

The Relevancy of Star Classification Systems in the Hotel Industry

Is it still necessary?

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The aim of this thesis is to research the relevancy of star classification systems in the hotel industry. Are the systems still a good representation of classification and are these systems still useful? Currently different opinions regarding the star classification systems are given in the industry. Some doubt if it is still a good indicator for quality and believe the system is not according to the standards of the modern traveler anymore. Others believe there is a certain need for certification in order to guarantee the minimum quality. This thesis aims to research if these systems are still necessary or if there are other methods available or are already used in the industry in order to guarantee quality to the consumers.

The research method used in this thesis is the qualitative research method. During the research several interviews have been conducted with managers and directors from the hotel industry, all based in either Finland or The Netherlands. All interviewees had different positions. This was an important fact in order to see the problem from different angles. The research is structured in a way that the reader first receives more elaborate background information regarding star classification in the hotel industry. This is done in order to understand the issues related to star classification that are in place at the moment. The thesis continues with the interviews that were conducted which form the base of the discussion that provides the reader with different opinions from different angles from the industry.

Star classification in the hotel industry is a very relevant topic at the moment. The industry has different opinions whether star classification should continue to exist. With the growing importance of online travel agents, as well as user generated content pages the discussion about whether these systems should be abandoned, revised or continue as they are is ever growing.

As the situation is now, completely losing star classification has proven to be challenging since there are still multiple stakeholders that actually make use of the star classification systems. According to others the system is based on old-fashioned values and is not tailored to the modern traveler. At the end of the thesis a suggested system is provided which can help the industry keeping up with the needs of the current travelers. The system includes guest feedback, classification on different categorizations such as the type of hotel, rather than only assessing the facilities.

Keywords

(European) Star Classification Systems | User Generated Content | Relevancy

Table of contents

1	Introduction	1
2	Theoretical Framework.....	4
2.1	Hotel star classification	4
2.2	Current situation regarding star classification	6
2.3	Need for change	9
2.4	Alternatives for star classification	11
3	Methodology	16
3.1	Qualitative Research.....	16
3.2	Question design for the interviews	17
3.3	Justification	18
3.4	Reliability and validity.....	18
4	Findings	19
4.1	Introducing the interviewees.....	19
4.2	Interviews.....	19
5	Discussion.....	23
5.1	Interview outcomes	23
5.1.1	Relevancy	23
5.1.2	Reviews and ratings.....	24
5.1.3	Star classification system	26
5.1.4	Service landscape.....	27
5.2	Summarizing the discussion.....	27
6	Conclusion	28
6.1	Sub questions	28
6.2	Research question	30
6.3	Suggested system	30
6.4	Further research	31
6.5	Limitations of the study	31
7	Bibliography	33
8	Appendices	38
8.1	Appendix 1: Interview questions interviewees The Netherlands	38
8.2	Appendix 2: Interview questions interviewees Finland.....	39
8.3	Appendix 3: Introduction to interviewees.....	40
8.4	Appendix 4: Interview transcripts	42
8.4.1	Interview Ms. Julia van Meel	42
8.4.2	Interview Mr.	44

8.4.3	Interview Mr. Levie	47
8.4.4	Interview Mr. Tero Thynell.....	47
8.4.5	Interview Mr. Janne Ant-Wuorinen	49

1 Introduction

Already from the start of the author's studies he has been questioning the importance of the star classification systems. In what way do consumers still base their decision to stay with a certain hotel on the star rating, and how relevant is such a rating actually? What does a certain rating say about the product and quality of that hotel? Is it actually an indicator of quality? Also, is star classification actually fully classifying the different hotels; there are so many different types of hotels in the current landscape, is a five star partition then actually enough to classify a full hotel concept? These were some questions that the author was wondering about. In the home country of the author which is The Netherlands, the industry is looking into options to abandon star classification. In Finland, the country where the author is currently studying, the industry is looking into options on how to start a star classification system for the hotel industry. With a discussion related to this topic as tense as it is now, it was an easy decision to use this topic as thesis subject.

Star classification systems have been in place for more than one century already. In most countries such as The Netherlands star classification is a mandatory element before opening a hotel since otherwise the hotel is not allowed to operate. Smith Travel Research Global (STR Global) estimated that there are now more than 160.000 hotels worldwide (STR, 2014), defining hotels as properties that rent out rooms nightly and have a fixed inventory. This calculation does not include bed & breakfasts, hostels or any lodging facilities other than hotels, where hotels are defined as properties with 20 or more rooms in the United States and 10 or more rooms worldwide. (Schaal, 2012).

This research thesis will focus on the situation regarding star classification in Europe. A comparison is made between The Netherlands and Finland to create a broader understanding of the star classification systems and its problems. The reason why this approach is chosen is that in The Netherlands the industry is looking into options on how to run the hotel business without making use of the star classification systems since this system has been in place for several decades already. In Finland there has not been such a system and the market is exploring options on how to successfully classify the hotel industry in different segments by using star classification. This thesis is written with the main purpose to research the relevancy of the existing star classification systems in the current hotel industry. This thesis is written by using the qualitative research method including interviews with several hotel-related managers and directors.

Star classification has been seen as a system that made it possible for hotels to distinguish themselves from the competition. In the second chapter the reader will find an explanation of the star classification systems as well as the origin of those systems.

Before starting the actual research part of this thesis, the author conducted desk research in order to find out what the actual issues related to star classification in the hotel industry are. Several questions arose during researching this topic. These questions were combined to form the research question and the sub-questions.

Research question

The main question that this will be researched in this thesis is:

Are the star classification systems currently in place still relevant to the hotel industry?

As part of the research several sub-questions have been created in order to structure the process;

1. Are there other tools and systems that took over the role of star classification systems? What is the role of guest reviews in hotel choice?
2. What does a guest value when deciding on which hotel to stay?
3. Would there be a possibility to create a uniform star classification system worldwide or per continent?
4. Is there something as an ideal star classification system?
5. Is a star classification system still necessary? Benchmarking the situation in The Netherlands and in Finland.

Thesis structure

In the introduction the topic and the theme of the thesis are discussed. The reason why this topic is chosen will be discussed as well as the research questions and the sub-questions this thesis is tailored to will be explained, which helps the reader to understand the structure of the research.

In the theoretical framework the reader will find an elaborated explanation of the origin of the star classification systems. Also, the current situation with the different systems most European countries are using at the moment and the alternatives that are currently offered will be discussed. Furthermore the relevancy is explained, meaning the author will explain why the discussion on these star classification is such an actual and interesting topic. The theoretical framework is used so that the reader has extensive and adequate knowledge on the topic before starting with the reading of the thesis.

The methodology chapter shortly describes the qualitative research method and why this type of research was chosen. Furthermore the methodology chapter justifies why this approach is chosen by discussing the validity and reliability of the study.

After the methodology chapter the interviews will be discussed in the findings chapter. For this research several interviews have been conducted with industry experts to discuss their vision on the star classification systems. Furthermore there will be a justification given on why the specific questions were part of the interview. A brief transcript will be provided in the appendix so that the reader can see the different answers of the industry experts and to understand their vision. The chapter will form the base of the issues discussed in the discussion chapter.

In the following chapter, the discussion chapter, the several points mentioned will be discussed by using relevant literature and researches. Several topics that will be discussed in this chapter are the influence of review websites such as TripAdvisor on the hotel classification and the hotel experience, and a possible service landscape without using star classification.

To conclude a conclusion will be presented to the reader where the research question and the sub-questions of the research are answered by referring to the previous content of the thesis. A suggested system will be presented for the problems that are currently in place with the star classification methods. As last, the limitations of the study will be discussed with the insight that the author has after finalizing the research.

2 Theoretical Framework

The theoretical framework will address what star classification systems are, the origin of those systems, the current situation, why there is a need for change and possible alternatives that could be in place.

2.1 Hotel star classification

In the early 1900s both in the United States as well as in the United Kingdom star classification in the hotel industry took off. In the United Kingdom already in 1908 the Automobile Association, an organization originally intended to warn fellow motorists of speed controls on the roads, started with assessing hotels to supply its members with a trustworthy overview of quality lodging throughout the United Kingdom. At first this only included a quality assurance that the hotel was good to stay at but in 1912 the Automobile Association adopted the star rating system which was in place to classify brandy and used these star ratings for hotels as well (Automobile Association, 2014.)

In the United States star classification had its most important reason to facilitate the travelers with trustworthy accommodation advice which included a quality assurance label. The official auditing started in 1937 ever since the American Automobile Association (AAA); the organization in charge of this auditing and classification hired their first employees to execute the auditing. As from 1963 the AAA started with awarding ratings ranging from “good” to “outstanding”. Ever since 1977 ratings were named under the American Automobile Association Diamond Rating System for Lodging. In 1983 the AAA started with awarding diamonds to restaurants as well, making it possible to select not only quality lodging when travelling but also quality restaurants (AAA, 2013). In the United States one other company, the Mobile Oil Company, audited hotels. However, the major and most important auditor stayed the AAA. The goal of these systems was to provide travelers on the road with a reliable classification system that included lodging facilities and restaurant “cuisine”. (Miller, 2014).

According to the Israeli Ministry of Tourism advantages did and still include;

- Uniform measure of quality standards.
- International benchmark for international guests.
- An overview for guaranteed services in the hotel facility.
- A competitive advantage.
- Higher credibility due to international uniform standards.
- Easier, more effective marketing and access to country specific marketing platforms.

(HotelStars Israel, Ministry of Tourism Israel, 2014.)

However more believe the system is not relevant and accurate anymore. According to UNWTO; the World Tourism Organization, the great number of star classification systems and the multiple independent rating systems by the online travel agents such as Bookings.com, as well as the review websites such as TripAdvisor and moreover the need to keep the criteria up-to-date with evolving and always changing consumer expectations and behaviors create a challenging climate for the star classification systems (UNWTO, 2015.) Furthermore since the hotel industry is so immense and is ever growing rapidly it has proven to be more challenging in keeping the systems uniform and relevant to the different demands of the millions of guests than in the early years of those systems.

The hotel star classification reviews hotels based on a number of criteria. Each individual system is using either stars or diamonds to award to the hotel. In some countries numerical grades are given to the hotels. The criteria that the hotel is audited on differ per system and are different in almost each individual country. The authority in charge of the classification sends a representative to the hotel to do the auditing of the hotel. The auditing is a process in which the representative of the authority in charge walks through the hotel and checks which facilities the hotel has. The list with criteria that the auditor uses awards a specific amount of points per facility that is present in the hotel. According to the UNWTO; The World Tourism Organization star classification is used “to inform intending guests in advance on what can be expected in order to reduce the gap between expected and experienced facilities and service delivery.” (UNWTO, 2015).

When travelling became a normal genesis throughout the whole western world the need for such systems became well spread and was not only limited to the American and British market anymore. Local authorities began their own classification systems in order to provide the same service to the tourists or own inhabitants travelling in their country. The different systems will be discussed extensively in the next subchapter.

2.2 Current situation regarding star classification

In this subchapter a comparison will be made of multiple star classification systems that are currently in place in Europe. As mentioned almost every country has its own classification model. Although multiple demands are in almost all star classification systems these systems still have great differences.

The UNWTO makes a comparison between two groups; the Global Group (GG) and the European Group (EG). In the European Group all members of the European Union (EU) are represented, which are 30 countries in total consisting of Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, France, Germany, Greece, Hungary, Ireland, Iceland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland and the United Kingdom. All countries combined, responsible for a total of 34 national systems. The EG includes all EU countries except for Finland since Finland does not have a star classification system.

Within the EG ten countries unite under the HotelStars Union (HSU) which are Austria, Czech Republic, Germany, Hungary, Latvia, Lithuania, Luxembourg, Malta, Sweden and Switzerland. These nations are all represented and audited under one system with one criteria catalogue.

Four HSU members, which are The Netherlands, Belgium, Estonia and Denmark are still utilizing their own national system and will use the HSU criteria as from 2015. Greece is the only country that made the HSU star rating voluntary. In Greece hotels first have to pass the mandatory Greek system and can get the HSU rating as addition.

Also Italy and Spain have their own national systems in place as well as the United Kingdom of Great Britain and Northern Ireland consisting out of England, Wales, Scotland and Northern Ireland. The same criteria are used for all four regions.

When the UNWTO made a comparison of all the individual systems in the EG the following steps were taken:

1. Desk Research: National criteria catalogues were collected for selected destinations.

2. Translation: Translations were made for the criteria catalogues that were not in English, after which the translated catalogues were checked by the own authority of the system.
3. Comparison: The criteria were grouped into specific service and product areas in order to facilitate the comparison spreadsheet.
4. Listing: By taking one criteria catalogue at a time an extensive database was created for all the individual product and service areas. When specific criteria did not apply to at least 60% of the countries being compared it was not included in the overall comparison spreadsheet.
5. Comparison: All the criteria that were included in the criteria catalogue were weighed by mandatory and optional criteria.
6. In addition to the comparison based on the official catalogues, desktop research and consultations with industry representatives were carried out.

After assessing the national systems the UNWTO was able to make a comparison and group the systems of individual countries in different types of star classification systems.

1. Traditional classification systems: The traditional classification systems consist of mandatory objective criteria and are sometimes combined with additional voluntary criteria. The criteria's are checked by auditors and inspectors which are qualified by either the country or the board of the group.
2. Classification systems with ISO certified inspectors: These systems consist only out of mandatory criteria. The site inspections are done by accredited third party inspection organizations.
3. Classification including quality assurance: These systems are consisting out of two elements; the objective criteria and the evaluation of quality on some of these criteria. The main point of difference in these systems is that the hotel is not evaluated on the number of facilities per se. but more on the quality of those facilities and services. The auditing is executed by assessors which also have the role to guide the hotels to improve their product.
4. Classification systems including guest reviews: These systems incorporate the ever growing question of what the hotel industry should do with the guest reviews that are of growing importance because of the demand for a transparent and reliable product. The guest reviews are incorporated in the system in addition to the mandatory criteria on which the system is based. Within the EG Norway previously incorporated guest reviews in the evaluation and recently Abu Dhabi has launched a system in which the guest reviews are a vital part of the total assessment of the hotel.

5. Trust based systems: These systems consist of one set of criteria where the hotel itself is responsible for evaluating and auditing (UNWTO, 2015.)

The table below presents an overview of hotel classification systems in selected regions within the EG. As the reader can see the star classification systems differ even within the EG tremendously. As an example, In the UK the auditing is conducted annually, however in France the auditing only happens once every six years.

	Italy	Spain	United Kingdom	France	Poland	Sweden
Implementing organisation	Regional Authorities	Regional Governments	Quality Tourism on behalf of Visit England System also operates in Scotland, Wales and Northern Ireland	National Government registration and classification implemented through the regional prefecture	National Government	An independent branch of the Hotel Restaurant Association
Nomenclature	One to Five Stars plus "6 Star L" for deluxe	One to Five Stars and 6 star delux	One to Five Stars	One to Five Stars and Palace for 6 star only	One to Five Stars	One to Five Stars and superior level for 2-5 stars. Gami 1-4 star hotels only serving breakfast.
ISO / Independent quality assurance	No	No	No	Assessed by accredited 3rd party inspection bodies	No	No
Criteria and implementation	66 criteria (National reference) Mandatory system implemented by the regional authorities	261 criteria Mandatory System Implemented by regional governments	498 criteria Voluntary system. Hotels that opt in are included in Visit England promotional activities. The quality level of the elements is included	246 criteria Voluntary system implemented by the regional prefectures	62 criteria Mandatory system Implemented by national authority	270 criteria Voluntary system Implemented by Hotel Restaurant Association
Frequency of inspections	Depends on region	Only initial and when change of ownership	Annual	6 years	2 years	Annual
Top three areas by percentage of criteria	Room, Front Desk, Services	Room, Bathroom, Services	Room, F&B, Services	Room, Front Desk, Services	Room, Bathroom Services	Room, Bathroom, Services
Special features			Professional assessors, who in addition to assessing the star rating provide detailed reports for the operators and offer advice.		Relief from certain requirements for hotels in heritage buildings	

Figure 1: Overview of selected national star classification systems within the EG. (UNWTO, 2015).

2.3 Need for change

In recent years the amount of criticism on the star classification systems has been ever growing. According to Mr. Srilal Miththapala from the University of Plymouth, the main points of attention when efforts would be made to unify the star classification systems would be the following:

All the different classification systems all over the world do lack a substantial qualitative review for both staff service and friendliness. This is a substantial loss in the trustworthiness of those systems, especially when looking at the higher-level 4 and 5 star properties. The guest that books such a hotel has the impression, judging on the star classification that everything in the hotel will be up to date and good. This may be the case for the facilities based on the auditing report however no quality can be assured for the level of staff service or friendliness making this a possible point of dissatisfaction when the guest is staying at the hotel. This can lead to negative guest experiences since often travelers have no insight in how these star classification systems operate and to fully rely on the amount of stars the hotel has received.

Furthermore, the star classification systems are different in almost all countries across the globe making it hard to understand for travelers that don't have any knowledge on this topic. For example, the so called six or seven star hotels can be appealing and fascinating to possible guests however persons with knowledge on the subject do know that this is just a marketing tool of the individual hotel and are used by the hotels to position themselves in a niche market where tremendously high rates are accepted.

Also, the growing impact of social media and guest reviews on decision making of the travelers is not taken into account in the star classification systems except for the newly launched Abu Dhabi star classification system that was created by the Olery company that specializes in guest experience management tools for the hospitality industry (Miththapala, 2011.)

Ms. Butler, a hotel specialist working for The Telegraph, makes the following claims; The service landscape became too varied in supply that only making a distinction based on a number of stars that is awarded to the hotels is not enough anymore. For example, the citizenM hotels have mostly an official four star rating. Guests that are willing to stay with citizenM might have the idea and perception that this would include several facilities. When arriving at the hotel the guest can then be dissatisfied with the concept because it is not a "traditional" four star property. The citizenM company has hotels that are so tailored

to a specific target market that you as a guest either like it or not. A simple four star rating based on what the hotel offers is just simply not enough to classify the concept of the hotel. This does not only apply to citizenM but there are more and more of those companies that have tailored and specialized concepts, focusing on solely one segment. This is often not clearly communicated to the guest on online travel agent (OTA) websites.

Also, the guest might have a certain perception on how the hotel is operated based on the star classification. As example; a hotel has five stars. The guest decides to go to that hotel and has the impression based on the photos and described facilities on the brand.com website that the management is taking care of the guests and operations are going smoothly. All in all a luxurious and relaxing hotel. If the guest then arrives at the hotel and is disappointed by some features of the hotel that should be different according to the guest, based on previous experiences in the same segment, this can result in a negative guest experience.

As last, unifying efforts have been made but still the system is not unified and standardized. Every country has its own rating system, or multiple. Moreover tour operators and OTA's are allowed to again use their own rating system as well. It can happen that a hotel has a five star rating on one site, and a four star rating on the other. If a guest then finds himself staying at a four star hotel while according to the OTA he booked a five star hotel this can again influence the guest experience (Butler, 2014.)

Ms. Pasquini, industry correspondent from HotelNewsNow, explains that hotel classification comes along with organizational issues. In Italy for example, the amount of stars the hotels are having are deliberately decreased since the more stars a property has the higher the taxes are the hotel has to pay over its product (Pasquini, 2008.)

Mr. Minazzi from the University of Insubria, states that the attention in auditing should be pointed towards the quantitative and technical elements rather than only service aspects, where service aspects are explained as hotel facilities (Minazzi, 2010). Personally I recall an example of such an issue; The Sheraton Schiphol hotel changed their star classification from five stars to four stars because of mandatory facilities such as the turn-down service, which was actually interfering with the operations in an airport hotel.

2.4 Alternatives for star classification

The main points of attention that can be formed out of the previous subchapter are described in this subchapter and translated to possible alternatives.

Star classification systems incorporating guest reviews

One of the solutions could be to launch a star classification system that has guest reviews incorporated in the system. These guest reviews become a vital part of the classification system. In 2013 information was released that Olery, a Dutch company that specializes in guest experience management tools for the hospitality industry is providing a “Social Media powered hotel classification system” (Breure, 2013). Olery is the leading provider in those management tools and has signed a contract stating that the company will provide such a system for the Abu Dhabi hotel market in command of the Abu Dhabi Tourism and Culture Authority.

The system enables the hotels to check the star rating and benchmark against the guest reviews by using Olery’s developed Guest Experience Index. If the score of an individual hotel drops and comes below the Abu Dhabi Tourism and Culture Authority stated minimum the Authority will be warned by the system. The authority can then take appropriate measures by investigating the hotel and take steps if there is a real trend in the reviews stating the same points of improvement. Olery further provides an extensive and flexible reporting tool that enables the authority to see real-time detailed performances of all hotels in the region (Prabu, 2013.)

The reason why the Abu Dhabi Tourism and Culture Authority has chosen for this new type of auditing the hotel industry is explained by Mr. Omar Al Bishr, head of the Licensing and Classification department of the authority; He believes that Social Media and OTAs and review sites are “a clear indication on the satisfaction of guests that have visited the property.” The authority believes that the traditional star rating is outdated and to keep ahead of the international tourism market they chose for a system that indirectly influences the system. As how the system is designed now only hotels that under-perform are showed to the authority and appropriate action can be taken. The system clearly identifies where the points of improvement lie according to the guest. This can also be of help for the hotel since the personal opinion and personal preferences of auditors visiting the hotel and stating what needs to be changed in order to perceive and improve the guest experience are left out. This enables the hotel to clearly target and improve the points of attention written down by the guests (Breure 2013.)

Dr. Wouter Hensens; Project Director for Exceed Hospitality, the organization that facilitated the project, believes that the current rating systems are often dysfunctional since they are voluntary. Also, the number of hotels that are letting go of these systems and decide to rely solely on online feedback is growing every day. Dr. Essa Faqih, managing partner of Exceed Hospitality claims that the success of this system has been proven by the number of enquiries that Exceed Hospitality and Olery have received after announcing this particular system for the Abu Dhabi market (Breure, 2013.)

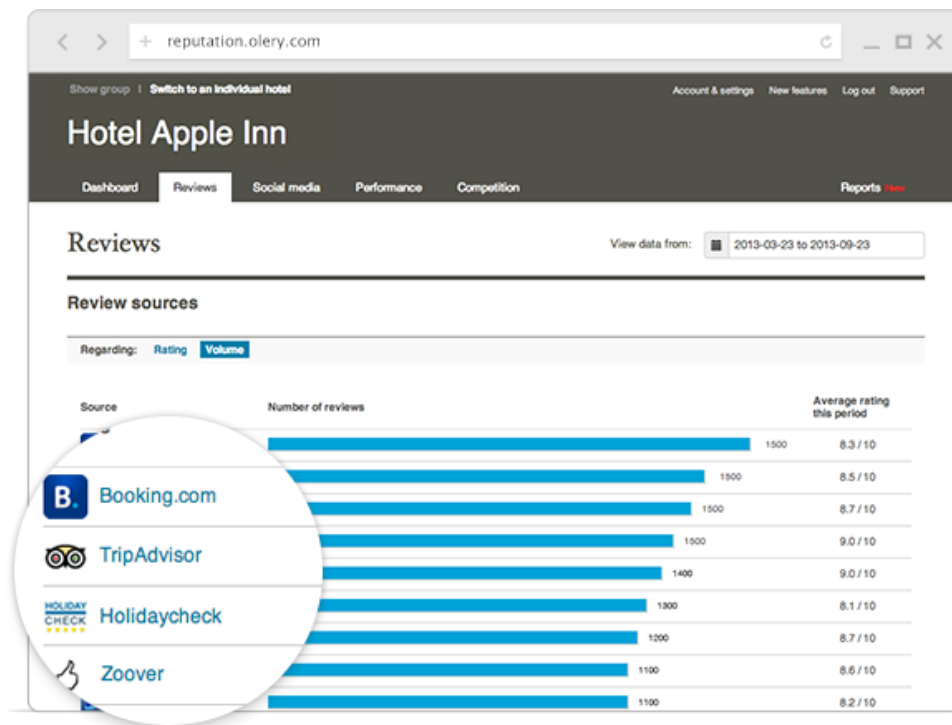


Figure 2: Example of Olery generated hotel analysis software.

Reviewing staff service level

Experts such as Mithapala, Breure and Al Bishr agree that almost all star classification systems in the hotel industry do lack a substantial part of the total evaluation of the hotels, namely the measurement of staff service level and friendliness. In all star classification systems the facilities and services of the hotel are evaluated however there is no official evaluation of staff service level. Efforts by individual hotel chains are taken in order to assure certain quality standards in staff service however there is no unified quality assurance in the systems. A solution to this problem might be the so-called mystery guests that come to the hotel and stay at the property as if they are normal guests (Callan, 2006).

This is also confirmed by the European Consumer Centers Network (ECC-Net) in their “Classification of Hotel Establishments in the EU” report from 2009 (ECC-Net, 2009). If this mystery guest aspect becomes a mandatory part of all individual star classification systems there is a better chance of assuring the quality level when it comes to staff service.

Different star classification systems

Different unification efforts have been made but these seem to end up without result every time. One of the reasons that the ECC-Net gives for this problem is that it is almost unfeasible to find hard and fast quantitative criteria such as room size, construction standards because these standards differ too much from one country to another. Also geographical issues occur when these systems are tried to be put together. An example could be that standards in a five-star beach resort in Spain may be different from a five-star ski resort in Austria. The facilities and services simply cannot be the same. Furthermore differences in culture and history in the lodging services of an individual country may cause problems as well. All these factors explain the variation in the criteria and methodology of the systems of classification that are currently used in the European countries. Furthermore issues on when the systems were developed, by which authority, in which country a certain “trend” in lodging started all cause influence and are the reason for the diversity in those systems (ECC-Net, 2009). It is close to impossible to compare all the individual national classification systems and form a unified classification system on these characteristics because of the above-explained reasons. A possible alternative however could be to classify different types of hotels within a certain star segment. An example could be to have the five star segment divided into different resort types, airport and city-center hotels. This would make it easier to form a unified system however, this system would be very elaborate and expensive to create. The next question to answer is who is going to pay for these costs?

Variety in service landscape

In the fourth chapter the reader can find the introduction to the hotel managers and directors that were interviewed for this thesis. Some managers agreed that the service landscape became too varied in order to classify all hotels in a one to five star classification system. If we define luxury as high end five and four star hotels consumers might think of classical hotels like Ritz-Carlton and St. Regis. Nowadays there also exists something that can be defined as modern luxury such as W hotels. It is almost impossible to compare hotels such as classical St. Regis hotels with the more modern W type. However, star classification still only classifies these hotels as five star properties. For a guest that has no knowledge on this topic this can create a major setback in the overall experience because that particular guest might be looking for a specific type of hotel. The star classifica-

tion systems simply make no distinction in those features. Again this question could be answered by creating individual segments within the different star segments.

Expectation management

According to the Tourism Intelligence Network star classification systems don't give the complete image to a guest on how the hotel is operated. (Tourism Intelligence Network, 2005). According to research conducted by the Cantabria University in Spain especially guests that are staying in the higher segment have higher expectations than met during their stay. This may be caused by the four main sources of disappointment that were stated in the research paper namely;

Reliability. (Staff discretion, guaranteed reservation, problem solving abilities and effective quick service).

Characteristics of the personnel. (Courtesy, professionalism and a personalized manner of service).

Tangible elements. (Rooms are comfortable, the quality of F&B facilities, the premises are safe and is visually attractive).

Complementary offering (Location is pleasant and restful, information about touristic activities is provided and the amount of services offered by the hotel is ample) (Cantabria University, 2005.)

When evaluating the star classification systems in the hotel industry it is clear that on most of these aspects the star classification systems are evaluating not enough or not at all. Expectations and perceptions of incoming hotel guests could be matched better if these systems would also evaluate these aspects in the hotels (Tourism Intelligence Network, 2005).

Organizational issues

According to research on the current issues in tourism in Italy conducted by Guizzardi and Bernini (2012) from the Bologna University the current star classification in Italy goes along with several issues. The first issue the two researchers name was the so called underreporting, which can be defined as deliberately decreasing the amount of stars the hotel is operating under because of local and national taxation issues. In Italy the structure of taxation on lodging is fairly complex. The higher the star classification of the individual hotel, the higher the tax percentage on the product will be. Hotel operators prefer operating under a lower classification so that the product can be both cheaper for the guest as well as that the hotel has to pay less taxes on the eventual product (Guizzardi & Bernini, 2012). When evaluating this issue from the consumer perspective the whole star classifi-

cation system again makes no sense in this context. As a result however, the expectations and perceptions are better matched in the Italian hotel industry (Guizzardi & Bernini 2012). It would require governmental and European law in order to overcome these types of issues.

3 Methodology

In order to answer the research question and the sub-questions the research follows the theoretical framework. In order to accomplish finding an answer to those questions the upcoming chapter introduces several boundaries this research will follow in order to conduct a trustworthy research and a transparent thesis. Also, several background information on how the research will be conducted and why this specific approach is chosen will be elaborated in this chapter.

3.1 Qualitative Research

Qualitative research can be described as using a sampling method such as an interview in order to derive findings that can form a research and gives the researcher insight in what topics need to be answered (Warren, 2008). The reason that in this thesis the qualitative research method will be used is because of the valuable answers qualitative research can give. When conducting a quantitative research in this context it might be that the answers are less valuable since the audience that will respond will not be in the same kind of positions as the interviewees interviewed for this research. Another reason is the size of the possible sample when using the quantitative research method. In this thesis the research is based on selected industry characteristics that are supporting the problem definition of the star classification systems. Moreover the problem definition is underlined and illustrated with examples that will come from several managers and directors that will be interviewed for this research thesis.

The interviews that will be used to support findings and create a literature discussion, will be conducted by the author of this thesis. The interviews will be with several managers and directors related to the hotel industry. The reason why these persons were selected is because of the insight they can give on the star classification issues from different perspectives according to their job status. The managers and directors that were selected are either based in The Netherlands or in Finland. Reason for this approach is that the thesis aims for creating a benchmark situation in which Finland and The Netherlands are included. In order to create this benchmark possibility both markets are assessed when it comes to star classification.

In the fourth chapter the reader can find the evaluation on the data that will be obtained during the interviews. After which the data will be summarized and discussion topics for the fifth chapter will be presented.

3.2 Question design for the interviews

In order to receive a clear image on the opinions that are currently of attention in the hospitality industry almost exactly the same research questions will be presented to all managers and directors. Only the last three questions differ between the questions that the managers and directors from The Netherlands and the managers and directors from Finland will receive. This is because these questions question the specific approach how the company is operating with the star classification system in The Netherlands, which is not applicable in Finland. The questions that will be presented during the interviews can be found in appendix 1 and 2.

Several elements will be of importance when these interviews will take place. First of all it is important to know what the industry wants. Do they actually want star classification to be an indicating factor in hotel business operations or do they prefer other manners of evaluation? With asking questions regarding for instance the cooperation between hotels and companies such as TripAdvisor and finding the opinion on possible downfalls and benefits in the star classification system, the interview has the role to find the underlying reasons for the opinion regarding the star classification situation as it is now.

Open ended questions on how the interviewed person sees the situation regarding star classification and what possible alternatives they could think of give in depth research possibilities and opportunities to create a system in which the majority of industry related key responsible authorities can find their agreement.

The interviews will take place in four hotels across The Netherlands and Finland. The first interview will take place at The Manhattan Hotel Rotterdam in Rotterdam which is a former Westin (by Starwood) and now part of the WorldHotel collection. (Manhattan Hotel 2015). The second interview will take place at a non disclosed location since this interviewee remains anonymous in this thesis. The third interview will take place at Hotel Klaus K in Helsinki which belongs to the Design Hotels collection that recently was acquired by Starwood Hotels & Resorts. (Hotelchatter 2014). The fourth interview will take place at Hotel Haven, which is part of the Small Luxury Hotels of the world collection. (Hotel Haven 2015). Additionally there will be an e-mail interview included in the research with the leading hotel industry CEO from citizenM. When it comes to star classification and creative implementation of those systems citizenM is one of the leading companies in this aspect.

3.3 Justification

This research and this approach are chosen in order to find out the management insights when it comes to star classification. Moreover, the European and Global situation is illustrated with examples and information from those countries. In order to narrow down the research sample so that specific opinions from experts from the industry can be used as industry opinion. The opinions are argued or illustrated with relevant information retrieved from literature sources so that the opinions from the interviewed managers and directors can be seen as industry shared opinions.

The reason to use expert opinions from both The Netherlands as well as from Finland is to create a benchmark situation that argues both operational models. Moreover it assesses a traditional star classification system (The Netherlands) with a country that does not use such a system (Finland). Making the research applicable to more than exclusively these countries.

The specific interviewees were selected based on position. This helps the research addressing the issue from multiple angles. A Hotel Manager will have a different perspective than a CEO, and a Sales Manager will have a different perspective than a Director of Hotel Openings. Moreover an indicator is the response of the managers. Dozens of e-mails and inquiries have been made by the author however most interviewees did not respond or indicated that they did not have time available for any interview.

3.4 Reliability and validity

The decision was made to use real life interviews, so not via e-mail or any other source in order to create as reliable information as possible. Only exemption to this is the e-mail interview with the CEO from citizenM. If any questions will be unclear to the interviewee the question can be further substantiated so that everything is clear to the interviewee. This is done in order to create an interview without any uncertainties so that the information is as trustworthy as possible.

In the research the opinion of several managers and directors from the hotel-side will be included. It is not true however that the whole industry shares this opinion. In different countries and hotels you will find different opinions. Moreover no opinions or statements retrieved from interviews with managers or directors from companies such as TripAdvisor or Bookings.com will be included in this research since the research question and sub-questions are generated from the hotel-side perspective.

4 Findings

For this thesis qualitative research is conducted by interviewing several managers and directors that are related to the hospitality industry. In this chapter firstly the interviewees will be introduced. In appendix 3 the reader can find an elaborate introduction to the interviewees. This chapter will also provide background information so that the reader understands the relevancy of why this person was interviewed. Secondly the interview questions will be discussed and a simplified transcript of the interviews will be provided. As last the information will be concluded and input will be given for the fifth chapter of this thesis that will focus on the potential problems and concepts the interviewees have presented during the interviews.

4.1 Introducing the interviewees

Firstly the author will provide an introduction to all interviewed managers and directors in order to create an understanding why these persons were chosen to interview. Below the reader can find an introduction to the different interviewed persons.

Ms. Julia van Meel is currently Marketing Manager of The Manhattan Hotel Rotterdam in Rotterdam. (van Meel 2015).

Mr. ... is a Director for a major hotel-chain, This person merely has the responsibility to act as Hotel Openings and Transitions Director for this chain. This interviewee remains anonymous in this thesis. Throughout the thesis this person will be referred to as Mr. ...

Mr. Michael Levie is the current Chief Executive Officer of citizenM Hotels. (Levie 2015).

Mr. Tero Thynell has recently been promoted to Hotel Manager of the Klaus K Hotel in Helsinki. Before, Mr. Thynell was the Rooms Manager of the Klaus K Hotel (Thynell 2015).

Mr. Janne Ant-Wuorinen is the Hotel Manager of Hotel Haven in Helsinki. (Ant-Wuorinen 2015).

4.2 Interviews

In order to get a research that is as transparent as possible all questions asked to the different interviewees were exactly the same, apart from the last three questions that differed

between the interviewees in The Netherlands and the interviewees in Finland since initially these three questions were specifically questioning the current situation with the star classification system in the hotel market, which is not applicable in Finland. The interview questions can be found in Appendix 1 and 2.

The transcripts of the interviews can be found in appendix 4. After the interviews were conducted, the author of this thesis deducted the most important findings by using the scorecard method. This means that all five interviews were assessed and comparable answers were checked on the quantum of how many times these answers were given by the individual interviewees. In this subchapter the most significant findings will be presented.

All interviewees mentioned that the star classification systems are getting less important. At least from the consumer perspective. All interviewees believed that it is not a good indicator for quality anymore. This is also caused by the amount of different classification systems that are used in the industry. Additionally all interviewees indicated that since the service landscape has become so transparent the consumer is urgently requesting clear and neutral information about hotels, which is not only generated by the hotel itself.

Mr. ... indicated that although the star classification is getting less important from the consumer perspective the star classification system still has a role in operational efforts such as taxation and wage negotiations. This is important to keep in mind since this is an additional reason for individual countries to not unify under one system. Furthermore several interviewees believe that star classification is misleading in expectation management and creates higher expectations. Mr. Thynell mentioned that a certain unified classification would be good however as it is now it is basically a system without a message. He gave an example of a minibar in the hotel-room. According to the star classification for for instance a four star hotel, the hotel is requested to have a minibar in the room. In the minibar need to be several items such as soft drinks and alcoholic drinks. Still, nothing is indicated about these products in terms of quality. Is it a local, fresh, high quality beer or is it just a normal beer the guest can get everywhere. Mr. ... indicated that this also is influenced by the travel experience that an individual consumer has.

Reviews and ratings are getting more important. Although all interviewees saw the importance of those reviews and acknowledged that this so called user generated content (UGC) needs to be implemented the classification of hotels there are some notations as well. Mr. Ant-Wuorinen and Mr. ... indicated that the reviews from TripAdvisor are not the so called qualified reviews. This means that these reviews cannot be 100% reliable. The

cooperation between hotels and those review sites need to improve on this aspect since hotels can face competitors that place false reviews on the page of the hotel. Also, the receiving of reviews is subjective to the type of hotel. In small privately owned boutique hotels guests will be more willing or will have more time to place a review. In for instance an airport hotel with lots of business guests, guests will be less willing or will not take the effort to place a review. In case a system will be created in which reviews will be incorporated it cannot be the case that these kind of issues will influence the overall classification of the hotel. When making a classification system that needs to be reliable and trustworthy it is important to keep this in mind.

Reviews still have an added value to the hotel already. The reviews can help the hotels with assessing the quality of a hotel and point out improvement points for the management. Mr. Levie and Ms. van Meel indicated that companies nowadays make great use of systems as Revinate, that actually monitor the performance of hotels. This is generated with input from reviews.

Still, the interviewees also mentioned some benefits on the star classification systems. Mr. Thynell, Mr. Ant-Wuorinen, Mr. ... and Ms. van Meel believed that the star classification as it is now can still help hotels to position among the competition. Mr. Ant-Wuorinen indicated that this benefit is especially present in small cities or in cities where a specific segment is relatively small.

On the question if the interviewees would believe in a unified classification system for the whole EG, all interviewees believed that it would be very difficult because of different social, cultural, geographical and historical features. Mr. Ant-Wuorinen explained that because all destinations are different the expectations of the consumers will be different as well. Comparing a city center hotel with a French castle hotel, and offering the exact same facilities is nearly impossible. Making one system a challenging task. Mr. Ant-Wuorinen and Mr. Thynell also questioned the importance of such a system. The Finnish hotel market has been doing already very good without using such a system. The question to answer is then if there is an actual need for such a system, and also who is going to pay for such a system. At the end it will be the hotels itself.

If there would be a unified system created all interviewees believed that the reviews need to be incorporated in the system. Additionally all interviewees believed that how the classification is structured now, is simply not sufficient. The landscape became to varied to only classify on a one to five star classification model. Ms. van Meel, Mr. ... and Mr. Ant-Wuorinen believed that it would be a good idea to classify also on different categories

such as “city-trip”, “traditional-luxury”, “modern-luxury”, “airport” and “business”. This could help creating a more clear message for the consumer so that the consumer knows what to expect.

Additionally Mr. ..., Mr. Thynell and Mr. Ant-Wuorinen stated that quality can better be assured by the brand standards. If the message from the hotel perspective on what the product actually is, and the consumer gets education on different types of classification and hotel-brands, it can help managing the expectations in a better manner.

5 Discussion

In the previous chapter the reader can find the main outcomes of the interviews. Several findings have overlap with the discussion points mentioned in subchapter 2.3. In this chapter those findings will be discussed elaborately by using relevant literature that is written regarding these subjects.

5.1 Interview outcomes

In the first sub-chapter the reader can find the several topics mentioned in sub-chapter 2.3 and in the interviews.

5.1.1 Relevancy

The interviewees acknowledged that star classification systems become less important as from the hotel perspective. This is mainly caused by the reasons stated earlier in this report; the lack of qualitative review on staff service and friendliness and the different systems that lack in standardization. Also the service landscape became too varied to only classify on a five star scale. As last star classification creates expectations that cannot always be met.

According to the “Online Guest Reviews and Hotel Classification Systems” report, published by the UNWTO, the booking behavior of consumers is indeed changing. This is merely caused by the online transparency that the hotel industry is encountered with. “Before making an online hotel reservation, consumers visit on average almost fourteen 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” (UNWTO, 2014.) This means that star classification systems are still used to make a first selection among hotels but final decision making is mostly based on the reviews of other guests (Caroll, 2014).

5.1.2 Reviews and ratings

Reviews and ratings indeed become increasingly important. According to the interviewees this can be caused by various reasons. First of all consumers tend to believe reviews and ratings more since it is explained in a way that people without knowledge on the topic still can understand it. It can also be caused by the individualism trend that is well represented in the current service environment. The interviewees also indicated that it can be seen as a counter movement. Nowadays everything is transparent and consumers were seeking for sources like TripAdvisor where they can read other guests input. Before, there was no hotel information provided except for what the hotels and travel agents stated.

The research from the UNWTO indeed stated that the majority of consumers conducts online research. 49% of consumers visit ten or less travel sites before booking. Around 20% of consumers visit more than thirty unique sites before booking. Furthermore the research showed that most guests started looking for reviews during the last days before staying at the hotel. This supports the theory that consumers do not use reviews to filter hotels per se, but more to decide among a smaller set which is already filtered on other points of attention such as location and price.

Benefits for the hotel are not only limited to the guest input that the hotel can use to optimize the hotel performance. A study on the booking behavior of guests from InterContinental Hotel Group (IHG) conducted by Mr. Anderson, assistant professor at Cornell University's School of Hotel Administration showed that 10% of guests booked directly via one of IHG brand.com pages. 90% first visited conducted internet research on a search engine or for instance an OTA. (Anderson, 2011.)

Industry information confirms this pattern. Around 38% of hotels and airline travel were booked via OTAs. This was only in 2009 yet, and the market share has further increased. According to Mr. Hartevelde from Forrester Research, OTA shopping seems fairly popular among people that travel to an unknown location or are fairly unfamiliar to travelling. On the other hand, consumers that tend to travel a lot and identify themselves with a certain brand seem to be more loyal and book more often via the brand.com. This is in the hotel benefit as well. OTAs create additional exposure and booking channels, making the hotel visible to a larger public, where the brand.com still functions mainly as channel for familiar guests (Mayock, 2011.)

In the graphs below the reader can see the distribution of travel site visits in figure one, figure two shows the distribution of travel-related searches and travel-related site visits

prior to making a booking and figure three shows the distribution of the days before reservation that consumers visit review websites as TripAdvisor.

Figure 1. Distribution of travel site visits

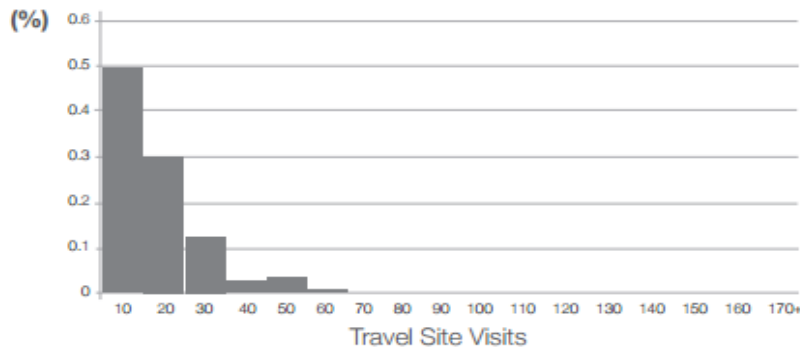


Figure 2. Distribution of travel site visits and searches

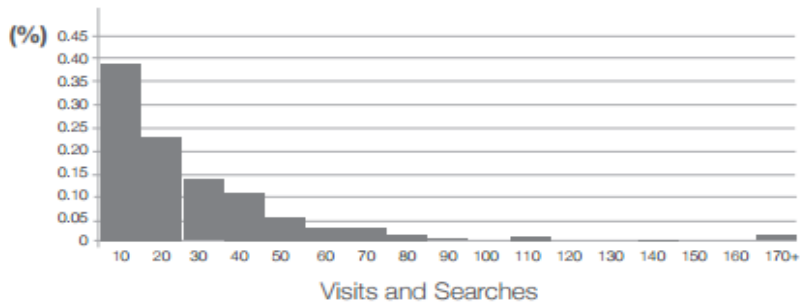


Figure 3. Distribution of days before booking of TripAdvisor visits

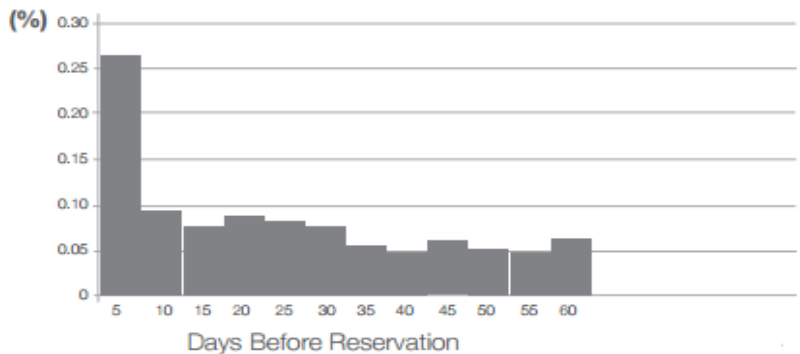


Figure 3: Booking behavior

Concluding, reviews are indeed getting more important but are still not the only indicator for hotel guests. Star classification systems can still be used as indicators for the consumer. However, the group of consumers doing online research before booking a hotel is becoming bigger by year which can result in a situation that indeed a larger percentage would get rid of using the star classification in its whole. OTAs are mostly mentioned regarding their grip on the booking behavior of consumers and are seen as a threat to the hotel industry. The industry needs to be more aware that the OTAs can generate additional exposure for the hotels as well and that it provides chances to the industry.

5.1.3 Star classification system

The question throughout this whole thesis is whether there should be one star classification system or not. On the one hand star classification systems can help assure the minimum level of quality and can be a guidance for consumers. On the other hand star classification systems are not tailored around the needs of the modern traveler; it is an old fashioned system and in the higher segment creates higher expectations than are reasonable (as the system is designed now).

Star classification systems are on one side old fashioned and not relevant to the hotel industry anymore. The consumer is already starting to look for alternatives to evaluate the hotels and this group of consumers will only grow in the upcoming years.

On the other hand star classification can still be a good indicator for mostly individual hotels to assess on the minimum quality. Moreover the star classification can help the positioning of a hotel and can be a selling point as well.

Unifying efforts have been made by multiple organizations and governmental bodies. Within the HotelStars Union the fifteen members keep pushing on standardizing and unifying their systems (Hotrec, 2014). Issues encountered are the different types of hotels that cannot be classified in a five star scale model, and the difference in consumer needs in different types of hotels. This depends merely on geographical, social, cultural and historical differences.

Also, especially the situation in European countries that were working without star classification before such as Finland should be assessed as well. These countries have been operating without system before and in order to be part of a unified system there should be an added value for these countries.

A system that incorporates guest reviews raises the next question from the industry perspective; how will the reviews be checked on authenticity?

There are cases of false information or so called inauthentic reviews from either competition or guests. There are even cases of hotels receiving either positive or negative reviews even before opening (Time Magazine, 2012). Still, 98% of respondents on a PhoCusWright study on TripAdvisor indicated that the TripAdvisor reviews reflect the actual experience in a hotel, and that 95% of visitors of the website would recommend using TripAdvisor to others. Also, 53% of the respondents would not book a hotel if it didn't have

TripAdvisor reviews. Visibility and active use of this website can be seen as very important for the hotels.

The system of review websites can easily be updated by using so called qualified reviews. These are reviews that can only be entered by guests after they actually have stayed in a hotel. The guest receives an e-mail with an invitation to leave a review. Booking.com, the world's largest OTA in the service landscape already uses these qualified reviews and has over 30 million qualified reviews on its pages. In the case of TripAdvisor, the reviewer is not required to have stayed at the property. Making a substantial part of the 150 million reviews possibly biased.

Sites as TripAdvisor are continuously upgrading the filters to prevent any inauthentic entries from entering the system however the system cannot be considered totally reliable yet (UNWTO, 2014.)

5.1.4 Service landscape

Another way of classification could be the classification based on the type of hotel. This was initiated by the managers in the interviews as well as on the product development forum of TripAdvisor (TripAdvisor, 2015). Different categories can be made according to the target-market, the location, the price and the design of the hotel. In contradiction to the star classification system these categories will be fairly easy to standardize for different geographical regions. Providing a guideline to the consumer what the type of hotel is.

5.2 Summarizing the discussion

Completely losing the classification in the hotel industry seems to be challenging based on the issues that have been explained in this chapter. Continuing the usage of the system as it is now is not an option as well. In the next chapter the author of this thesis will provide an alternative system that takes the issues mentioned in this chapter into account.

6 Conclusion

This thesis had as main goal to research the relevancy of star classification systems in the hotel industry. Are these systems still used? Are there alternatives? What are the limitations? Is star classification still relevant?

The main research question was:

“Are the star classification systems currently in place still relevant to the hotel industry?”

The main research question was divided in five sub questions. These sub questions were:

1. Are there other tools and systems that took over the role of star classification systems? What is the role of guest reviews in hotel choice?
2. What does a guest value when deciding on which hotel to stay?
3. Would there be a possibility to create a uniform star classification system worldwide or per continent?
4. Is there something as an ideal star classification system?
5. Is a star classification system still necessary? Benchmarking the situation in The Netherlands and in Finland.

The answer to these questions can be found in the upcoming sub chapters.

6.1 Sub questions

Yes, there are other tools and systems currently in the industry that took over most activities of the star classification systems. An example could be the review systems which enable the users to leave user generated content. Moreover hotel chains have started looking for alternatives as well, think about the enforcement of brand identity and the grouping of different brands under one category such as luxury, lifestyle and economy categorizations. In the thesis the author spoke about the relevancy of the systems as well.

Although most activities have been taken over by other systems and applications star classification can still be seen as an added value as well. Consumers see it as a tool to make an initial selection when searching a hotel. Furthermore star classification can be used as a positioning tool for mostly independent hotels or for hotels in smaller cities with a small offer in specific segments.

Guests value multiple aspects when booking, main indicators where reviews, location and price for guests booking via OTAs. Guests that seem to be more loyal to a specific company tend to base their choice on the brand the hotel belongs to.

As the situation is now, creating one uniform system that can be used worldwide is considered to be unfeasible. Efforts have been made to create a uniform system for the EG. Challenges encountered during these efforts have been the different geographical, social, cultural and historical factors in the different hotel industries among the European countries. Classification based on the type of hotel by creating different categories that can be implemented in the local hotel market more freely is seen as an alternative to these problems. Furthermore the star classification still misses a substantial part in staff service and staff friendliness assessment. This can be tackled by implementing guest feedback in the system.

Also, with more unified systems in the hotel industry, it will eventually be easier to create a unified system for possibly the whole hotel industry worldwide, since there are fewer systems to be standardized and incorporated into one system.

Having one ideal system is still very much subjective to the hotel market. At the moment, the system launched in the Abu Dhabi market seems to be the most up-to-date however this is not beneficial in all aspects. The system is still influenced by the amount of reviews the hotel receives, which can be a problem when thinking of for instance airport hotels. Also the system is not sufficiently protected against inauthentic reviews yet.

In some situations star classification is still necessary. In countries that have based taxation issues and for instance wage negotiations on the star classification of the hotel, the star classification cannot disappear yet. This applies to for instance the hotel industry in The Netherlands.

For industries such as Finland, where the industry is used to operating without a star classification system in place, the situation is different. In order to make a star classification system relevant for the Finnish hotel industry there needs to be an actual added value. An added value can be the recognition a system for the whole EG could give. Furthermore it will ease the booking process of the individual consumers.

6.2 Research question

“Are the star classification systems currently in place still relevant to the hotel industry?”

The answer to this question is no. As the systems are designed now, the systems are not relevant to both the consumer as well as the industry as well. The system is based on values that were important in the previous centuries and is not up-to-date with the modern traveler. This can be seen as a motive why consumers seek additional information elsewhere.

However, the system is in some areas still necessary. Think about law applications. This limits the system from seizing in existence. National and international law should be implemented in order to overcome these organizational barriers.

6.3 Suggested system

The suggestion that can be derived from this thesis is creating a system that is both beneficial for the consumer and for the industry perspective. The system needs to be actual and relevant. A system that could be implemented is a system that classifies hotels on the type of hotel such as boutique, modern-luxury, classical-luxury or city-trip. The facilities that have to be present in the hotel are tailored around that specific target market. This would apply for the classification based on facilities and services.

As for the level of staff service a good indicator could be the reviews that are published on review websites. Research has indicated that the majority of both industry experts as well as consumers consider it a wise idea to implement user generated content in a classification system (UNWTO, 2014). The author however does suggest to use websites that use qualified reviews and not inauthentic reviews as TripAdvisor does. A good company to cooperate with would be Booking.com since this company makes use of qualified reviews and has a database of over thirty million of those reviews. A good cooperation between the organization in charge of such a system and with a company as Booking.com could enforce the authenticity of those reviews and improve the review system on the pages of this company.

As for the legal issues mentioned in this thesis, solutions have to be sought in European law. Standardizing the different laws in the accommodation industry would help preventing legal issues being an obstacle for European standardization. Furthermore, issues such as

the tourist taxation that is in some countries based on the star classification of hotels could be based on for example the ADR of a hotel. The same applies for wage negotiations.

European law on the mandatory usage of such a system can help the system in order to be implemented in all designated countries which will strengthen the position of such a classification system. Making it a more relevant system since more industry managers and more consumers are known with the type of classification.

Furthermore the industry should take responsibility in informing consumers on how the hotel is categorized and classified. Until now the star classification system has been a closed system to the consumer and creates expectations that are not according to what the hotel can deliver. If sufficient information on the different types of classification, and the facilities and services that such a classified hotel is available are shown in an overview for the consumer, the consumer expectations can be matched in a better manner.

6.4 Further research

The design of the actual unified system should be further researched. These efforts have been made already by the UNWTO which has a system including the reviews. In order to create a system as explained in the previous chapter industry experts from hotels, hotel unions, hotel chains, classification systems, OTAs, review websites and consumers should form a taskforce with the responsibility to create such a system.

Moreover, additional studies on the evolvement of booking behavior of consumers in the future should be included. Elaborated interviews with industry managers and consumers could derive additional points that need to be implemented in the system.

6.5 Limitations of the study

First of all, the interviews were either conducted in The Netherlands or Finland, creating a somewhat geographical biased opinion on the interviewed topics. Additionally all hotels were either part of a chain or part of a collection. Although personal and corporate opinions were mostly shared the fact that those hotels were all related in some manner to either chains or collections can create a somewhat biased opinion. There were no totally independent hotels included in the research.

Hotel star classification in its whole would have been too broad to research thoroughly. As earlier stated in the theoretical framework this thesis mainly focused on the European situation. The star classification systems in the European Group were used as guidance and examples to illustrate the justifications on why a certain feature is feasible or not will be used. This thesis does not represent the whole situation as it is currently in the industry because of this reason.

Another limitation of the study can be the sample size. Four official interviews were conducted and one e-mail interview was included in the research. Conducting a research with hundreds of industry related officials would have been un-feasible. In the research however, several reports from leading organizations such as the UNWTO have been used as source. Several of those reports have been created by benchmarking hundreds of opinions and systems to eventually form them to one report including the different opinions that are shared in the industry.

Also response can be indicated as limitation. The author did not receive as much response on requests from the industry as originally assumed. Different hotels and companies indicated that they had no time for such requests also with the amount of requests the companies received as reason. Furthermore, the small time frame that the author spent in The Netherlands for conducting the interviews created a planning problem. Although, at the end sufficient and reliable information was collected.

Sources were a limitation during this research as well. Initially the author assumed that there were enough articles and sources related to this topic. However during the research the author encountered that it was very hard to find valuable sources that were focusing on the same fields of interest addressed in this thesis. This created a situation in which it was very hard to provide the reader with a clear picture since some statements were hard to substantially argue with statements from sources.

As last the size of the subject can be indicated as limitation. Star classification systems in the hotel industry have been a point of discussion since the late eighties already. The topic is very extensive with different stakeholders and different opinions. Identifying the exact point that the researcher wanted to discuss during the interviews was sometimes hard because of this reason.

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8 Appendices

8.1 Appendix 1: Interview questions interviewees The Netherlands

1. What is the corporate opinion of [company] on the star classification systems?
2. What is your vision on star classification systems?
3. Will star classification systems remain of importance in the upcoming ten years?
Do you see room for change?
4. What are in your opinion the biggest downfalls of star classification systems?
5. Do you believe there are positive sides to a star classification system?
6. Is the star classification system misleading in experience management?
7. Do you believe review websites such as TripAdvisor have more or less taken over the role of star classification systems?
8. What is your vision on the cooperation between review websites and hotel chains?
9. Would you believe in a uniform star classification system for Europe or maybe worldwide, and do you believe that to be feasible?
10. How is the star classification system of for instance The Netherlands transferred in a company as [company]? I believe [company] is mostly above these standards already, but does this causes problems and unnecessary facilities when opening a new hotel?
11. Would it be possible for a company such as [company] to position itself without using star classification?
12. What would you want to change in the star classification system.

8.2 Appendix 2: Interview questions interviewees Finland

1. What is the corporate opinion of [company] on the star classification systems?
2. What is your vision on star classification systems?
3. Looking at the European market, do you believe that star classification systems remain of importance in the upcoming ten years? Do you see room for change?
4. What are in your opinion the biggest downfalls of star classification systems?
5. Do you believe there are positive sides to a star classification system?
6. Is the star classification system misleading in experience management?
7. Do you believe review websites such as TripAdvisor have more or less taken over the role of star classification systems?
8. What is your vision on the cooperation between review websites and hotel chains?
9. Would you believe in a uniform star classification system for Europe or maybe worldwide, and do you believe that to be feasible?
10. Do guests ever ask what the official star rating of this hotel is?
11. What would be the impact on hotels in Finland if a system is launched? Is the industry open to this?
12. If a system is launched, what should it include?

8.3 Appendix 3: Introduction to interviewees

Ms. Julia van Meel is currently Marketing Manager of The Manhattan Hotel Rotterdam in Rotterdam. She is responsible for the development and execution of the marketing and communication strategy that is in line with the hotel's objectives. Ms. van Meel transfers the marketing strategy into operational marketing and is responsible for the brand management and corporate identity. Also, Ms. van Meel is responsible for the search engine optimization and any other online marketing and communication tactics (van Meel, 2015.)



Figure 4: Manhattan Logo

The Manhattan Hotel Rotterdam is located in the city of Rotterdam in The Netherlands directly next to the city's Central Station. It is a "five star" hotel in the general business district of the city. Previously, the hotel was operated under the Starwood Hotels & Resorts company however since 2010 the hotel is independently operated but part of a so-called collection which is the WorldHotel collection (Bluiminck, 2010.)

Mr. ... is a Director of Hotel Openings & Transitions for a major hotel-chain. As Director of Hotel Openings and Transitions Mr. ... is responsible for the short and long term strategic direction and planning for the mentioned brands. Goals in his task description are the identification and the directing of specific regional requirements, relevant market trends and pipeline conditions. Moreover Mr. ... is identifying Key Performance Indicators for hotel opening success and tracking and analyzing opportunities for process performance enhancements (... , 2015.)

Mr. Michael Levie is the current Chief Executive Officer of citizenM Hotels (Levie, 2015). Mr. Levie answered several questions via e-mail and gave his vision on the star classification systems as they are now. citizenM is a fast growing hotel chain known for its unconventional and up-to-date approach on consumer needs in the 21st century. It is a fresh and young company that is changing the hospitality industry as we know it now.



Figure 6: citizenM logo

Mr. Tero Thynell has recently been promoted to Hotel Manager of the Klaus K Hotel in Helsinki. Before, Mr. Thynell was the Rooms Manager of the Klaus K Hotel. Mr. Thynell has a strong background in operational departments such as Front Office, but also in back office as Sales & Marketing Manager (Thynell, 2015.)



Figure 7: Klaus K Logo

The Klaus K Hotel is part of the Kämp Hotel group (Kämp Hotel Group, 2015), and is adjoined with the Design Hotel Collection. The Klaus K Hotel is known for its unconventional design and can be seen as one of the revolutionary companies when it comes to hotel design.

Mr. Janne Ant-Wuorinen is the Hotel Manager of Hotel Haven in Helsinki. Mr. Ant-Wuorinen has a strong background in operational positions ranging from Food&Beverage to Front Office. Moreover Mr. Ant-Wuorinen has spent over ten years working abroad in hospitality related enterprises which gave him a perfect vision on star classification in the hospitality industry (Ant-Wuorinen, 2015.)



Figure 8: Hotel Haven Logo

Hotel Haven is part of the Union Hotels Ltd. which currently has a portfolio of four hotels in Finland. (Royal Ravintolat, 2015). Apart from that Hotel Haven is adjoined with the Small Luxury Hotels collection which is a collection of Small Boutique and Luxury hotels all over the world (Hotel Haven, 2015).

8.4 Appendix 4: Interview transcripts

Notation:

I: interviewer (author)

8.4.1 Interview Ms. Julia van Meel

1. Ms. van Meel states that star classification systems are getting less important when it comes to the decision making process of consumers. The Manhattan also communicates towards its target market with less focus on the five star classification.
2. Ms. van Meel's personal vision is that the last years have made tremendous change regarding star classification. For her personal booking behavior she agrees that star classification is indeed not as important to her as several years ago. Performance indicators for her are how the hotel is rated, what kind of reviews the hotel received and how is the price-quality ratio. In one of her previous jobs she was working for a travel agent and had the task to audit hotels and see if the hotel was the right fit for the travel agent. At that time the only information available to the consumer was the information the travel agent provided in the brochure. At that time the star classification was of more importance. Nowadays, companies as TripAdvisor have taken over the role of these travel agents and are creating a more transparent product for the consumer. Because the product has become more transparent for the guest the competition is stronger than before. Hotels have to compete more on the individual experience of the guests.
3. Ms. van Meel believes star classification will not be of importance anymore in the upcoming ten to fifteen years. She sees that companies such as Hilton Worldwide are adapting their strategy when it comes to star classification and her opinion is that as soon as the big players in the hospitality industry are adapting their strategy smaller and individual hotels will follow in order to keep up with the current trend in the hospitality industry.

I: Companies as Starwood Hotels & Resorts have recently started hosting a review rating on the brand.com, focusing more on the review aspect when it comes to hotel evaluation.

Does the Manhattan also focus on this aspect?

The Manhattan does put its efforts in the review aspect of the hotel. The hotel sends out e-mails that ask the guest how they have experienced the hotel and if they would share their experiences either with the hotel or with review websites. The review aspect has become part of the company strategy. The hotel invests time in answering those reviews as well. It is an ongoing process.

4. As the system is now, Ms. van Meel believes that quality is always different, even with having the hotel evaluated by a star classification system. She believes that the uniformity of those systems is lacking which results in the fact that the star classification systems cannot be seen as a trustworthy indicator of hotel quality. And indeed, she states that the consumer is losing its trust in star classification systems since if a guest has stayed in two five star hotels that were not five star hotels according to what the guest has experienced during the stay, what kind of value does such a star classification then still have? Because of this issue she believes the review websites have grown in their importance. A guest nowadays feels more comfortable with the evaluation by a guest rather than a non-transparent system.
5. She does believe that the star classification systems still has value. If the operational aspect is managed well the system does guarantee a minimum service and facilities level. Ms. van Meel also states that still, especially for the higher segment hotels for some consumers it is still seen as a unique selling point since the five star segment is still relatively small in The Netherlands. It helps the hotels in this segment to position itself better then without such a system.
6. When the hotel claims to be a five star hotel, the consumer automatically has higher expectations as well. Because the expectations are higher in the higher segment hotels, the Manhattan has to raise the bar so that expectations are indeed met. When receiving feedback from guests either in person or via e-mail or review, it does indeed sometimes happen that the guest did not received what the guest was hoping for. This can be caused due to the lacking in uniformity in those systems evaluating the hotels.
7. Indeed, companies as TripAdvisor have taken over the role of traditional star classification systems. Moreover, nowadays for hotels it is possible by receiving good and positive guest reviews when operating in for instance the three star segment, this hotel is able to work its way up and compete with five star hotels.

I: Because the reviews are visible to everybody, are there guests that are reading the reviews and afterwards are putting more attention to those comments from others whilst staying at the hotel?

Yes, this indeed happens, the Manhattan is using a program which is called "Revinat" to monitor those repeating comments from guests. This system enables the hotel to optimize the operations and creates an understanding for the hotel where resources have to be allocated to.

8. The hotel has embraced the guest review systems. Also, TripAdvisor recently enabled hotels to show the brand.com page on the TripAdvisor page, which generates more business for the hotel.

9. Creating a uniform system for Europe or worldwide will be a challenging and a possible unfeasible assignment. Firstly, the hotel industry and responsible organizations should question if it is still even necessary. The majority of consumers nowadays does not even select four or five star hotels when booking a hotel but selects the rating given by guests, for instance that it needs to be an 8 or higher. This again questions the value of the star classification systems.
10. The star classification system does not cause unnecessary facilities in the hotel. It does not create an organizational problem.
11. It is not possible to know yet how the Manhattan hotel will adapt to the current issues regarding star classification. Ms. van Meel states that the company strategy will be aligned with how the industry is responding.
12. Reviews will need to be incorporated in the systems. Additionally evaluating hotels and designate them to one of the star classification is with the diverse landscape in hospitality as we know it now not enough anymore. Classification should also happen in the type of hotel for instance Luxury, Business, Boutique or City-trip hotel as categories. The consistency needs to be improved and the awareness among consumers needs to be improved in order to properly value an individual property for its star classification. Consumers have no understanding about the star classification. This is considered a grey area and is not known. Proper information, especially internationally, will be very important (van Meel, 2015.)

8.4.2 Interview Mr. ...

1. For (company) it is not as important as before. Sometimes it can even be a disadvantage to be star rated. The star rating varies across the world and (company) has hotels everywhere. This means, that in one location a hotel can be a four star hotel and in another location a five star hotel whilst providing the same service. This creates a mixed message to the consumers. For (company) quality is assured by the different brands. (company) does not require a star classification for the hotels unless it is a mandatory element from the local government to be able to operate. Sometimes it is an operational disadvantage as well. For some companies it is not allowed to book five star hotels, whether if the hotel has the same price and is a four star hotel it is allowed to book that specific hotel. (company) does use the star rating where it is a benefit or where it is legally required however company strategy states to put less attention to star classification in general. Also consumers put less attention to star classification and rely more on reviews and booking channels. The reason for this is that from the consumer perspective there is no back-up on star classification. The system is non-transparent. The system is old

fashioned and no quality is assured. At the opposite, review systems are indeed transparent and companies are forced to put their attention to those systems since the service recovery is generally accessible and visual to all visitors of the page as well. Mr. ... mentioned an example of towels in the room. It can be that a hotel is not qualifying for a specific star rating due to the fact that there is one towel short in the room. This does not mean that other hotels that have enough towels have the same quality of towel that (company) is using. So the service encountered by the guest can be the same in the (company) hotel or even better since the quality of the core product is better.

2. Mr. ... shares the corporate opinion. Additionally he states that star rating is not classifying enough meaning that how (company) is classifying its brands and groups them under different groups such as luxury, upscale, economy and long stay. This would be important to do in the star classification systems as well.
3. Originally, star classification was put into place to assure quality level. Nowadays this aspect is not as relevant as before. Mr. ... believes that for independent operated hotels, that have no quality assurance for the consumer based on brand standards, star classification can still be of importance. Star classification can remain as an indicator but cannot be presented to the guest as a quality assurance anymore. Star classification is still important when it comes to price indication. Consumers still see the importance of the star classification when evaluating the price. It helps determining the price-quality ratio. Another reason why star classification cannot disappear from the industry yet is because that many cities and countries base the taxation scale of a hotel on the star classification. Concluding, so from a consumer point of view star classification becomes less relevant however star classification still involves several operational aspects like taxation but also wage negotiations that are based on those systems. This prevents the industry from completely getting rid of those systems.
4. Mostly discussed in the above questions. There is no worldwide or European organization with one system, which makes star classification less valuable.

I: Will it be feasible to create one uniform system?

This makes the creation of one uniform star classification system not un-feasible but it will be very hard. Because of the personal interpretation and issues as culture, demographics and historical factors the consumer needs and expectations will be different in all countries and regions, making star classification and the design and service design a tailored individual process for every hotel.

5. Mostly discussed during the above questions.
6. If the guest is travelling in one country only the star classification is fine since the service encountered by the guest will be merely the same when travelling in one

segment of the hotel market. This is because the auditing and operations and standards will be merely the same as well. As soon as the guest is travelling to other countries the service can very much differ then what the guest is expecting. What consumers expect in a five star in Asia can be different from what guests expect in a five star hotel in Europe. So this really depends on how known the guest is with travelling internationally.

7. Indeed, from a customer point of view the star classification systems have been taken over by review websites. Mr. ... does point out that these review websites are a threat to hotel operations as well. For instance booking.com requires that the guest has stayed in the hotel before being able to post a review. However, TripAdvisor for instance is open to everybody and everybody can place reviews. Consumers do not always realize this when reading reviews.
8. (company) values the guest input from for instance TripAdvisor. From a consumer service perspective all hotels are recommended by (company) to look at those reviews and to take it seriously. For the individual hotels these reviews definitely have value. (company) does not provide a rating from for instance TripAdvisor on the brand.com website. The cooperation and agreements with those companies is generally good.
9. See question four.
10. This generally does not occur since (company) does not build hotels based on the star classification but more on the brand standards the specific brand requires. Generally, facilities that are created for the hotel that is being build are considered more on operational aspect. Does it really make sense to create this in the hotel?
11. Yes as discussed this will be possible. When positioning without using star classification, consumers will need additional education concerning the specific brands of (company) and other companies. The service landscape is so varied; guests that have no previous experience in travelling and staying in big hotel chains lose their overview when it comes to selecting an individual brand. With the time, and also considering the fact that the information on the individual brands is more easily accessible, this will change in the upcoming years.
12. There need to be some sort of system for organizational and operational aspects concerning for instance taxation. For (company) basically does not want anything to change but to let the industry adapt to the situation in the upcoming years (... , 2015.)

8.4.3 Interview Mr. Levie

Mr. Levie shortly described the different topics in an e-mail. Below the reader can find a short summary of this e-mail.

Unfortunately citizenM has to have a star classification since this is in most countries mandatory to be eligible to operate. Also, for sites as booking.com it is necessary to have star classification since this is required to be on the pages of those OTAs. Mr. Levie states that star classification is totally unnecessary and that nobody is paying attention to those star classification systems anymore. Online reputation systems such as ReviewPro or Revinate are more actual alternatives. These tools help individual hotels or big corporate measure the performance of the company. All data are actual and up-to-date. Internet transparency is hundred percent nowadays and star classification will need to cover these guest input areas in the future because of this fact. Also Mr. Levie stated that a European standardized system would be unfeasible since all countries have different priorities in the hotel industry, however more countries are trying to standardize within several countries so that a uniform system can be created among a few countries within the EG. (Levie, 2015.)

8.4.4 Interview Mr. Tero Thynell

1. Klaus K as a hotel has no real corporate opinion on the star classification situation since it is not relevant in the Finnish hotel market.
2. Personally Mr. Thynell believes the star rating is very subjective. It is very difficult to have a system that actually compares hotels in totally the same way. All hotels have different priorities depending on the type of guest, location, chain or independent, and other local factors. Even if the demands of the system would be totally the same, it is still hard to measure actual quality. Let's say that a minibar is a requirement. The minibar needs to contain for instance a sparkling wine, a beer and some soft drinks. In the system it is nearly impossible to measure quality on those individual products in the minibar. One hotel will put a good quality local beer in the minibar where other hotels might just put a standard beer in the minibar. What is then actual quality? He believes that this type of quality can only be measured by the hotels itself or by the brand standards from big corporates.

I: So let's say in Helsinki a star classification system is put into place, Klaus K receives 4 or 5 stars. Does this really represent the hotel product then?

No, this does not represent the hotel since in these hotel classification systems issues such as atmosphere and service level are not taken into account or not suf

ficiently. The Klaus K hotel receives then the same classification as hotels that have a very traditional and standard product.

3. Absolutely, Mr. Thynell believes that the guest reviews will only become more important and the star classification system will lose its last remaining strengths. It is an outdated concept. Today's traveler is looking for experiences and personal feelings. The current hotel guests feel more confident with evaluating the hotel based on other guest's experiences. This also has to do with the individualism trend that is currently strongly represented in the service landscape.
4. Star classification was an important tool to use when guests did not have open information about hotels. It was a feasible system when the types of hotels offered in the lodging industry were still homogeneous products. Also the system is based on old-fashioned standards and is not adapting to the trends in the service landscape.
5. When looking at for instance the Estonian market, when entering the European Union, star classification has really helped the Estonian market to standardize and to set the basic minimum requirements. So that is definitely a positive side to the star classification systems.
6. Absolutely, there can be three star properties that have a great story and give an intimate feeling. Then there are four star hotels that have a few, maybe unnecessary facilities, but are not properly cleaned. Still, mostly the three star property will get less attention and is not as valued as the four star hotel maybe.
7. Yes, indeed review websites have taken over the role. For the Finnish hotel market it can be seen as an addition to the service offered to the guest since there was no official star classification system before.
8. In general the cooperation between those websites and the hotel is good. The hotel definitely values the ratings the hotel receives from those websites.
9. It would be feasible only very hard to implement. It would be practical for the consumer since the consumer is familiar with what the consumer can expect in the hotel. However, if it will be a good step to make is a question as well. Even for the same consumer, a five star lodge in Iceland will give different expectations than a resort in Portugal.
10. Sometimes this happens; especially at the time of booking consumers tend to ask what the star rating is.
11. Mr. Thynell believes it will not be launched. The industry in general is open to this. Most important question to answer is what the use of such a system would be. The Finnish hotel market has done so well without the system so would it actually be necessary?
12. The system should be tangible and measurable and not based on an individual opinion of one person.

I: In Abu Dhabi a system is launched based multiple reviews, so no individual opinion.

Would it be a good idea to have such a system?

Yes, this would be a good idea. But a problem could be the type of traveler the hotel is attracting. This can have a lot of influence on how the guest evaluates the hotel which then can create a problem with the system (Thynell, 2014.)

8.4.5 Interview Mr. Janne Ant-Wuorinen

1. The personal opinion of Mr. Ant-Wuorinen can also be seen as the corporate opinion of Hotel Haven. Mr. Ant-Wuorinen addresses the star classification issue mostly from an economical perspective. He believes that to create this system for the Finnish or Nordic market and to put it in place will be a costly assignment. At the end the hotels will pay for the creation of the system. Also he believes that there is no real necessary since the Finnish hotel market has operated for so long without using a system. Mr. Ant-Wuorinen does not believe in classification at all. It is an old fashioned concept that is not necessary in the industry anymore. People have their own opinions and other consumers tend to rely more on those opinions than on star classification.
2. See the above question. Additionally, Mr. Ant-Wuorinen believes if classification is necessary it should come from the hotel perspective. The hotels should classify more on the type of product that they are offering.
3. No, Mr. Ant-Wuorinen believes that the star classification will not be of importance anymore and guests will base their decisions more on other guest input.
4. Especially in the higher segment star classification builds a lot of expectations. It is not an indicator of service and quality anymore. Worldwide, the differences in price and the differences in service are tremendous.
5. Yes, for smaller cities or in cities with a small higher segment it can help hotels position in the market. Also for guests staying in the higher segment that have little time to search for a hotel star classification helps to have some sort of understanding of the higher segment hotels in a specific city.
6. Yes, because of the star classification and the differences that are starting to exist in the global higher segment it becomes harder to match expectations with the actual experience of the guest. Star classification builds very high expectations which cannot be matched every time. Personally when staying in hotels abroad Mr. Ant-Wuorinen tends to base his choice on the brand. Brand standards are mostly better quality assurance than star classification.
7. Yes, all social media channels have taken over the role. He believes it should be like this that the star classification is taken over by social media channels since it is

the only input from the consumer perspective. Star classification should be based on what the actual consumer, the guest thinks of the hotel and not just static facts like room size. Problem with guest reviews is that they can be hacked. It is not always trustworthy information. Additionally, the rating presented on the page can be misleading as well. For instance, let's say that there are some mid-size bed and breakfasts in a big city. These bed and breakfasts attract leisure travelers that have the time to write a review. It can occur that this bed & breakfast then makes it to one of the highest places on the rating. On the other hand there is this business hotel with great service. The guests are always in a hurry and don't take the time to review. The hotel is not shown in the rating and nobody will know about this excellent hotel. Mr. Ant-Wuorinen suggests classifying on sites as TripAdvisor also in different types of hotels and creating score lists for the individual segments.

8. In general the cooperation is good. These websites should work on the accountability of the guest input and also on the communication between the websites and hotels when receiving for instance scam reviews.
9. Mr. Ant-Wuorinen does not believe in a unified system. Or in any star classification systems at all. If there would be a system created it firstly would be a system for the Scandinavian countries, since most Scandinavian countries have much similarities in the hospitality industry.
10. Yes, guests do ask for it. The hotel sometimes receives questions on why the hotel is a five star property. This is mostly because of a lack of experience in the traveling behavior of the guest and as discussed the limitations of star classification systems.
11. It will mostly be an economical issue. The hotels will end up paying for this. Also hotels will ask why it is necessary since the industry has operated for so long without using a system. Is it really worth the price? In general the market is open for it as long as it does not have to be paid by the hotels. But there is no real need.
12. The system should include a review element however it needs to be guaranteed that the guest input is reliable. The review option should be limited to guests that only have stayed in the hotel. Moreover hotel strategy can influence this review element as well. Hotel Haven never sends out questionnaires or asks for reviews since the hotel believes in respecting the privacy of the hotel guests. This can have influence in the overall rating on review websites as well since there is a possibility that fewer guests will review the hotel. Then again, the rating on those websites can be lacking in trustworthiness again, creating a new problem (Ant-Wuorinen, 2015.)

