



Article Title

Quality and Pricing in the Hotel Industry

Citation

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Abstract

Quality is a price determinant in most products. However, establishment of a quality evaluation for the consumer is not an easy proposition. In the hospitality industry, fortunately, room quality evaluation and price information are readily available for consumers from published consumer guides. The *Mobil Travel Guide* is one of the more popular sources of hotel information available to consumers. The *Mobil Travel Guide* awards “stars” based on the level of quality their investigators deem appropriate. To investigate the relationship between quality and price in the hospitality industry, this study analyzes hotel managements' pricing behavior before and after a quality rating change by the *Mobil Travel Guide*. Data is gleaned from the *Guide* in several provinces and states in Canada and the United States from the relatively stable economic growth period of 1991 through 1999.

Methods

To accomplish the analysis, the study measured each hotel's percentage change in prices from the preceding year. The collective percentage in hotels gaining and losing a “star” were each compared to the collective percentage change in hotels 56 *International Journal of Hospitality & Tourism Administration* with an unchanged “star” status.

Results

The results reveal that hotel organizations raised prices before gaining a “star” and lowered prices before losing a “star.”

Conclusion

The study has focused on the pricing behavior of lodging managers after a change in “star” rating without considering other environmental variables that may impact pricing decisions. Further research might explore the influence of factors such as population density, proximity to tourist attractions, affiliation with restaurants, and luxuries offered such as pools, health equipment, and room service and so on.