



Article Title

Does better service induce higher profitability? Evidence from Taiwanese Hospitality Industry

Citation

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Abstract

The study adopted Wang et al. (2006) service quality measure to examine how the qualities of various hotel services affect hotel's profitability using panel data in the Taiwanese international tourist hotel sector.

Methods

The data used in this study are based on annual operation reports from 69 ITHs during 1996–2008, published by the Taiwan Tourism Bureau. This is the most comprehensive and reliable dataset on hotel profitability in the hospitality sector in Taiwan. Only 694 observations with complete information were chosen to formulate an unbalanced panel dataset.

Results

The empirical results indicate that there is a non-linear relationship between food and beverage service quality and hotel profitability, while the effect of room service quality on hotel profitability is not significant.

Conclusion

The empirical evidence from this study suggests that the F&B service quality has a quadratic impact on hotel profitability. Thus, the level of F&B staff should pass a certain threshold for the positive benefits from improved service quality to dominate the rising costs from hiring more labor staff. On the other hand, room service quality does not significantly affect hotel profitability. To sum up, the effect of service quality on profitability depends on the various measures we use to gauge service quality.