

## Does Grading Standard Dimension of Hotel Rating System Predict Customer Satisfaction? Empirical Evidence from Malawi

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### Abstract

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The purpose of this paper is to establish the relationship between grading standard as a dimension of hotel rating system and customer satisfaction. 203 hotel guests participated in the study. Survey questionnaires based on a modified performance-only instrument were used to collect data, analysed using SPSS 20.0 and AMOS 22.0. Structural Equation Modelling (SEM) was used to establish the relationships between grading standard and customer satisfaction as latent constructs of the hypothetical model. The underlying factor structure of the manifest variables in the model was established using both unidimensionality test and confirmatory factor analysis (CFA). The study concluded that grading standard is a predictor of customer satisfaction in star-rated hotels. This study recommends that hotel managers need to pay adequate attention to grading standard dimension of the rating system for it provides an array of features or attributes that the hotel may use to enhance customer satisfaction in order remain competitive and distinguish itself from the competition.

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**Keywords:** Hotel rating system; Grading standard; Service expectations; Customer satisfaction

### Introduction

Quality services have become the centre of focus and at the heart of hospitality service delivery (Hudson & Hudson, 2013). As noted by Saleh and Ryan (1991), service quality is one of the most important determinants in attracting repeat business in the hospitality industry. Closely related to service quality is customer satisfaction, and these two terms are regarded as “Siamese twins” (Markovic & Raspor, 2010). Service quality is a means by which customers distinguish between competing hospitality establishments (Back & Lee, 2015). In fact, hotel performance in today’s competing environment, where most hotels share similarities in the type of physical facilities they possess, largely depends on the manner in which service quality is delivered to result in customer delight (Mohsin & Lockyer (2010). Above all, improving service quality is becoming imperative for the hotel industry based on customer expectations (Yilmaz, 2010). Customers are, usually the final judges on how well the quality of the service delivered matches up to their requirements and satisfaction, and, by their continued support, determine the establishment’s long-term success (Grönroos, 2016; Johnston, Clark & Shulver, 2012). To this effect, customer satisfaction being a corporate competitive and a strategic issue in most service industries, is linked to the delivery of quality services (Back & Lee, 2015; Hwang & Seo, 2016; Zaibaf, Taherikia & Fakharian, 2013).

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This acknowledgement creates a challenge to hospitality industry service providers to maintain high levels of service, sustain expectations and improve services and products because satisfaction is regarded as an affective customer condition that emanates from an assessment of all the aspects that lead to a customer establishing relationship with the service provider in the industry (Zaibaf et al., 2013). Hence customers usually possess some expectations of the type and quality of services offered by an establishment (Akama & Kieti, 2003; Yuksel & Yuksel, 2001a, 2001b). In fact, satisfaction with a hotel experience, is aggregated from individual product and service elements that constitute this particular experience (Pizam, Shapoval & Ellis, 2016).

Over the years, countries have continued to introduce hotel rating systems to indicate to consumers the level of comfort and service quality expected in different hotel categories (Adongo, 2011). The rapid growth in hotel rating systems results from the realisation that the hotel industry has had a major impact on the customer experience (Hensens, Struwig & Dayan, 2011). The rating system essentially assesses the overall quality of a hotel in terms of its physical environment and services on the basis of some attributes, such as architecture, and level of service, facilities, state of repair, sanitation and hygiene, service quality, and guest satisfaction (Cser & Ohuchi, 2008). A rating system embraces both tangible and intangible aspects of a hotel property, thereby providing a competitive edge in the market place (Hensens, 2016; Narangajavana & Hu, 2008). Not surprisingly, several studies investigating the impact of physical environment or servicescape or more recently, atmospherics on customer satisfaction in the hotel industry, have predominantly been conducted in star rated hotels (Ali, Amin & Ryu, 2016; Countryman & Jang, 2006; Kim, Choi & Schwartz, 2012; Kuo, Chen & Lin, 2010; Wilkins, 2010; Zemke, Chena, Raaba, & Zhong, 2017).

Conventional hotel rating systems fall into two groups: official and non-official (Cser & Ohuchi, 2008). The former is established and administered by government tourism agencies on a compulsory and regulatory basis, while non-official hotel rating systems are usually developed and implemented by private organizations, on a voluntary participation basis (Narangajavana & Hu, 2008). Closer analysis of hotel rating systems reveals that there are two major dimensions that have been reported in literature: Basic Registration Standard and Grading Standard (Callan, 2000; Guillet & Law, 2010; Narangajavana & Hu, 2008). The Basic Registration Standard represents the minimum standard requirement of quality that a hotel property must meet at all costs; whereas the Grading Standard refers to the qualitative, intangible service-related aspects in addition to the physical requirements that hotels must meet. The grading standard further provides a comparison platform between hotels within similar categories or classification (Narangajavana & Hu, 2008).

Malawi introduced her hotel grading system known as the National Hotel Star Grading System (NHSGS) in 2010 and its introduction was aimed at uplifting the overall service quality standards of the Malawi's hospitality industry (Department of Tourism [DoT], 2016). The introduction of the NHSGS is undoubtedly critical to hotels and similar establishments as it provides a benchmark for quality; and an indicator of standard of services offered compared to the international ones (Narangajavana & Hu, 2008).

Previous studies on conventional hotel rating systems mainly focused on the structures and characteristics of country specific hotel grading criteria (Cser & Ohuchi, 2008; Narangajavana & Hu, 2008). There is paucity of information on whether customers use ratings or grades (in form of stars) consistent with their expectations and satisfaction levels. Furthermore, little research has investigated fully the underlying relationship between hotel rating system dimensions and customer satisfaction. There is no doubt that conceptual elements of customer satisfaction have received growing academic inquiry in the hospitality industry. Unfortunately, as noted by Yuksel and Yuksel (2001a), relatively little attention has been given to the development of informative and straightforward models that aid hotel managers understand what customers regard as the determinants of a satisfactory service experience, and how these elements can be better managed to improve satisfaction and repeat business. Additionally, the existence of several satisfaction measurement frameworks such as, Expectancy-Disconfirmation (ED), Perceived Performance only (PPo) and Importance-Performance Analysis (IPA) models (Cronin & Taylor, 1992; 1994; Martilla & James, 1977; Pizam et al., 2016; Yuksel, & Yuksel, 2001a; 2001b), has created dilemma among hotel practitioners, owing to lack of consensus on which framework is best suited to assess customer satisfaction. Perhaps, using the hotel rating system approach or dialogue to determine customer satisfaction, may yield a more comparable, reliable and alternative instrument for use by hotels in the context of Malawi. Therefore, this study was conducted to investigate the effect of hotel rating system on customer satisfaction, more specifically, the extent to which the grading standard as a dimension of the hotel rating system affects customer satisfaction.

## Literature Review

### Customer satisfaction

There are different definitions of customer satisfaction in the existing literature, consequently leading to concerns on how best customer satisfaction is conceptualized (Ekinici & Dawes, 2009; Yuksel & Yuksel, 2001a). Notwithstanding, it is undisputable that customer satisfaction is considered to be instrumental to the success of many hospitality establishments in delivering services (Fallon & Schofield, 2004; Pizam et al., 2016; Yuksel & Yuksel, 2001a, 2001b). Since customer satisfaction is based on the customer's subjective evaluation of his/her own experience with the service offer, it is likely that different customers use different criteria in evaluating a given service experience (Yuksel & Yuksel, 2001a).

Oliver's (1980) conceptualisation of customer satisfaction postulates that customer satisfaction emanates from a set of beliefs resulting from the experiences as customers compare their pre-purchase expectations of what they would ideally get during a service encounter to their subjective perceptions of the after-purchase performance of what they actually received. Zeithaml, Bitner & Gremer (2013) say customer satisfaction is an after-consumption judgement about a product's or service's performance in terms of whether the product or the service has met customer's needs and anticipations. From the hospitality industry perspective, customer satisfaction is viewed as a holistic emotional reaction to the entire intangible service (Li, Ye & Law, 2013; Yuksel & Yuksel, 2001a; 2001b) because a customer is likely to interact with various components of the service at different stages of the service encounter. Yuksel and Yuksel (2001a) believe that there is some level of leverage in which high satisfaction levels obtained from some components, complement lower levels from other components, producing an overall impression of the entire experience.

The Expectancy-Disconfirmation (ED) remains one of the leading frameworks in measuring customer satisfaction (Oliver, 2010; Pizam et al., 2016; Yuksel & Yuksel, 2001b). The ED theory suggests that customers obtain goods and services with prior expectations about their anticipated performance (Pizam et al., 2016). Once the service or product has been purchased and consumed, outcomes of the performance (Fallon & Schofield, 2004) are then mirrored against expectations. When the outcomes match expectations, then confirmation occurs; on the contrary, disconfirmation results from discrepancies between the expectations and the outcomes (Pizam et al., 2016). Saliently, positive disconfirmation is registered when performance of the service exceeds customer's anticipations; and negative disconfirmation occurs when a service performance is considerably below what is expected, resulting into either satisfaction or dissatisfaction, respectively (Oliver, 2010; Pizam et al., 2016).

The ED framework appears to have a fair share of criticisms, centred on validity and reliability concerns in assessing customer satisfaction based on customer's subjective assessment of their own satisfaction (Torres, 2014; Yuksel & Yuksel, 2001b). The challenge is entrenched in the comparison process involved between product or service performance and an appropriate comparison standard or several standards (Parasuraman, Zeithaml & Berry, 1994; Teas, 1994). Apparently, there is lack of appropriate comparison standards, thereby posing a bone of contention for both researchers and managers owing to inadequate research evidence available to precisely establish what comparison standards customers employ in different contexts (Yuksel & Yuksel, 200a; 2001b; Pizam et al., 2016).

Following criticisms on the use of comparison standards in the ED framework, several scholars have explored and compared the predictive validity of alternative measurement instruments for customer satisfaction (Angur, 1998; Back & Lee, 2015; Cronin & Taylor, 1992; 1994; Ekinici, 2004; Fallon & Schofield, 2004; Kim et al., 2012; Martilla & James, 1977; Pizam et al., 2016; Taylor & Cronin, 1994). For instance, three instruments, namely; SERVQUAL (Parasuraman et al., 1988), Importance-Performance Analysis (IPA) (Martilla & James, 1977), and Performance-Only (SERVPERF) (Cronin & Taylor, 1992), have gained more popularity and extensively been used in measuring customer satisfaction in a wide variety of settings including the hospitality industry. Customer satisfaction is, thus, best represented by the difference between the perceptions of the actual service performance levels and customers' prior expectations. In this case, Kim et al. (2012) treat expectations as the customer's anticipations of an ideal service to be offered and perceptions as customer's beliefs about the actual performance of a service consumed or experienced.

The current study therefore employed the performance-only approach which is believed to perform better in accounting for variation in customer satisfaction explained by its relationship with grading standard dimension of the hotel rating system.

Satisfaction with a hospitality experience is actually the aggregate of satisfaction with individual attributes of all products and services that constitute such an experience (Pizam et al., 2016). Accordingly, Pizam et al. (2016) provide a combination of three factors that could possibly measure customer satisfaction in a hospitality setting. The factors are: the material product, e.g. food and beverages, bedrooms and accessories, conference facilities, etc.; the behaviour and attitude of employees hosting or serving the customers in direct contact with customers, and the environment such as the building, layout, the furnishing, ambience (atmospherics). These are the attributes used in this study to measure the overall customer satisfaction and its relationship with the grading standard dimension.

### **Dimensions of a Hotel Rating System**

Globally, rating systems reflect the diversity of hospitality services, country-specific cultures and geographical situations. Hensens et al. (2011) argue that the main disputes against earlier conventional hotel rating systems target criteria that are too detailed to allow hoteliers to innovate or position their properties in their own unique market segments. Historically, hotel rating systems focused on objective tangible standards until the past decade, the scope of hotel rating systems has migrated even towards more subjective tangible standards, service delivery and online guest reviews (Hensens, 2016). In addition, systems have also grown their scope to accomplish standards such as environmental concerns, although they do not directly contribute to guest comfort, but constitute a further development in quality and sustainability thinking (Bruns-Smith, Choy, Chong, & Verma., 2015; Hensens, 2016).

The two major dimensions of hotel rating systems that have emerged in literature are Basic Registration Standard and Grading Standard (Callan, 2000; Guillet & Law, 2010; Narangajavana & Hu, 2008). The basic registration standard represents the minimum standard requirement of quality that a hotel property must meet at all costs and is a precursor to the actual hotel grading. Callan (1994) refers this dimension to as statutory hotel registration. The grading standard, on the other hand, refers to the qualitative, intangible service-related aspects in addition to the physical requirements (specified in the basic registration standard) that hotels must meet (Guillet & Law, 2010). Callan (1994) refers to this dimension as “quality grading”. Additionally, the grading standard provides a platform over which various hotels can be compared (Narangajavana & Hu, 2008).

Su and Sun’s (2007) analysis of country-specific hotel rating systems may help to explain how both basic registration standard and grading standard are viewed. For instance, Su and Sun (2007) established that the hotel rating system used in Britain, is divided into two parts: facility classification and quality grading. These are somewhat equivalent to the basic registration standard and grading standard dimensions, respectively. The quality grade awarded to an establishment reflects the overall achievement on the individual aspects. It is a holistic and balanced view of what is provided and, as such, does not acknowledge individual areas of excellence (Su & Sun, 2007). Further analysis reveals that the quality assessment in the British rating system includes such qualitative and intangible aspects as warmth of reception and service efficiency, the standard of the furnishings, fittings and décor, and the standard of meals and their presentation as aspects that might affect customer’s overall experience and obviously satisfaction levels.

In the American rating system, the well-known system, is perhaps the American Automobile Association’s (AAA) diamond-based ratings, alongside the Mobil Travel Guides’ star-based system (Kiplagat et al., 2015; Su & Sun, 2007). Room appointments and luxurious amenities which appear to fall under the basic registration standard, are to some extent combined with service quality, an aspect of grading standard. Thus, the diamond ratings combine the overall quality, the range of facilities, and the level of services offered by a property. The overall evaluation process involves a review of key areas, such as: management and staff; housekeeping and maintenance; exterior, grounds, and public areas; room decoration, ambience, and amenities; bathrooms; and guest service (Su & Sun, 2007).

In the Chinese rating system, the main focus is the criteria of service quality, equivalent of grading standard for four- or five-star hotels. The criteria of evaluating the building’s facilities and equipment is somewhat reminiscent of the basic registration standard. The Chinese rating system is similar to the Taiwanese rating system except that the Taiwanese system provides an option for a further service quality evaluation (the grading standard) in order for those hotels to earn either a four or five-star status (Su & Sun, 2007). Otherwise the facility evaluation (basic registration standard) is adequate enough for hotels to qualify them within the one to three-star band. The criteria for service quality include the appearance of the service personnel, lobby, guest rooms, and restaurant (bar) and operation of other services (including medical service, hair and beauty salon, business service, postal service and telecommunications, child care, children’s’ recreation room, commercial services, flower shop, ballroom, and conference service), hotel security, and the hotel’s reputation (Su & Sun, 2007).

In essence, evaluating the effectiveness of a hotel rating criteria offered by various countries can be very challenging to the customer owing to apparent lack of a standardized star rating system globally. This is why different organizations such as central and local governments, independent organizations, hotel associations, national consumer travel organizations, guidebooks, travel websites and volunteer organizations assign star ratings to hotels using their own criteria (Guillet & Law, 2010), in the process confusing the customers. Callan (2000) challenges that assessing standards for tangible elements is more relatively straightforward than assessing intangible elements. For instance, the competence, manner, appearance and characteristics of the staff are more subjective and probably more important. These features ought to be brought into close alignment with the client's perceptions, to eliminate any confusion and provide more transparency in the way hotels are portrayed to guests (Agušaj, Bazdan & Lukaj, 2017; Callan, 2000). In this regard, there is need for a constant review of all specifications to match the changing customer perceptions.

### **Grading Standard and Customer Satisfaction**

According to Su and Sun (2007) hotel rating systems have been evaluated and compared in many studies since 1990s. For instance, in analysing the studies of Callan (1994; 2000) whose focus was on the UK systems, Hensens et al. (2011) established that a great deal of Callan's attention was placed on what hotel characteristics or attributes prospective clients use to select hotels, the actual utilisation of hotel rating schemes by different target groups, and how important are various hotel attributes to guests. Callan's conclusions often revealed discrepancies between the systems and what the guests actually use, want, or value. Callan's studies have typically been based on opinions of hotel executives or managers; and often neglecting customers of the hotel services in the consultations on the hotel rating, resulting in limited contribution from the actual guests to the improvement of the rating systems (Hensens et al., 2011; Narangajavana & Hu, 2008). These studies have further revealed several trends in hotel rating systems, for example, that service quality is increasingly being emphasised worldwide (Adongo, 2011; Hensens et al., 2011). The goal was to confirm both a high quality of service, and that the expectations and demands of the customer are met beyond the minimum requirements which essentially are embedded within the basic registration standard. But Hensens et al. (2011), however, observe that it has become clear that conventional rating systems have not been very successful in assessing and communicating the quality of hotels in a way that provides a realistic expectation to prospective customers. Nonetheless, as hotel rating systems continue to emphasise service quality, measurement of that quality can be subjective, and ratings can vary greatly (Pierret, 2013; UNWTO, 2014).

One of the most critical questions that has been put forward is whether a hotel rating has been accepted worldwide as an indicator of quality or it makes contribution to improvements in quality of facilities and service (Adongo, 2011; Callan, 2000). Of course, Guizzardi, Monti and Ranieri (2016) point out that conventional hotel ratings are often used as indicators of service quality. Unfortunately, such ratings merely offer just some distinct and gritty measured scores. The rating systems provided by the government or a volunteer organisation, concentrate mainly on physical facility attribute and the number of services, and only a few of them refer to the actual assessment of quality itself (Cser & Ohuchi, 2008). As the result, this has created one basic misunderstanding that has often left some customers disenfranchised and disappointed because they often think about hotel rating as a reflection of quality of the hotel. With all these glaring challenges, Agušaj et al. (2017) maintain that hotel star rating is still a major tool that helps both customers and hoteliers, and those who want to invest in hotels that will fall into a specific star category.

Whereas most of the comments made on online review websites, such as Trip Advisor, focus on service quality, conventional rating systems tend to focus primarily on objective, tangible criteria such as the availability or size of facilities and services, occasionally on subjective tangibles such as cleanliness and state of repair or renovations as signs of maintenance, and rarely on service quality (Agušaj et al., 2017; Hensens et al., 2011). However, Leung, Lee and Law (2011) categorically insist that the rating system evaluates the overall quality of a hotel in terms of both physical features and services on the basis of aspects, such as architecture and level of service, facilities, maintenance, sanitation and hygiene, service quality, and guest satisfaction. In order to ensure that there is a standardised way of placing various hospitality establishments in their right categories or classifications based on overall quality beyond the minimum requirements specified in the basic registration standard, a grading standard was included in different rating systems (Callan, 2000). The grading standard as a dimension of hotel rating system, therefore, refers to qualitative, intangible service-related aspects in addition to the physical requirements that hotels must meet.

The grading standard dimension comprises hotel service attributes which are assessed qualitatively and with some degree of subjectivity. The attributes are score- or point-based in order to place the hotels in their right category. It can be equated to the Criteria for Hotel Service Quality of the Chinese or Taiwanese hotel rating system (Su & Sun, 2007). Based on Callan (2000) and Tourism Grading Council of South Africa [TGCSA] (2013), the Grading Standard as a latent construct for assessing quality, is linked to hotel attributes grouped into measurement dimensions such as:

Structural features (appearance of the buildings, adequacy and spaciousness of facilities such as bathroom/toilet facilities, bedrooms, suites, dining rooms, lounges, public toilets, and their state of repair); Furnishings, fittings and décor (adequacy, quality, comfort, convenience throughout the hotel, including soft furnishings and linen, provision of radio and television, telephones in bedrooms, cleanliness, and state of their repair); Staff rapport (rapport, availability, respect for customers, attention to detail, efficiency, customer confidence building, room service, dining rooms, lounges, and courtesy of staff throughout the hotel particularly those related to the reception area); Food and Beverages (quality, preparation, presentation, variety of food, availability and variety of beverage items, quality of cutlery, crockery and glassware); and

Other features/Extras (background music in the lounges, entertainment, recreation, sporting and dancing facilities provided for convenience and comfort). All these attributes are included in the assessment criteria (Callan, 2000; Malawi Government, 2005; TGCSA, 2013). Incidentally, all these attributes in the grading standard are consistent with all the other attributes that have previously been investigated in service quality research under different dimensions (Ivan, Hitchcock, Yang & Tun-Wei, 2018).

Su and Sun (2007) investigated the perceived resemblance in content of the Taiwanese grading standard to the traditional five service quality dimensions (reliability, assurance, tangible, empathy and responsiveness) of Parasuraman et al. (1988). They established the existence of the four service quality dimensions in the rating system except the dimension of empathy of service. Su and Sun (2007), therefore suggested that the grading standard attributes should be rebalanced to constitute a better representation of service quality in all five dimensions. The study of Su and Sun provides an empirical evidence that the grading standard as a dimension of any hotel rating system, just like service quality, can therefore have an influence on customer satisfaction, as noted in previous studies (Amin et al., 2013; Ivan et al., 2018). For example, Akkiraju (2009) argues that the hotel industry has always been under the impression that only objective factors like physical facilities, appearance, or ambience, are the most important aspects of customer satisfaction. This creates a huge gap between customer expectations and the hotel service quality perceived by the customers. Akkiraju (2009) has specifically advised the hotel rating agencies to take into consideration both objectivity and subjectivity when rating hotels.

As grading standard is mirrored against service quality, there is, undoubtedly, growing evidence that studies of hotel service quality (Amin et al., 2013; Ivan et al., 2018; Markovic & Raspor, 2010; Ramsaran-Fowdar, 2007) have recast the attributes that define or measure service quality dimensions and their influence on customer satisfaction and behavioral intentions (Emir, 2016; Hemsley-Brown & Alnawas, 2016; Luo & Qu, 2016). The scholars have adjusted the dimensions based on the outcomes of exploratory factor analysis (Li et al., 2013), a clear testimony that hotel service provision may be heterogeneous (Grönroos, 2016). Perhaps, a better explanation is offered by Luo and Qu (2016) who argue that dimensions of hotel service quality may differ in terms of country, time, and levels of hotel services without further elaboration. Therefore, existing models of service quality such as the SERVQUAL may not be directly applied to all hotel services expecting similar results. Both Cetin and Walls (2016) and Luo and Qu (2016) further argue that today's hotel services are very experience-oriented, and that guest needs may not be static over time owing to dynamic social and economic development, as well as different cultural contexts. It can similarly be acknowledged that the attributes that define grading standard vary from one hotel rating system to another as earlier noted by Cser and Ohuchi (2008) due to geographical, cultural, economic differences. This is perhaps one reason why harmonisation efforts have failed to yield one universally standardised rating system due to these disparities.

This study utilised Grading Standard attributes that are consistent with those provided in the hotel star grading system in Malawi (DoT, 2016; Malawi Government, 2005) and South Africa (TGCSA, 2013) to determine their effect on customer satisfaction. Again, most of the attributes are consistent with service quality attributes reviewed from the studies of Amin et al. (2013), Mohsin and Lockyer (2010), Ramsaran-Fowdar (2007) and Wilkins (2010). Furthermore, Luo and Qu (2016) observe that all the measures for hotel service quality were developed by researchers based on existing quality models or from hotel managers' viewpoints rather than from those of hotel guests.

Similarly, Narangajavana and Hu (2008) acknowledge that hotel managers are usually the key decision makers to participate in the in conventional hotel rating systems leaving out customers. Therefore, the present study sought to obtain views of customers as it has been noted that integration of their views can help bolster the rating systems (UNWTO, 2014).

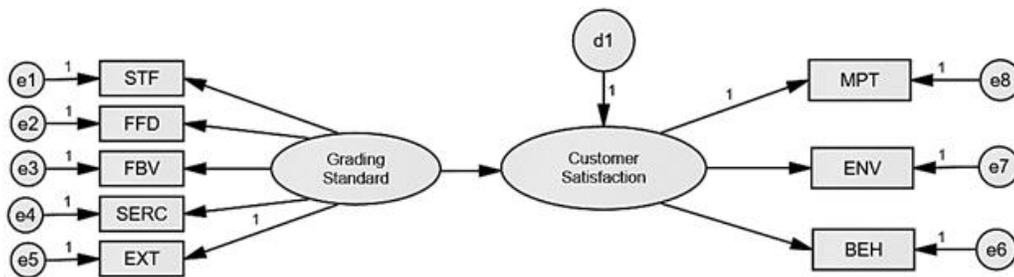
When the hotel rating system is employed in the hotels, there is need to put in place a team of inspectors. For, instance, both the South African and the British hotel rating systems have a team of assessors or inspectors who are carefully trained to apply the quality standards consistently and fairly. The assessors consider only those facilities and services that are provided, and due consideration is also given to the style and nature of the establishment. When making quality assessments, assessors compare the standard of what is provided for each individual aspect of the operation against standards laid down in the criteria of each rating system (Cser & Ohuchi, 2008; TGCSA, 2013). Therefore, drawing from the discourse above, this study assumes that:

H0: There is no significant effect of grading standard as dimension of hotel rating system on customer satisfaction in star-rated hotels in Malawi.

**Research Methodology**

**Conceptual Framework**

Based on the literature review above, this study proposes that there is a relationship between grading standard as a dimension of hotel rating system and customer satisfaction. Thus, a hypothesized conceptual model was developed as illustrated in Figure 1.



**Figure 1: The Hypothesized Conceptual Model**

**Questionnaire Design**

To ensure validity, all the measurement items were taken from previous studies; however, minor adjustments to the statements were made to make them adequate for the present study. The first part of the questionnaire had five questions on demographics (gender, level of education, frequency of hotel visit, and guest hotel stay status). The second part of the questionnaire measured grading standard using five indicators adapted from Callan (2000), Malawi Government (2005), and Amin et al. (2013). Customer satisfaction was operationalized using the three indicators proposed by Pizam et al. (2016).

Response scores to the questionnaire items for the exogenous variable (grading standard) were elicited on a 5-point Likert type scale having the following options, 1 - Very low; 2 - Low; 3 - Neutral; 4 - High; and 5 - Very high. In the case of endogenous variable, customer satisfaction, the options were: 1 – Very dissatisfied; 2 – Dissatisfied; 3 – Neutral; 4 – Satisfied; 5 –Very satisfied. In order to address concerns of face validity, the questionnaire was reviewed by three hospitality academics. Some grammatical and structural changes were made in the statements for easy understanding, readability and credibility (Ali et al., 2016; Emir, 2016). Furthermore, results of the Cronbach’s alpha reliability test indicated that all the items developed to measure the two constructs had reliability coefficients above 0.9. Grading standard had an  $\alpha = .955$  while customer satisfaction registered an  $\alpha = .923$ . This was way above the recommended minimum of 0.7 (Butler, 2014; Tavakol & Dennick, 2011) and confirmed that the items were consistent enough in measuring the constructs.

**Data Collection**

The data for this study were obtained through a self-administered questionnaire-based survey that was conducted over a 5-month period, between January and May 2018.

At the time of data collection, there were a total of 29 accommodation units (hotels, lodges, holiday resorts and guesthouses) across the Malawi that had successfully been graded and awarded stars (DoT, 2016). But the study only targeted the star rated hotels found in Malawi's two major cities, Lilongwe and Blantyre. Letters of invitation to participate in this study were to all the 17 star rated hotels in the two cities, and 11 hotels accepted. The survey was conducted, with the help of front office managers. Hotel guests staying in these hotels for at least two or more nights, were targeted. Survey questionnaires were handed over to the guests, either at the reception during check-in or in their guestrooms.

A total of 224 questionnaires were distributed, and 203 questionnaires were returned and deemed sufficiently complete, representing a response rate of 90.6%. Of the 203 respondents, male guests out-numbered female guests (65.4% to 34.6%), 41.6% were postgraduates, 36.8% were first degree holders, 20.5% were college/vocational school certificates or diploma holders and 1.1% were secondary/high school leavers. Guests on business missions constituted 84.3% of respondents and 11.5% were leisure guests. 51.1% of guests had visited the same hotels for more than three times. For the majority of the guests (56.8%) were often booked on full board status.

### Data analysis

A Statistical Package for Social Sciences (SPSS) version 20.0 was used to process the descriptive statistics and reliability analysis on the collected data. It was further used to evaluate the demographic profile of the sample as well as the internal consistency of the constructs. Confirmatory factor analysis (CFA) using the structural equation model (SEM) with the help of AMOS 22.0 software, was performed on the sample of 203 observations to assess the measurement scales' properties for convergent validity, discriminant validity, and construct composite reliability, followed by validation of the final structural model.

## Results

### Confirmatory Factor Analysis

The overall measurement model was evaluated using confirmatory factor analysis (CFA) with maximum likelihood estimation (MLE) used to estimate the parameter. First, the overall fit of the hypothesized model was tested. Table 1 shows that the chi-square statistic is not significant ( $\chi^2 = 13.156$ ,  $p > 0.05$ ) and the ratio of the  $\chi^2$  value to degrees of freedom ( $\chi^2/df = 1.196$ ) is less than the cut-off point of 3 (Emir, 2016). The goodness-of-fit index (GFI = .981) and comparative-fit index (CFI = .993) are both greater than the recommended value of 0.9. The root-mean-square error of approximation (RMSEA = .032) is in the acceptable range of .03 to .08 (Hair et al., 2014). Therefore, the model fits the data reasonably well.

The convergent validity was evaluated, and the results show that all indicators had relatively high standardized factor loadings above .6 on their constructs ranging from .69 to .86 (see Table 1), except for the hotel added extras (EXT) indicator had a factor loading of 0.38 which was way below the minimum value of 0.6 (Awang, 2012). The indicator failed the confirmatory unidimensionality and was therefore omitted from the overall final modified model. The remaining specified indicators were sufficient in their representation of the constructs. The average variance extracted (AVE) (Table 1) were .644 and .648 for grading standard and customer satisfaction, respectively, exceeding the 50% rule of thumb, indicating that the majority of the variance was explained by the constructs (Hair et al., 2014). Construct reliabilities in Table 1 were .878 for grading standard and .846 for customer satisfaction, and all of them exceeded .7, suggesting adequate reliability (Tavakol & Dennick, 2011). Overall, the evidence supports the convergent validity of the overall measurement model (Hair et al., 2014).

**Table 1: Validity and Reliability for Grading Standard and Customer Satisfaction**

| Construct             | Items                                 | Factor loadings | AVE   | CR    |
|-----------------------|---------------------------------------|-----------------|-------|-------|
| Grading Standard      | Structural features (STF)             | 0.855           | 0.644 | 0.878 |
|                       | Furniture/fittings/décor (FFD)        | 0.829           |       |       |
|                       | Food & beverage (FBV)                 | 0.832           |       |       |
|                       | Staff rapport (SERC)                  | 0.681           |       |       |
| Customer Satisfaction | Material products (MPT)               | 0.863           | 0.648 | 0.846 |
|                       | Hotel environment (ENV)               | 0.849           |       |       |
|                       | Behaviour and attitude of staff (BEV) | 0.692           |       |       |

Fit Statistics: ( $\chi^2 = 13.156$ ,  $df = 11$ ,  $p > 0.05$ ; CMIN / $df = 1.196$ ; GFI = .981; CFI = .998; RMSEA = .032)

Discriminant validity is demonstrated in Table 2 by examining the covariance between the two constructs. The correlations were used to assess whether the construct was exclusive and truly different from other constructs. The square root of the AVE for each construct (shown along the diagonal) was greater than the correlation between two constructs. Overall, the results showed the strong evidence for the discriminant validity of the measures (Henseler, Ringle & Sarstedt, 2015).

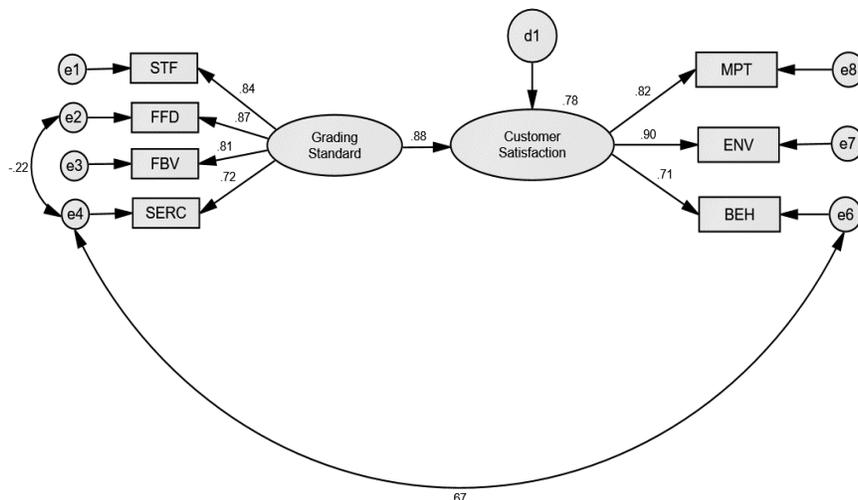
**Table 2: Discriminant validity**

| Variable              | Grading standard | Customer satisfaction |
|-----------------------|------------------|-----------------------|
| Grading standard      | <b>0.802</b>     |                       |
| Customer satisfaction | 0.781            | <b>0.808</b>          |

**Structural Model**

The CFA was again conducted to examine the hypothesized relationships between grading standard and customer satisfaction. Table 3 reports the results for the coefficients and the goodness-of-fit statistics of the final estimated structural model. Results of the analysis of moment structures of the initial structural model indicated that the initial model was a poor fit to the data ( $\chi^2/df = 8.795$ ; GFI = .878; CFI = .891; RMSEA = .203).

The structural model fit was improved through suggested post-hoc modification indices (MI). The initial model was therefore modified by correlating error terms as suggested by modification indices. The goodness-of-fit statistics of the proposed model were first estimated. Chi-square value of the model and other goodness of fit indices ( $\chi^2 = 17.950$ ,  $p > 0.05$ ; CMIN / $df = 1.632$ ; GFI = .975; CFI = .993; RMSEA = .058) revealed that the model fit the data reasonably well. The modified structural model (Figure 2) explained 78% of the variance in customer satisfaction. This model was considered to be the final model since the MI did not suggest further paths.



**Figure 2: The final modified structural model**

## Hypothesis Testing

The final step in the data analysis was to test the null hypothesis,  $H_0$ . The hypothesized structural model conceptualized that the exogenous variable, grading standard had direct effect on customer satisfaction.

The hypothesis was tested by assigning the statistical significance of the path coefficients. The results indicated that the hypothesis was statistically significant. The path was from grading standard  $\rightarrow$  customer satisfaction. Hypothesis,  $H_0$  postulated lack of significant effect of grading standard on customer satisfaction. The regression weights shown in Table 3 indicate that basic registration standard had a positive and significant effect on customer satisfaction ( $\beta = 0.397$ ;  $t=4.106$ ;  $p < 0.05$ ). The hypothesis that grading standard has no effect on customer satisfaction was therefore not supported by the data. The standardized regression weight suggests that an increase of 1 standard deviation in grading standard was likely to result in an increase of 0.397 standard deviations in customer satisfaction. As shown in Table 3, the results indicated that customers who have higher perceptions of the grading standard as a dimension of hotel rating system in Malawi, are more likely to have higher customer satisfaction levels. The overall results of this study confirmed what previous studies found (Amin et al., 2013; Callan, 2000; Mohsin & Lockyer, 2010; Ramsaran-Fowdar, 2007; Wilkins, 2010). Furthermore, Luo and Qu (2016) acknowledge that the perception of hotel attributes combined to represent grading standard dimension of a hotel rating system, positively affect customer satisfaction.

**Table 3: Regression Weights (Default Model)**

| Hypothesized path                                    | Estimate | <i>t</i> value | <i>p</i> value | Result               |
|--|----------|----------------|----------------|----------------------|
| Grading standard $\rightarrow$ Customer satisfaction | .397     | 4.106*         | .000           | <b>Not supported</b> |

\* $p < 0.05$

Fit statistics: ( $\chi^2 = 17.950$ ,  $df = 11$ ,  $p > 0.05$ ;  $CMIN / df = 1.632$ ;  $GFI = .975$ ;  $CFI = .993$ ;  $RMSEA = .058$ )

## Discussion and Conclusion

This paper has shown that there is a positive relationship between grading standard as a dimension of hotel rating system and customer satisfaction in Malawian star-rated hotels. Grading standard, being qualitative, intangible service-related aspects in addition to the physical requirements (specified in the basic registration standard) that hotels must meet (Guillet & Law, 2010), has undoubtedly been regarded as a critical component in the hospitality industry. Callan (1994) refers to this dimension as quality grading. Additionally, the grading standard provides a platform over which various hotels can be compared based on a number of hotel attributes that they possess to inform the grading process.

The grading standard dimension possesses several hotel attributes for hotel rating, grouped into the following measurement indicators: structural features; furnishings, fittings and décor; food & beverage; staff skills rapport; and added extras (Callan, 1994, 2000; Cser & Ohuchi, 2008; Malawi Government, 2005). However, the study has established that “hotel added extras” as a measurement indicator of grading standard dimension failed the test of unidimensionality. It is argued that measuring constructs, such as grading standard, with multiple indicator variables requires a demonstration that the items indeed measure the same thing and at this point, a measure is said to be unidimensional (Ziegler & Hagemann, 2015). As a result, items belonging together in a scale are responsible for the differences within the same underlying construct (Ziegler & Hagemann, 2015), which “hotel added extras” failed to satisfy. It was therefore removed from the final structural model.

Grading standard’s relationship with customer satisfaction, was explored through the prism of several previous studies on hotel-based service attributes (Amin et al., 2013; Callan, 2000; Mohsin & Lockyer, 2010; Ramsaran-Fowdar, 2007; Wilkins, 2010). The present study findings were consistent with these previous studies identifying the role of all these hotel elements on customer satisfaction.

The study has established that customers are an important group in validating and making hotel grading criteria more reliable because it informs their satisfaction disputing claims of previous studies which focused on soliciting views from hotel managers/executives and hotel inspectors as being the only key decision makers in hotel rating matters (Callan, 2000; Narangajavana & Hu, 2008; Su & Sun, 2007). This apparent neglect of customers as an important group in the evaluation of conventional star rating systems and criteria, has probably given rise, in recent times, to hotels and other stakeholders relying on user-generated content of reviews on third-party channels such as Trip Advisor as providing a better platform for such evaluation of the service quality aspects of the hotels.

This study has therefore provided a better understanding that grading standard, as a dimension of hotel rating system, may equally present an opportunity to hotel guests to assess attributes of the star-rated hotels that affect their satisfaction levels before, during and after the service experience.

An exploration of the five measurement indicators of grading standard, established how these indicators were perceived among guests in the sampled star rated hotels. For example, aspects of structural features such as building appearances, adequacy of space and facilities, and state of guest facilities, which Walteret al. (2010) refer to as service infrastructure, are crucial in providing appropriate hotel's external physical environment and important to customer satisfaction levels. Similarly, Li et al. (2013) identified parking space as another element highly perceived by customers as important and has a significant influence on customer satisfaction. High quality ceilings, full range bathroom linen, good quality bathroom linen and furnishing, and effective bedroom lighting have previously been acknowledged as some of the key elements that exert a significant effect on the importance of hotel service quality dimensions among customers (Ali et al., 2016; Wilkins, 2010).

Additionally, food and beverage service quality is another critical factor for customers when choosing hotel restaurants and they will most likely evaluate their dining experiences on that basis to inform their future intentions to return, guaranteeing their loyalty to the hotel (Jin, 2015). On staff skills, the results clearly suggest that staff in star rated hotels are consistently establishing a close and harmonious relationship with the customers and try to understand their feelings and communicate well. The fact that staff are warm, cheerful and friendly; are always able to meet customer demand; and are willing to help customers by providing efficient services, offer enough evidence that these are the most critical elements in customer satisfaction, consistent with the findings of Amin et al. (2013) and Kuo et al. (2010). Quality staff who are unobtrusive, respectful and polite are considered to be important in guaranteeing customer satisfaction (Wilkins, 2010). The results depicting presence of these attributes in star rated hotels in Malawi, therefore, provide a vital element of hotel grading.

The four measurement indicators were perceived generally and consistently highly by the guests and there is evidence that these indicators, which explain the grading standard dimension, are among key hotel attributes that appeal to guests. Additionally, from the theoretical perspective, the high factor loadings between indicator variables and the latent variables reflected a strong correlation between them meaning that the latent variables explained well the variation in the measurement indicators. This result, thus, provides adequate evidence which suggests that managing and promoting these four grading standard components in star rated hotels is critical to customer satisfaction as reported in extant literature (Bodet et al., 2017; Zemke et al., 2017).

Nevertheless, the low factor loading registered on "hotel added extras" (business centre, background music, saloons or min-shops, and entertainment and recreational facilities) clearly attests to the views that such elements did not appropriately account for enough variation and differences in the sub-dimension to adequately drive customer satisfaction. Perhaps, drawing from the Kano model of satisfaction (Gregory & Parsa, 2013; Kano et al., 1984), hotel added extras may be considered as attractive quality attributes which result in increased customer satisfaction when provided or present in star rated hotels, however, their absence does not cause dissatisfaction either. These attributes may not necessarily be expected but are well received and appreciated when offered to the customer (Gregory & Parsa, 2013). This finding therefore suggests that although 'hotel added extras' was not retained in the final model of this study, the elements therein, should not be ignored completely because they can potentially boost star rated hotel's image if they are properly managed in a manner that does not infringe on the overall guest's satisfaction with the entire service provision. The low perceptions of added extras may also be linked to the fact that most of the hotel guests are business customers who have less time to interact with these elements owing to their busy schedules. Star rated hotels should carefully ensure that added extras yield customer's confidence although they are peripheral to customer's enjoyment with the hotel experience. In future, added extras, may perhaps become critical to hotel grading.

With evident growing investment in upscale hotel properties in recent years in Malawi, it is imperative for both hotel owners and managers to take into consideration the needs of the ever-increasingly demanding and sophisticated customers. For hotel managers, the study findings suggest that meeting the grading standard dimension of hotel rating system, is critical to guest satisfaction. To this end, the study findings appeal to hotel managers to monitor and enhance all attributes because they form the basis for customer's expectations and anticipation in any profitable hotel business, an advice echoed by Amin et al. (2013).

The development of a reliable customer satisfaction measurement instrument from the hotel rating system perspective, is the major highlight of this study to both hospitality practitioners and hospitality management scholars whose interest is squarely vested in service quality and customer satisfaction management. The development of the customer satisfaction measurement tool based on hotel grading standard of a hotel rating system, demystifies recent proclamations that online hotel reviews are probably much better in influencing customer's purchasing decisions than the conventional hotel rating systems in determining customer satisfaction in star rated hotels (Agušaj et al., 2017; Hensens et al., 2011; Li et al., 2013; UNTWO, 2014). Scholars may modify the instrument to suit country specific rating systems based on the grading criteria stipulated in the systems.

The study provides an enhanced understanding on the relationship between grading standard and customer satisfaction. This may guide hotel managers and owners in understanding the hotel attributes that are critical in eliciting favourable and positive emotional responses, which may positively influence customer satisfaction, as suggested by Ali et al. (2016). The present study findings will also be of practical importance to hotel managers in resource allocation and assisting them in identifying the aspects of grading standard that needed further fine-tuning or improvement. Hotel managers must constantly enhance hotel's intangible and service related aspects in order to captivate the clientele for future repeated business. The findings of this study suggest that it is critical to identify shortfalls of both hotel's intangible features and service attributes in the grading standard and concentrate corrective efforts on those attributes that are central to customers' quality perceptions.

This study only focused on one category of the serviced accommodation (hotels) in Malawi in the cities raising generalizability issues. Future research should investigate the other categories of the serviced accommodation establishments such as all hotels, lodges, holiday resorts and guesthouses, located in various parts of the country in order to minimize generalizability concerns. Further research should also focus on effect of other dimensions of hotel rating systems, such as the environmental sustainability issues on customer satisfaction. A quest for comparison analysis of the reliability of the hotel rating system framework as a powerful determinant of customer satisfaction against the other alternative frameworks, such as, IPA, or performance only, previously established in literature.

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