ranges, meaning it meets the departmental data requirements for this star category. However, the subjective measures (cleanliness, service and value) exceed the upper quartile, indicating that it is delivering superior value and service, and may therefore currently be classified too low. Depending upon the region and classification system, the subject hotel may then be a candidate for an upgrade in classification.

Table 6 below illustrates potential upgrade/downgrade scenarios. Upgrades may, for example, be considered when hotels have superior non-departmental scores (cleanliness, service and value) and departmental scores within or above acceptable ranges. Hotels may be downgraded if departmental and non-departmental scores are below acceptable ranges. Hotel classification would remain unchanged under the majority of settings.

Table 5. Sample of ReviewPro's aggregated departmental scores (%)

Market	GRI™	Room	Decor	Entertain	Food drink	Location	Reception	Clean	Value	Service
Average	77.4	81.2	79.7	79.5	70.0	80.2	81.1	76.1	74.7	75.7
Upper	83.3	85.1	87.6	83.8	73.9	82.9	82.7	83.4	80.7	80.4
Lower	71.4	77.6	71.5	75.2	66.1	77.1	79.3	69.6	68.3	70.
Hotel	81.	80.2	77.5	81.7	83.0	83.1	80.2	83.5	81.7	85.1

Table 6. Potential upgrade and downgrade scenarios

Departmental scores	Non-departmental scores	Results
Above upper quartile (+)	Above upper quartile (+)	Above upper quartile (+)
Within range (=)	Within range (=)	Within range (=)
Below lower quartile (-)	Below lower quartile (-)	Below lower quartile (-)
=	=	=
=	+	+
=	-	=
+	=	=
+	+	+
+	-	=
-	+	=
-	=	=
-	-	-

In North America, a classification upgrade may be straightforward owing to its half-star system, i.e. a superior performing 3 star hotel may be reclassified as a 3.5 star hotel as it has the amenity requirements of that star level. However, in other regions with fewer classification gradations, the subject hotel may not have the amenities required of that higher 'star' level. If a hotel is to be upgraded in classification, its departmental review scores would typically need to meet acceptable levels of the new classification, and it is likely that some hotels would choose not to upgrade their amenities. It is up to the certification body to determine if such performance can be 'rewarded' in another manner, e.g. a denomination such as 'deluxe' or 'superior'.

As with the Switzerland model, it is also probably advantageous to present an aggregate score (GRI™ from Table 5) in concert with the modified classification. Considering the consumer and hotelier survey responses, it is clear that even more refined classifications will not replace the need for guest reviews, as research consistently shows that consumers value reviews more than classifications. It is expected that consumers may still visit OTAs and review sites to read reviewer comments. In essence, this integration will not replace reviews but rather use them to improve the classification process.

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6. Financial impact

Summary

Officially classified hotels have significant price premiums over unclassified hotels within the same category on OTA listings, attesting to the value consumers assign to official classification.

On average, a 1% gain in guest review score translates to a 1% gain in RevPAR.

The integration of reviews into classification could help reduce consumer uncertainty regarding individual hotels, thereby giving hotels with integrated classification pricing power over those without.

Regional ADR may also be improved as consumers are willing to pay more for a product that they are confident will meet expectations.

Costs for integration are minimal, especially as market size increases, and should quickly be offset by increased ADR.

Whether presenting an aggregated guest review score in parallel to a hotel classification, or adopting a fully integrated model, costs will be incurred. This chapter will assess if these costs could be offset by financial gains related to the integration.

Impact of official classification

The financial impact of being officially classified in the first place is difficult to establish. However, a comparison of pricing differences between officially classified versus unclassified hotels revealed considerable differences. Table 7 summarizes

data from a QualityMark Norway study of OTA rates on 2,972 hotels in 18 cities globally. The data indicates officially classified hotels experienced significant price premiums, attesting to the value consumers assign to official classification.

Table 7. Hotel price differences between classified and unclassified hotels

Classification	Price		
	Classified	Unclassified	Difference(%)
5*	EUR 255	EUR 187	36
4*	EUR 145	EUR 118	23
3*	EUR 121	EUR 83	46
2*	EUR 93	EUR 72	29

Impact of guest reviews

A recent research report from Cornell University's Center for Hospitality Research used data from three separate data sources to show the impact of online reputation upon hotel performance.⁸ The report, using online reputation data from ReviewPro and hotel performance data from Smith Travel Research, shows that a 1% improvement in review score translates into about a 1% gain in revenue per available room (RevPAR). Table 8 shows these gains by chain scale with luxury hotels experiencing a 0.49% gain (percentage of gain in review score), increasing to 1.42% for mid-scale hotels. The results clearly demonstrate that online reputation, as measured by guest review score, has increasing impacts on hotel performance as the chains scale is decreased.

Similarly, using data from 13,341 reservations from 7 major US cities⁹ made through Travelocity during July 2012, the report indicates that the odds of a consumer booking a hotel increase by 1.142 if their Travelocity Review Score (five point scale)

increases by one point, say from 3.1 to 4.1. As such, if the hotel chooses to increase price (versus market share), a 1-point gain translates into about an 11% gain in price while maintaining occupancy.

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8. Anderson, C. K. (2012), 'The Impact of Social Media on Lodging Performance,' Center for Hospitality Research Report, 12 (15). Cornell University.

9. The seven cities include Boston, Chicago, Dallas, Houston, Los Angeles, Miami, New York, Orlando, and Phoenix, with data consisting of hotel attributes (star level, price, guest review scores, number of reviews, etc.) for each hotel booked, as well as all hotels displayed on the search results that were not booked.

Table 8. Impact of guest reviews on hotel performance – change in ADR, Occupancy and RevPAR (%) given a one change in review score (%)

	Pricing Power (ADR)	Demand (Occupancy)	Performance (RevPAR)
All	0.80	0.20	0.96
Luxury	0.44	0.09	0.49
Upper upscale	0.57	0.30	0.74
Upscale	0.67	0.19	0.83
Upper midscale	0.74	0.42	1.13
Midscale	0.89	0.54	1.42

Impact of integration

The Cornell study clearly shows the impact of guest reviews on the performance of hotels of various categories. The degree to which these results would translate to hotels that are classified using an integrated model of guest reviews and traditional classification is difficult to establish. However, the integration of reviews into classification should help reduce consumer uncertainty regarding individual hotels, thereby giving hotels with integrated classification pricing power over those without. This would also mean that markets with integrated classification should have pricing power over those without. The results from Tables 1 and 5 indicate that impacts from integration may be more pronounced for midscale and upper midscale hotels (3 to 4 stars).

This in turn raises the question of whether overall average daily rates (ADRs) would increase if entire regions adopt an integration strategy. To some degree, the travel market is inelastic, i.e. consumers are probably not going to travel more because the quality of hotel classification systems improves. Yet, they may be willing to pay more for product that better meets expectations, as demonstrated by research carried out by Cornell University's Center for Hospitality Research¹⁰ and by QualityMark Norway¹¹.


As such, a lift in market ADRs is not unimaginable, although perhaps not the full 11% gain indicated by the Travelocity data.

Costs for such integration, on the other hand, are minimal, with annual costs from an aggregator to provide departmental level information for all service providers in that market (country or region) amounting to approximately USD 100,000-150,000 or smaller for regions with fewer hotels. As such, the payback for any region would be almost instantaneous, as even a 1% increase in ADR with in a region with 10% hotel tax would quickly offset any annual integration costs.

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10. Anderson, C. K. (2012), 'The Impact of Social Media on Lodging Performance,' Center for Hospitality Research Report, 12 (15). Cornell University.

11. QualityMark Norway (2013) "Classifications, quality assurance and guest communication in the hotel industry in Norway and Europe: A report on the different schemes and methods used by the hotel industry in Norway and in Europe in their quality assessment and on guest communication"



7. Summary and next steps

Today's consumers seek many sources of information during their hotel booking decision. Recent years have seen an explosion in user generated reviews with consumers increasingly expressing opinions on recent hotel stays as well as seeking opinions of others prior to booking unknown hotels. During the early growth phase of guest reviews, hotels and consumers have expressed concerns with the authenticity of reviews; but with today's over 200 million reviews across the numerous travel related sites, the wisdom of crowd dwarfs potentially fraudulent reviews.

The ease of access to information requires an updated approach to how we look at hotel classification, with 75% of surveyed consumers and hotels indicating that the integration of reviews into classification is potentially important. At the same time consumers appear to use guest reviews and hotel classifications in different manners – classification systems help filter hotels, while guest reviews provide a means to help select from a smaller set of acceptable options. These similar yet distinct uses indicate a continued need for both hotel classification and guest reviews. Hence a modification to existing classifications systems is proposed which includes guest review data. This new classification system can be used in concert with existing guest review sites and data – with consumers continuing to use both as seen fit.



Prior research clearly shows a link between hotel performance and guest review scores. Whether the link between hotel performance and guest review scores directly translates to an integrated classification model is unknown, but some gain is anticipated as consumer confidence in hotel classification should increase purchase intention.

With prior efforts in the United Arab Emirates, Norway, Switzerland and Australia as guidelines, a framework for the potential inclusion of guest reviews into hotel classification is proposed. The framework uses scores by hotels' departmental data and subjective, non-departmental data to ensure consistent use of review information within a traditional hotel classification framework. Moreover, it uses aggregated review scores to support authenticity.

At present, the proposed framework is untested. A next step would be to test the framework within a given region, e.g. incorporating reviews into classification of hotels in some but not all cities. Testable metrics would be the number of hotels reclassified (both up and down) as a result of integration and then a comparison of hotel performance (ADR, RevPAR and Occupancy) both at the hotel level as well as by market or city.

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Annex.

Primary data collection

To support this report three sources of primary data were collected – telephone interviews with online travel agents, surveys of consumers facilitated by AA Ireland and Tourism Ireland and a survey of hoteliers through Cornell University's Center for Hospitality Research.



Consumers

Irish Consumers

23,702 responses were received from AA Ireland. Respondent were 55.9% male and 44.1% female, and age distribution as summarized below.

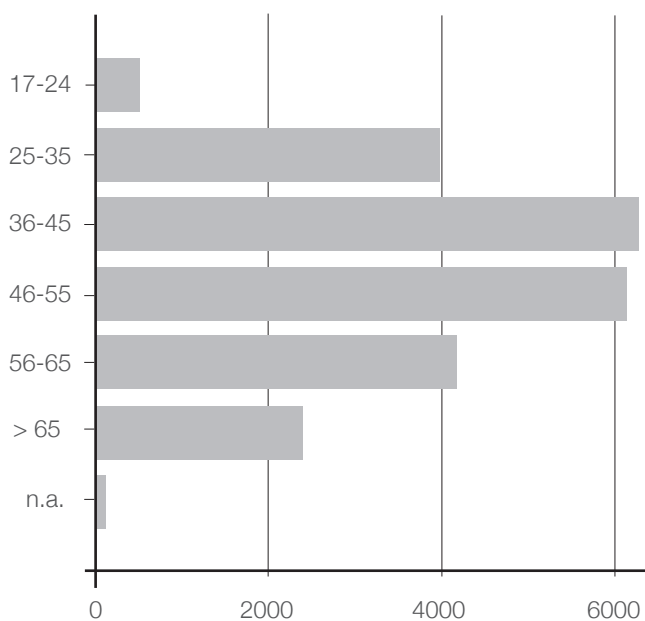


Figure 5. AA Ireland Survey respondents by age

When you are choosing a Hotel to stay in, how would you rate the relative importance of information that you receive from the following sources? (%)

	Very important	Somewhat important	Neutral	Not very important	Not at all important
An official rating classification (e.g. from Failte Ireland for Irish hotels)	25.1	40.8	18.2	9.7	6.2
A consumer rating system (e.g. AA, 'Blue book' etc)	21.1	43.5	21.0	8.5	5.9
A rating from a hotel booking site (e.g. TripAdvisor, Trivago etc)	30.0	44.5	15.2	6.5	3.8
Recommendation from friends/ word of mouth	62.7	30.3	4.7	1.2	1.1
Information from Facebook, Twitter or social media	6.1	22.5	32.0	17.5	21.9
Other (please detail in the comments box below)	7.1	6.3	39.4	6.0	41.2

Please mark the appropriate response to the questions below on the scale provided (%)

	Very important	Somewhat important	Neutral	Not very important	Not at all important
How important is it to you that a hotel should have an official classification/star rating?	45.3	38.7	9.7	4.3	2.0
When you are choosing a hotel how important would you consider guest reviews of that Hotel to be?	38.1	46.0	10.1	4.0	1.7
When you are choosing a hotel how important is it for you that a guest review website clearly indicates the official classification/star rating of the Hotel reviewed?	32.4	40.7	18.2	5.7	3.1

How valuable would it be for you if guest reviews were an integrated part of official classification/star rating? (%)

Very valuable	28.6
Somewhat valuable	45.0
Neutral	17.8
Not very valuable	5.8
Not at all valuable	2.9

International Consumers (survey 1)

As a follow-up Tourism Ireland sampled a pool of international travellers in an effort to confirm the robustness of AA Ireland sample, the survey was shorter with the results of the 26,000 respondents summarized in the table below with table entries shown as the percentage of respondents indicating the importance of reviews and hotel classifications across the five countries of origin of the respondents..

	Great Britain	USA	Germany	France	Australia
Guest reviews to hotel booking decision					
Very important	61	69	51	39	69
Important	21	17	21	31	23
Guest review site clearly indicates official classification/star rating					
Very important	60	61	49	40	60
Important	21	20	21	25	23
Value of integrating guest reviews as part of official classification/star rating					
Very valuable	59	67	44	42	60
Valuable	21	17	20	24	22
Importance of hotel official classification/star rating when selecting hotels					
Very important/valuable	55	64	51	45	67
Important/valuable	20	22	21	24	21

Hoteliers

575 responses were obtained from a global database of hotel industry professionals (executives, managers, supervisors and general managers) via Cornell's Center for Hospitality Research (%)

Question (?)	Extremely important	Very important	Neither important nor unimportant	Very unimportant	Not at all important
How important are guest reviews to your firm?	69	28	2	1	1
How important is official hotel classification to your firm?	33	42	21	3	2
How valuable/important do you think it would be to incorporate online reviews in classification systems	26	46	16	5	6

What are the key elements/uses of online reviews within your firm? Select up to 5. (%)

1	Quality Management	72
2	Staff training	50
3	Interaction/communication with guests	47
4	Marketing tool	35
5	Understanding customer needs	77
6	Improving keyword content for search engine marketing	6
7	Increase ADR	15
8	Increase occupancy	18
9	Justification of rate	11
10	Improve product or service	72
11	Create customer loyalty	40
12	Customer engagement	41
13	Let customer do marketing	17
14	Increase review volume	11
15	Benchmarking	25
16	No perceived added value	2
17	More an issue of being present	2

To what extent do you encourage guests to write online reviews? (%)

Periodically (campaigns)	21
Always	68
Never	11

How are reviews followed up on major review sites (choose all that apply) (%)

Reviews are used just for benchmarking	17
All reviews are replied to in due time	61
Only positive reviews are replied to	2
Only negative reviews are replied to	13
Reviews are discussed internally and appropriate actions taken	78
No actions taken	2

OTAs

A telephone survey of twenty-seven stakeholders was conducted. It is evident from it that they consider official classifications are important not only to their websites but also that they are displayed with guest reviews. Just over half of them favour guest reviews being an integral part of official classifications/star grading. A quarter of them think it is not important.

Survey of Stakeholders

1. How important is it to your website that the hotel has an official classification/star rating?

Most important	67%
Important	19%

2. How important is it to your website that guest review sites clearly indicate the official star rating of the hotel property?

Most important	52%
Important	26%

3. How valuable would it be to make guest reviews an integral part of hotel official star rating?

Most important	44%
Important	15%
Not important	22%



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