

# Hotel Grading, Service Quality, Satisfaction and Loyalty – Proposing a Theoretical Model and Relationship

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## Abstract

Hotels strive to seek some kind of standardization to ensure consistent and comparable service quality, and one of the requirements is for them to have a reliable system which grades and certifies the hotel's quality, including its facilities and services as meeting a certain international level. In light of the aforementioned, the objective of this paper is to review relevant literature and conceptualize and propose relationships between hotel grading, service quality, customer satisfaction and loyalty. From the literature reviewed it is proposed that with respect to hotel customers,

- service quality expectations are related to the hotel grading
- service quality perceptions are related to the hotel grading
- service satisfaction is associated with the hotel grading
- customer loyalty is associated with the hotel grading
- hotel grading is associate to customers' service quality expectations, service quality perceptions, satisfaction and loyalty

**Keywords:** Service Quality; Hotel Service Quality; Grading; Customer Satisfaction; Customer Loyalty.



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## Introduction

According to Choudhury (2012), the first thing guests consider when intending to book a hotel is its rating. However, the service and amenities offered in the hotel of a particular rating (grading)<sup>1</sup> vary widely from country to country, and even from one travel agent to another. The cause of this discrepancy in the grading of hotels results from the lack of a universal hotel rating system (World Tourism Organization (WTO) and International Hotel & Resorts Association (IH&RA), 2004). Most of the countries have national standard rating systems which are determined either by private or government organizations and on the websites by the guests' comments (Choudhury, 2012). The hotel grading (rating) systems offers benefits to various sectors (Narangajavana, 2007), and only the main benefit, according to the WTO & IH&RA (2004), are "to travel agents, tour operators, hotel industry, government and consumers." The countries benefit of the hotel rating system come from the need for government to control the hotel industry by tariff and taxes, and ensure the meeting of basic requirements of safety and hygiene, and the consumers also benefited from an easy comparison between hotels in several destinations. Callan (2000) argued that "the classification and grading schemes were beneficial to both the customers and the hotel industry for assistance in improving facilities and service quality at a given price." The functions offered by hotels is essentially a service function, which is only "experienced" by customers during their stay and makes the assessment of quality difficult (Ramanathan and Ramanathan, 2013). In order to guide potential guests on the nature of the facilities and service that can be expected from hotels, different kinds of ratings of hotels are generally used, which ratings usually vary between one and

five. In general, the higher the rating, the higher is the expected level of service and facilities from a hotel (Khan and Fasih, 2014).

In light of the above, this conceptual paper explores the relationship among hotel grading and hotel customer's perceptions of service quality, service satisfaction and loyalty.

## Literature Review

### Hotel Rating

The term 'hotel rating,' sometimes referred to as "hotel grading" or "hotel classification" is often used to classify hotel establishments according to different attributes (WTO, 2014). According to the WTO and IH&RA (2004), "hotel rating denotes a system, duly published, in which accommodation establishments of the same type (e.g., hotels, motels, inns, etc.) have been conventionally broken down into classes, categories or grades." This is in accordance with their common physical and service characteristics and established at government, industry or other private levels. The WTO and IH&RA (2004) further stated that "hotel rating systems were produced primarily with the purpose of protecting consumers." Currently, competitive marketing pushes local and international hotels to seek standardization and tools to ensure service quality, and one of the requirements for hotels is a reliable rating system which grades and certifies the hotel's quality, including its facilities and services as meeting a certain international level (WTO, 2014).

With the rapid increase in world tourism in the last five decades, during which hospitality has reached the status of a mature industry, the focus has moved from consumer protection (generally guaranteed by national regulations and legislation) to consumer information (WTO and IH&RA, 2004). With so many people now travelling across the globe and within their own country, the idea of having a single rating scheme which could be applied to hotel

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<sup>1</sup> In this paper, (hotel) rating and grading are used interchangeably.

accommodation throughout the world for the benefit of both consumers (hotel guests or tourists) and travel professionals (tour operators and travel agents), in particular has not materialized (Madani, Mohsen & Sarafizadeh, 2012, UNWTO, 2014).

Apart from the rating schemes surveyed by the WTO and IH&RA in 2004, there are other forms of ratings, since online travel agents and some of the major tour operators also rate hotels according to their own criterion. These are often based on guides such as the US Official Hotel Guide (WTO and IH&RA, 2004). Furthermore, electronic word-of-mouth (e-WoM) in the form of guest comments is used for rating of the lodging industry attributes and the lodging property performance on the online travel agents' sites (Yu, 2014).

According to Brook, 1989 & the WTO, 1985 (cited in Qing and Liu, 2013), "there are over 100 hotel rating systems worldwide which are categorized under official and non-official systems." The official hotel-rating systems implemented by government agencies follow a compulsory and regulatory basis. However, Narangajavana (2007) argues that "the non-official rating systems are implemented most of the time by hotel or tourism associations, and the national/regional automobile associations, or private companies and participation is mostly on a voluntary basis." Although to differentiate and communicate the hotels' rating, a variety of rating symbols are used, for example stars, crowns, diamonds, suns, or letters, however, the universally recognized symbol was the star, as the majority of countries with at least a hotel rating system used the stars to represent grades of their rating system.

Wang (2011) asserts that "most consumers use the internet to search for an hotel based on the guests' review on the online travel agents websites and hence electronic Word of Mouth (e-WoM, and a survey by Nielsen (2007), found that "most consumers perceive online opinions to be as

trustworthy as hotels' websites and ratings." According to Go and Pine (2005), "since hotel rating systems differ markedly from country to country, and the criteria used often reflect local cultural differences in values and preferences while considering common international attributes," these inconsistencies may affect ratings of both facilities and service quality (Hamashige, 2007). Most rated hotels in developed nations have adopted rating systems that are consistent across that country. For instance, while the hotel industries of the United Kingdom and United States employ entirely different approaches, both have effective rating systems that can be consulted regarding method of implementation, rating mode, main content, and service quality criteria (Su and Sun, 2007). Daily (2015) argued that 'a number of tourists are confused by the existence of different hotel ratings systems in different countries, and also stated that travel services own rating schemes and use of e-WoM makes it difficult to find out the differences between the rating systems, and determine which sources were trustworthy.' In light of the above, in 2004, a joint study on hotel classification between the World Tourism Organization (WTO) and the International Hotel and Restaurant Association (IH&RA) was carried out with the "aim of developing a single hotel grading scheme to be used internationally with the objective of benefiting both customers and service providers," (WTO and IH&RA, 2004). Yu (2014) pointed out that "the criteria for rating guest satisfaction was unclear as it did not provide a specific scoring system required for each star-rating category." Qing and Liu (2013) indicated other limitations, namely, that "China's hotel rating system had inconsistent scoring requirements, unspecified service requirements, and a lack of incentives to maintain continuous standards. Instead, it overemphasized physical facilities and left little space for service quality."

Cox et al. (2009) argues that "the use of travel-related social media websites by

consumers commonly occurs prior to consumers' actual travel." Fotis et al. (2012) revealed that "some social media websites, such as TripAdvisor.com, are used during all stages of the travel planning process (before, during and after travel) for different demands. These booking engines, in order to capture hotel guests' interest and loyalty, generally offer ratings to help consumers find hotels that meet their requirements."

By comparing hotel prices or availability on different web portals, "customers can face a change of hotel ratings from one website to another," (WTO, 2014). "Ratings, websites, ambiguous criteria and guests' comments sometimes create even more confusion and frustration, because appropriate information is not always given about a category's standard," (Matzler and Wiaguny, 2005).

"Most TripAdvisor.com users think that reading the reviews and ratings to decide where to stay is extremely or very important," (Gretzel and Yoo, 2008). Mauri and Minazzi (2013) revealed the "persuasive effects of positive comments in the decision-making process," with e-WoM influencing expectations and purchasing intentions of more than 75% of respondents who consulted other customers before booking a hotel, and the results also revealed that e-WoM is an antecedent of customer expectation.

Ong (2012) revealed that "consumers tend to use online reviews and customer rating systems to help them narrow down their choices. Specifically, 47% of the respondents stated that they would use the customer rating system to narrow down their alternatives in making a choice between multiple lodging properties and 21% of the respondents stated that they would use the customer rating system to make the final choice of where to stay." Anderson's (2012) study on the customer review score after the purchase reveals that "a 1-point increase in the customer review score will increase the chance of the hotel

being selected by 14.2 percent." Sparks and Browning (2011) pointed that "using categories or heuristics, such as "recent reviews" or "numerical ratings", indicators can assist consumers in efficient information processing and with a potential to influence decision-making." By using customer ratings as one of the independent variables in their study, Sparks and Browning (2011) also found that "positive framed reviews together with customer ratings will result in a significantly higher level of booking intentions and trust in the target hotel, compared to the reviews contained no customer rating." Many studies are based on the theory that the confirmation-disconfirmation of pre-consumption expectation is the essential determinant of satisfaction (Mohajerani and Miremadi, 2012, Yein Ping et al., 2012, Singh and Thakur, 2012, Santouridis and Trivellas, 2010). This is to say that the customers have certain service standards in mind (their expectations) prior to consumption, observe service performance and compare it to their standards, and then form satisfaction judgements based on their comparison. The resulting judgement, according to Olivier (2010), is labelled negative disconfirmation if the service is worse than expected, positive disconfirmation if better than expected, and simple confirmation if as expected.

The brief literature review on hotel ratings does shed light on its importance to the industry, but no direct reference has been made to the relationship between hotel grading and service quality perceptions or service quality expectations. Thus subsequent literature will attempt to address this and also draw associations with other related concepts such as customer satisfaction and loyalty.

### **Service Quality**

Service quality which is "an essential element that contributes to the success of a service organization," (Shahin and Dabestani, 2010) had been studied by multi-

academic disciplines including economics, operations management, marketing, human resource management, and organizational behaviour. Lovelock and Wirtz (2004) described a service as “an act or performance offered by one party to another, and services are described by customers, using words such as experience, trust, feeling, and security.” In the case of hotels, some of the services are tangible as well (Prentice, 2013). For example the bed and amenities of a room, the food in the restaurant and etc. The essence of a service, however, is the intangibility of the phenomenon itself and due to this it is frequently difficult for the customers to evaluate a service (Kotler et al., 2010).

‘A hotel service is a high-contact service as it involves personal visits by guests to the hotel facility,’ (Chase and Dasu, 2001), and “the guests are actively involved with the hotel departments and its employees during the service delivery as they need to go to the hotel and remain there until the service delivery is completed.” Reisinger et al. (2001) perceived the hotel as “being part of hospitality and described it as the provision of accommodation and catering (food and beverage) services for guests that included both tourists and local residents.” The aforementioned also alluded to the quality of hospitality services, implying that “guests were to be treated with empathy, kindness, and friendliness, and there was also a concern for their well-being and satisfaction.” The hospitality services were “produced and consumed simultaneously; therefore, they required the presence of both hospitality provider and customer,” (Hoyer and MacInnis, 2010). However, the services varied over times, depending on the persons, and the moods of both parties. The challenges created by these characteristics of service in the hospitality sector ‘made it difficult for customers to evaluate services and their quality in the hotel industry,’ (Metters et al., 2006).

Customers often ‘find it difficult to evaluate services in advance of purchase, but they do form certain expectations,’ (Cant and Erdis, 2012), which are “an anticipation of future consequences based on prior experience and other many and varied sources of information,” (Hoyer and MacInnis, 2010). According to Cant and Erdis (2012), “expectations are also likely to vary in relation to differently positioned service providers in the same industry.” Guests may expect a luxury product and service from a five star hotel as opposed to four stars and less. If this expectation is not satisfied, the guests undoubtedly are very dissatisfied.

Guests’ expectation about a hotel service tend to be strongly influenced by official and non-official hotel ratings, online guest reviews, their own prior experience as a guest with the same level of hotels with the same brand in the same location or relative services of the same brand in other locations (Yu, 2014). If the guests have no relevant prior experience, they “may base their purchase expectations on word-of-mouth comments, hotels and third party online travel agents websites, or the hotel’s ratings, or the hotel’s other marketing efforts,” (Lovelock and Wirtz, 2004).

“Expectations change over time, influenced by both the hotels’ ‘controlled’ factors, such as advertising, pricing, new technologies, and service innovation, as well as social trends, advocacy by consumer organizations, and increased access to information through the media and the internet,” (Nowlis, 2014). According to Zeithaml et al. (1996), “customer expectations embrace several elements, including desired service, adequate service, predicted service, and zone of tolerance that falls between the desired and adequate service.”

Consumers’ expectations are the result of learning and can be formed very quickly and once set up, it can wield enormous influence and can be hard to change

(Hawkins and Mothersbaugh, 2010). Hotel guests can expect five star rated hotels to be higher in quality than four and three star hotels, and this expectation emanates from exposure of the customers to the same rated hotel in the past (Ranjbarian et al., 2012). In light of the above, it is proposed that (P1) hotel customers' service expectations are related to the hotel's rating.

Service quality is "consumers' judgment of the excellence and superiority of the service encounter," (Kim et al., 2013). In the hotel industry, "perceptions of service quality are formed when guests experience feelings and attitudes during their hotel stay. In other words, guests will have certain perceptions of the hotel service quality depending on the services offered to them or the experiences they have undergone," (Boon-Liat and Md. Zabid Abdul, 2013). Based on literature reviews, Wuest (2001) reported "similar impacts of service quality on tourism, hospitality, and leisure businesses which were improving guest convenience; enhancing the service provider's image; ensuring customer security; generating traffic linking to profits, saving costs, and higher market share; and establishing a competitive edge, and customer demand."

The literature, albeit to a limited extent due to the exploratory nature of this paper, alluded to service quality expectations and perceptions. In light of the above, it may with respect to hotel customers, be proposed that:

P1: Hotel grading is associated to customers' service quality expectations.

P2: Hotel grading is association with customers' overall perception of service quality

### **Service Quality and Customer Satisfaction**

Olivier (2010) defined satisfaction as a "consumer's fulfillment response and a judgment that a product or service feature, or product or service itself, provided (or is providing) a pleasurable level of

consumption-related fulfillment, including levels of under or over fulfillment as being consistent with the conceptual and empirical evidences". Babin and Griffin (2008), defined customer satisfaction as "a positive affective reaction to the favourable appraisal of hotel usage experience." A positive reaction is mainly identified with the benefit that meets or exceeds customer expectations (Ofir and Simonson, 2007). Yi (1990), further looked at customer satisfaction as "an attitude like judgement following a purchase act or a series of consumer product interactions."

Satisfaction is a function of positively disconfirmed expectation (better than expected) and positive effect. Customer satisfaction is very important for any service industry including hotels. There is "a strategic link between the level of customer satisfaction and the hotel's overall performance," (Mohajerani, 2013, Boon-Liat and Md. Zabid Abdul, 2013). Anderson and Mital (2000) found that on average, every one percentage gain in customer satisfaction is linked with a 2.37 percent increase in the hotels return on investment (ROI).

Evaluating customers' perception and satisfaction regarding service quality is widely acknowledged as being "an effective strategy to boost profitability in the hospitality industry, and the hotel industry, which has a high level of customer contact, is not an exception to this observation," (Claver et al., 2006, Tam, 2004). Thus, it is imperative for hotel operators to constantly assess and look for ways to improve the quality of their services. Managing service quality means that a hotel operator has to match the service performance with perceived service so that customer satisfaction is achieved. The terms service quality and customer satisfaction more often used interchangeably. Nevertheless, it is believed by some researchers that service quality is but a component of customer satisfaction that also reflect tradeoffs as well as personal and situational factors (Zeithaml

and Bitner, 2003). Considering the relationship between customer satisfaction and service quality, Oliver (1993) first suggested that “service quality would be antecedent to customer satisfaction regardless of whether these constructs were cumulative or transaction-specific.” Some researchers have found empirical supports for perspective of the point mentioned above (Khan and Fasih, 2014, Prentice, 2013, Mohajerani, 2013) where customer satisfaction came about as a result of service quality. In relating customer satisfaction and service quality, researchers have been more precise about the meaning and measurements of satisfaction and service quality. Satisfaction and service quality have certain things in common, but satisfaction generally is a broader concept, whereas service quality focuses specifically on dimensions of service (Hyun Soon et al., 2014).

González et al. (2007) reported “a positive relationship between perceived service quality and satisfaction.” Several researchers (Wu et al., 2014, Khan and Fasih, 2014, Markovic and Jankovic, 2013, Boon-Liat and Md. Zabid Abdul, 2013, Auka et al., 2013) concur by stating that “customer satisfaction is based upon the level of service quality that is provided by the service providers.”

To further emphasize the view that customer satisfaction and service quality are important variables in business research on customers, Gera (2011) investigated the link between service quality, value, satisfaction and behavioral intentions, and one of his findings reveal that “service quality was found to significantly impact on customer satisfaction and value perceptions.”

In the literature, little reference is made to any relationship between service quality and satisfaction with respect to hotel guests. In light of the aforementioned, it may be proposed that:

P5: Hotel customers’ service quality expectations are related to their satisfaction with the service.

P8: Hotel ratings customers’ service quality perceptions are associated with their satisfaction with the service.

### **Customer Loyalty**

A loyal customer loyalty is defined by Kandampully and Suhartanto (2000), as “a customer who repurchases from the same service provider whenever possible, and who continues to recommend or maintains a positive attitude towards the service provider,” which implies that loyal customers are likely to “purchase additional services, spread positive news through word-of-mouth, and pay higher prices, and they are also likely to improve service efficiency due to the experience curve effect,” (Vij, 2012). Olivier (2010) defined customer loyalty as “a strong commitment to make many repeated purchases of a selected product or use a service consistently in the future.”

Much research, inter-alia, Kang and James (2004), Wilkins et al. (2010) has been carried out on customer loyalty in the hospitality industry, and the aforementioned researchers concur that “customer loyalty in hotels is often determined by the experience of the guest before, during and after his/her stay in a hotel.” According to Ramanathan (2012), “a number of factors contribute to the experience – customer service, cleanliness, facilities, price, food, location, etc.”

Prentice (2013) argued that “even though customer satisfaction is essential to a thriving hotel industry, customer loyalty plays an even more significant role because it is an indicator of success in the service industry.” The findings of Cheung and Thadani (2010) show that “customers display various degrees of loyalty, allegiance or commitment towards a particular service provider.” Thus, it is

important that hotel operators “understand the most influential factors in customer loyalty when devising and implementing strategies to make sure that existing guests remain loyal, while prospective guests develop new loyalty towards them,” (Boon-Liat and Md. Zabid Abdul, 2013).

Owing to the “benefits of customer satisfaction in retaining existing customers,” many researchers focused their studies on the importance of “predicting customer behavior, especially in relation to the customer satisfaction construct and the satisfaction-loyalty link,” (Prentice, 2013, Salleh et al., 2013, Awara and Aanyadighibe, 2014). In addition, Berry et al. (2006) stated that “when a hotel guest has had an enjoyable stay, they is very likely to patronize the hotel repeatedly, and will also recommend the hotel to his family and friends.”

Customer loyalty in hotels is often shaped by the experience of the guest before, during and after their stay at a hotel, and a number of factors contribute to the experience – customer service, cleanliness, facilities, price, food, location, etc. The relationship between the performance of hotels in terms of the above factors and customer loyalty has been a topic of several research studies (Wilkins et al., 2010, Ranjbarian et al., 2011, Yu-Jia, 2012, Ramanathan and Ramanathan, 2013, Salleh et al., 2013, Awara and Aanyadighibe, 2014).

What seems blatantly lacking in the literature cited above is any direct reference to the association between hotel grading and customer loyalty. Thus it is proposed that:

P6: Hotel customers service quality expectations are like associated with hotel customers' loyalty.

### **Customer Satisfaction and Loyalty**

According to some researchers (Faullant et al., 2008), “customer satisfaction may drive loyalty, but it may not be a very reliable, and

definitely not the only determinant of loyalty.” In a study conducted at Alpine ski resorts, Faullant et al. (2008) established that “both image and overall satisfaction are important to influence the degree of customer loyalty.” In general, the findings of some previous researchers indicate that “there is a positive correlation between customer satisfaction and customer loyalty, and customer satisfaction is widely acknowledged as an indicator of customer loyalty in the hotel industry,” (Getty and Thompson, 2004, Chitty et al., 2007, Alrousan and Abuamoud, 2013). These studies clearly show that “satisfied hotel guests tend to remain loyal to the service providers concerned.” Customer loyalty is “a much valued asset, and the long-term success of a hotel is assured if it can expand and maintain a large and loyal customer base,” (Wilkins et al., 2010). “Higher service quality leads to higher customer satisfaction, and eventually to determine customer loyalty,” (Mohajerani and Miremadi, 2012, Agbor, 2011).

In contrast to the above, there are some researchers who doubt whether customer satisfaction will translate into customer loyalty. From the results of a study on the satisfaction–loyalty model conducted by Olsen (2002) it became apparent that customer satisfaction might not always guarantee customer loyalty, other factors such as perceived quality performance and brand image are also deemed to contribute to loyalty (Ramanathan, 2012).

In order to explore the relationship between loyalty and satisfaction further, more especially with respect to hotel customers, it is proposed that:

P7: Hotel customers' service satisfaction is related with their loyalty.

P8: Hotel customers' perceived service is associated with their service satisfaction

P9: Hotel customers; perceived service is associate with their loyalty



### **Hotel Ratings, Customer Expectations, Service Quality, Customer Satisfaction and Loyalty**

The existence of “more than 100 official hotel rating systems worldwide,” as reported by the WTO and the IH&RA (2004), confuses customers’ decision” on the dependability of these ratings.” Apart from these rankings, “online tour operators and travel agencies had their own hotel rating systems for facilitating their selection of accommodation choice for their customers in their hotel booking websites,” (WTO & IH&RA, 2004). In doing so, they may have negated the hotel standard set by countries and hotels (Anderson, 2012, Del Chiappa, 2013).

Some researchers (Madani, Mohsen and Sarafizadeh, 2012) argue that “since 1990, hotel rating systems have been evaluated and compared in many studies, mainly based on opinions of hotel executives,” and these studies brought about several trends in hotel rating systems, such as the “increasing emphasis on service quality worldwide,” (Callan and Bowman, 2000). The goal of such rating system is to “ensure a high quality of service, and the meeting of the expectations and demands of customers,” (Pei Mey et al., 2005). Nevertheless, service quality measurements can be subjective and this led varying hotel ratings (Su and Sun, 2007). Fernández and Bedia (2004) who explored whether a hotel rating system in Spain was a dependable indicator of hotel quality, found that, “based on the values of expectations, perceptions and differences between perceptions and expectation, the ranking of the hotel groups did not correspond to the ranking or star rating category. In addition, they found that customers from higher category hotels were more demanding, resulting in negative differences between perceptions and expectations.”

Notwithstanding the aforementioned, some researchers (Madani et al., 2012) are of the

view that there is “limited research which explores and compares hotel rating systems in different countries to identify the most common indicators of quality and the most common methods of evaluating service quality in relation to hotel rating system.”

Callan and Fearon (2010) assert that “the hotel rating systems were perceived to be vital to the hotel industry for setting up customer expectations and marketing.” In other words, in the hotel industry, “customer satisfaction depends on customer service expectation, perception, and service quality and generates customer loyalty,” (Mohajerani and Miremadi, 2012). As confirmation of this, Minazzi (2010) reiterated that “service quality is a result of comparison between customers’ expectations and experiences.” Research by Briggs et al., (2007) demonstrated that “customer satisfaction is not linked to a specific quality category, but depends on the hotel’s ability to meet customer expectations.”

There are several studies in the hotel research literature that have explored the link between perceived service quality and customer satisfaction and loyalty (Ismail et al., 2013, Markovic and Jankovic, 2013, Khan and Fasih, 2014, Singh and Thakur, 2012). Getty and Thompson (2004) revealed that the relationships between the quality of service in hotels, customer satisfaction, and its effect on customer’s loyalty in respect of recommending the hotel to other customers. The aforementioned researchers concluded that customer’s loyalty and willingness to recommend a supplier/service provider are a function of their perception of both their satisfaction and service quality to the hotel experience.

In summary, since the hotel rating systems around the world are not identical, which confused consumers about the quality rating in each system, the rating system may also affect the service quality by creating customer expectations which may not match with the actual service perceived

(experienced) by customers. This mismatch will affect the overall service quality perceptions, and service quality is linked to customer satisfaction and customer loyalty. What is lacking in the discussions above is mention of the “relationship between hotel ratings and service quality, customer satisfaction and loyalty.” A satisfied customer may be loyal to the company and this loyalty could be measured through their retention, which eventually is a measure for business performance (Antony, 2004). Since managing service quality means that

a hotel operator has to “match the service performance with perceived service so that customer satisfaction is achieved.” it may be proposed that in the hotel industry context:

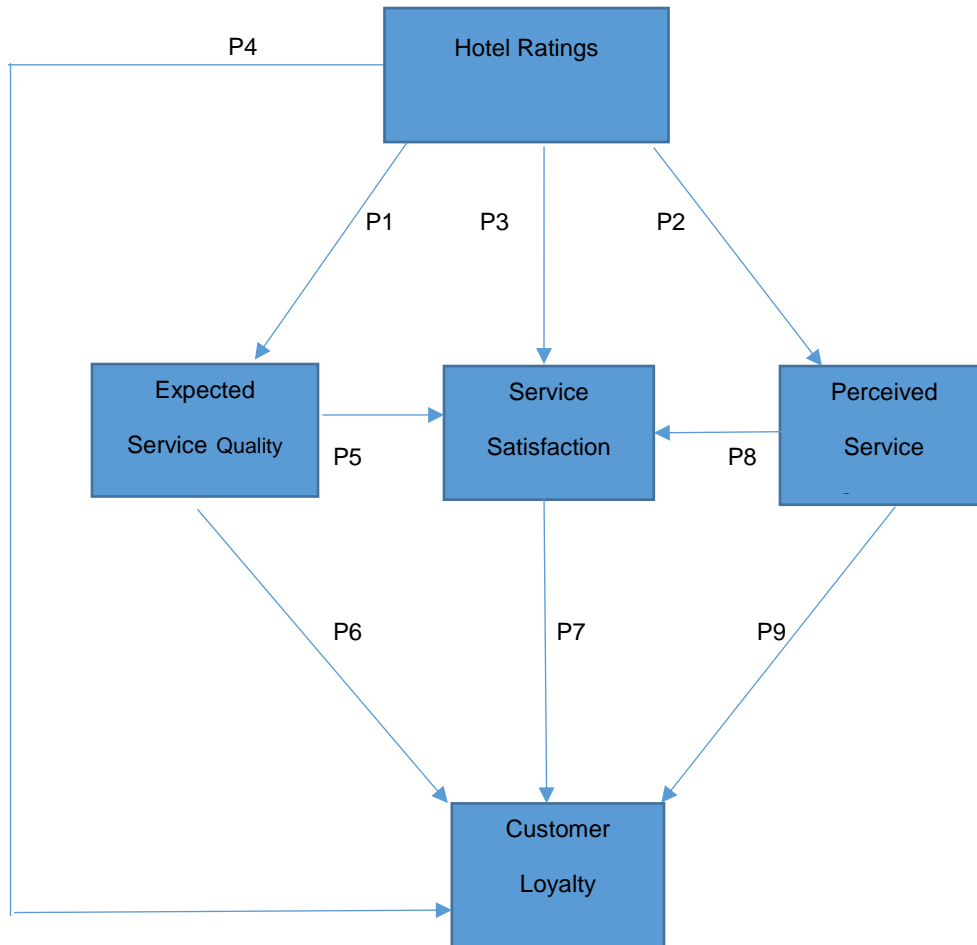
P3: Hotel ratings are associated with customers’ service satisfaction.

P4: Hotel ratings are associated with customers’ loyalty

### **Conceptual Model**

Based on the literature reviewed and subsequent postulated relationships, the conceptual model proposed is depicted in figure 1.

**Figure 1. Conceptual Model: Hotel Ratings-Service Quality-Customer Satisfaction-Loyalty**



### Conclusion

It became evident from the brief theoretical arguments that hotel grading is very important for the hotel industry and that clarity in this regard is critical for the industry's success. The literature alludes to possible relationships between hotel grading and expected service quality and customer satisfaction; however no direct references are made to hotel grading and perceived service quality, customer satisfaction and loyalty. In light of the aforementioned and in line with the objective of this paper, namely, to develop a conceptual model, figure one was

developed. The next logical phase of the study will entail an empirical evaluation of the proposed model so as to assess its applicability to the hotel industry at large.

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