

# Developing a star rating system for guesthouses to promote budget tourism in the Maldives: An exploratory study

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## ABSTRACT

The Maldives is a Small-Island Developing State (SIDS) in the Indian Ocean and is a destination synonymous with luxury tropical tourism. Due to its strong competitive advantage in terms of its natural attractions (sun, sea, and sand), Maldives has become one of the most expensive tropical island tourism destination in the world. However, the majority of the benefactors of the Maldivian tourism industry are the large, international hotel chains and franchises while the average Maldivian is not getting a fair share of the tourism receipts. To ensure that tourism revenue is more evenly distributed, the Maldivian government encouraged the setting up of guesthouses as a small-medium enterprise initiative that would help the local economy. However, statistics show that while there are more guesthouses than resorts in Maldives, the average occupancy in guesthouses is much lower than the luxury resorts. This study aims to explore the feasibility of introducing a star-rating system for the burgeoning guesthouse industry in the Maldives to improve the quality and image of their product offerings so that the business potential of this tourist accommodation sector can be realized. Results from semi-structured interviews with guesthouses' owners, visitors, industry professionals and government officials shows that most stakeholders are favor of a quality control system for the guesthouses and it is recommended that a star-rating system based on the SERVQUAL model be introduced as a suitable method for evaluating their service quality.

## 1. INTRODUCTION

The current emphasis on luxury tourism which has been in effect since the inception of the tourism industry in the Maldives was due to various natural, economical, and political factors. The rationale for Maldivian tourism to target a luxury clientele is to recoup the investment required for the development and operations of the luxury resorts. Hence, the country has to continue marketing itself as an upmarket destination with high priced resorts

being the norm, because many of the augmented goods and services (including labor) needed to support the tourism industry are imported from foreign countries (Scheyvens, 2012a).

Despite the Maldives having established a reputation as a leader of the luxury tropical island destination within the South-Asian region, the nation also has one of the highest income disparities, with the average income in the capital city of Male being recorded as 75% higher than the rest of the islands. This is also reflected in a Gini co-efficient of 0.41 which indicates that wealth is not distributed equally throughout the nation's population (Shakeela et al., 2012). The public demand by local Maldivians for an opportunity to participate in the country's main industry was met, when in 2011, the "Guesthouse Initiative" was launched by the Maldivian tourism ministry as a form of a Small-Medium Enterprise (SME) focusing on the budget tourism sector. Guesthouses are buildings on inhabited islands of the Maldives whereas resorts are confined to a 'one island, one resort' policy. Guesthouses have rapidly grown to outnumber the number of resorts, as they require less capital expenditure to set up and operate (Shakeela & Weaver, 2012a). Business performance for guesthouses has been below average, and this is reflected in the average occupancy rates recorded for each type of hospitality establishments, with resorts leading the rankings with 82.5%, (higher than the industry average of 71.4%), followed by hotels and guesthouses which have recorded 49.4% and 48.7% average occupancy rates respectively (Maldivian Ministry of Tourism, 2019).

The primary aim of the study is to explore the feasibility of introducing a quality control system for guesthouses in the Maldives as a strategy to promote budget tourism and to improve overall occupancy rates for guesthouses. The research objectives for this study are:

- a). To obtain the opinions of guesthouse owners, tourism ministry's officials, and tourists on the development of a star-rating system as a means of quality control for guesthouses.
- b). To identify the criteria that can be used in the star rating system for quality control in budget tourism.
- c). To identify the challenges in creating and implementing a star-ratings system.
- d). To propose a suitable model for a star-rating system for guesthouses.

The development and the implementation of a star-rating system for guest-houses in the Maldives can serve as a marketing tool for guesthouses which helps to improve the image of such lodging operations and instill confidence in potential visitors to select such types of accommodation. Furthermore, a star-rating system can assist the Maldivian government's initiative to achieve its objectives of the "Guesthouse Initiative" which was launched in 2011 by the Maldivian tourism ministry as a form of encouragement to Small-Medium Enterprises (SMEs) focusing on the budget tourism sector.

## **2. LITERATURE REVIEW**

### **Development of the Tourism Industry in the Maldives**

Prior to the development of the tourism industry, Maldives was mainly reliant on the fisheries industry, i.e. the fishing and processing of tuna for export purposes. This industry did not generate sufficient revenue to fuel a developing nation, which resulted in the Maldivian government venturing into tourism in 1972 (Kundur, 2012). The venture into tourism was carried out mainly through joint-ventures between the government and foreign hospitality companies that invested heavily in the Maldives (Henderson, 2008). This proved to be a very successful business model and has elevated the nation as a top tourism destination as well as the industry becoming the forefront of the Maldivian economy (Maldivian Ministry of Tourism, 2019)

The 'Guesthouse Initiative' was launched by the Maldivian government in 2011 to encourage the development of Small-Medium Enterprises (SME) targeting the budget tourism market. As guesthouses do not have to adhere to strict standard operating procedures that more established and foreign owned resorts have to follow, there have been many complaints on the quality of the accommodation and service provided by guesthouses (Shakeela & Weaver, 2012a).

## **Budget Tourism in the Maldives**

Budget tourism and the “backpacker” movement have often been looked down upon by third-world nations as a less preferred alternative to the dominant luxury tourism. However, recent studies have shown that if a destination can create efficient policies to support the rising trend of backpackers and budget tourism, the country can reap many benefits and generate more revenue to supplement the income from luxury tourism (Scheyvens, 2017).

The Maldives is synonymous with luxury tourism and this is embedded as the status quo. This poses the question of whether budget tourism would work in the Maldives. Maldives' image as a high-end destination is one of the reasons why the Resorts segment accommodated 80.8% of all tourist arrivals while the guesthouses segment only handled 13.3% in 2019 (Maldivian Ministry of Tourism, 2019).

## **Star Rating Systems for Hotels**

The star ranking system is a concept that is utilized to categorize and classify hotels and resorts in order to manage expectations and to set pricing strategies and target segments (Israeli, 2002). Star ratings are often conducted by the government with the assistance of third-party auditing services that do professional and thorough reviews of the establishment, before a star ranking is awarded (usually ranging from 1-5 stars) as an indicator of product and service quality. The concept of star ratings is mainly done for hotels, resorts and restaurants to distinguish themselves from other hotels/resorts and are used as a mean of making the product more ‘unique’ and marketable to an international clientele (UNWTO, 2015).

The importance of the implementation of a ranking system on budget hotels has also been highlighted in studies that emphasize the need for accurately representing the quality of the services and accommodation provided (Ingram, 1996). This reinforces the narrative that the basis of a quality control measurement is dependent on the perception of the customer before visiting the establishment versus the actual service and product the customer receives during their stay, which forms the theoretical underpinning of the SERVQUAL model (Zeithaml

et al., 1996). The SERVQUAL model can be used to provide the guidelines for determining the criteria for a rating system for hotels and resorts in the Maldives.

However, using the same criteria for the ranking system that is used in hotels, might not be equitable for a guesthouse due to the differences in capital and resources that a hotel chain may have access to, but a guesthouse proprietor would struggle to match (Ingram, 1996). With this in mind, the argument for a different ranking for guesthouses makes more sense when it comes to evaluating their service quality. Furthermore, previous research indicated that the SERVQUAL model by Zeithaml et al. (1996) may have placed more emphasis on the 'tangible' elements when evaluating service quality in guesthouses without taking into consideration that these businesses lack the means to have higher-standard tangible elements. One proposed solution to this problem is to replace the more rigid element of 'tangibles' and replacing it with 'aesthetics', 'comfort' and 'cleanliness' (Jones, Lee-Ross, & Ingram, 1997).

### **Other Issues facing Guesthouses in Maldives**

The under-performance of the guest house industry could also be due to socio-political reasons, as the local Maldivian population has been kept isolated from the tourists when tourism was first introduced to the Maldives; due to a government initiative to preserve the Maldivian way of life and to prevent radical westernization (Zubair & Bouchon, 2014). A lack of understanding towards customers from different demographic and geographic segments meant that the proprietors of guesthouses were not trained and unprepared for such a venture (Ahmed, 2018).

Another problem guesthouses face is the geographical disposition of the nation of Maldives, which creates a situation where every tourism resort follows the principles of enclave tourism (Waheed & Hassan, 2017) where the tourism experience is limited mainly to the location of the resort itself. In the case of resorts, this works exceptionally well due to their ability to control all the variables involved, but not so for guesthouses. The lack of control over

the elements on the islands where the guesthouse is located such as the local inhabitants and local businesses can create a plethora of issues for tourists and residents alike.

A study on customer satisfaction on value perception on guesthouse service in the Maldives identified 5 values that contribute to the total umbrella term of consumer perceived value (functional value, emotional value, social value, conditional value, epistemic value). The results of the study showed that tourists who visit guesthouses value the prospect of creating meaningful relationships with the local inhabitants. Price was the most important functional value along with the aspect of convenience and service quality as visitors still expect a certain level of quality regardless of whether they stay in a guesthouse or a resort (Waheed & Hassan, 2017).

The under development of backpacker tourism development in the Maldives has also been researched upon extensively, and the main reasons cited was geographical distribution and the small size of the islands of the Maldives. Very often, the only method of travel is by expensive sea-plane transfers making it unattractive to backpacker tourists who prefer cheaper alternatives of transport. Furthermore, the predominant Islamic population on certain islands of the Maldives have demonstrated resistance towards the acceptance and tolerance of foreign tourists' behavior which has hindered the development of budget tourism (Zubair & Bouchon, 2014).

### **3. METHODOLOGY**

Interviews in this research paper utilize two main interview techniques, namely the informal conversational interview model and the standardized open-ended interview model. There are four interviews conducted using the informal conversational model in this research and the information obtained through these interviews were paramount in organizing the structure of the second interview model that was utilized in this study.

The other interview method used is the standardized open-ended interview model, in which interview participants are asked identical questions, but with the wording of the

questions structured in a way that the responses are open-ended. This method allows for easier coding in comparison to the informal conversational interview model (Zhang & Wildemuth, 2009). The questions that were asked during the standardized open-ended interview model were to obtain their opinions on:

- a). The state of the current Maldivian tourism environment.
- b). The state of budget tourism and the guesthouse industry in the Maldives
- c). The implementation of a star-rating system as means of quality control in guesthouses in the Maldives.
- d). The criteria that would be utilized in the developing a star-ranking system in the Maldives guesthouse industry.
- e). The future of Maldivian tourism and ideas for improvement

There was no pre-set number of participants and interviews were conducted until a saturation point was reached, when a researcher reaches a point at which the data collection process is no longer offering any new information or relevant data (Dworkin, 2012; Fusch & Ness, 2015).

## **Sampling**

Purposive sampling was the sampling method used for this study, with each participant chosen for their expertise and relevance to the topic that is being studied. The sample of 10 respondents that participated in this research were either self-employed or employees in the following designations:

- a). A senior politician
- b). A former employee of the Ministry of Tourism in the Maldives.
- c). A local businessman and guesthouse proprietor.
- d). An officer from the Maldivian Destination Management Organization (DMO).
- e). An employee of a local Maldivian hospitality company that operates resorts and a

travel/tour operator business.

- f). A former Member of Parliament (MP) of the Maldives
- g). A general manager of a guesthouse in the Maldives.
- h). An assistant marketing manager of an online travel agent
- i). A Maldivian domestic tourist who had stayed in a guesthouse in the Maldives.
- j). An international tourist who had stayed in a guesthouse in the Maldives.

## **Data Collection**

Invitations to participate in this study were sent to the potential respondents by email, and once they have accepted the invitation, a follow-up email confirming the date/time and venue for the interview was sent. A smartphone was used as the recording device for the interviews and the average time taken for each interview was around 45 minutes. The interviews took place over a period of four months from April to July, 2019.

As part of the research ethics requirements, the respondents were informed that participation in the study was totally voluntary and they can refuse to answer any questions they are not comfortable with and they are free to withdraw from the study at any time. Data collected are purely for research purposes and confidentiality of the respondents will be protected.

## **Data Analysis**

After the audio recordings were transcribed to written words, thematic analysis was used to analyse the transcripts to look for similar themes or patterns which can be identified from the interviews. The themes or patterns were categorized according to the objectives of the research and the research questions (Attride-Stirling, 2001; Braun & Clarke, 2006). Each interview was kept in separate files according to the designation and organization the respondent is working for.



## 4. RESULTS AND DISCUSSION

### Development of the Tourism Industry in the Maldives

The success of the Maldivian tourism industry was primarily due to the practice of enclave tourism practiced through the One Resort, One Island initiative (Waheed & Hassan, 2017).

“...Maldives for the past forty-five years or so have developed a certain type of tourism, which is more: you know, upper market, high end. And that is organized in such a way that basically, it was owned by rich business houses in the Maldives in partnership with foreign large international hotel companies.” (former President of the Maldives).

Maldives being largely an aquatic country, means that most of the tourism services found there have the theme of the ocean, beaches and a tropical lifestyle associated with the destination.

« I think as far as product is concerned, we have some of the best hotels and resorts in the world. Secondly, our guesthouses are coming up. And we have the live-in boats (another term for safari vessels amongst locals), which concentrates on diving and those who love the sea.” (former MP of the Maldives).

Most travelers associate the Maldives with the natural beauty of the archipelago, often paying exorbitant prices just for the experience of visiting the Maldives. Price is often a deterrent for some potential customers, leading them to opt for more price-friendly tropical tourism destinations. The introduction of guesthouses has often been touted as the solution to this prevalent issue.

“To be honest, Maldives is a God-sent I would say; it’s a really beautiful place. I’m saying this based on my experience, you guys have everything that can be offered there,” (Malaysian tourist)

“Many people want to visit the Maldives. But the issue is that the resorts have been positioned as luxury destinations, and many people miss out on visiting Maldives due

to financial constraints. With guesthouses being developed, we can tap into the middle-class market, and with guesthouses we have avenues for budget tourism,” (Maldivian *guesthouse proprietor*).

### **The Impacts of the Tourism Industry in Maldives**

As the number one income generating industry of the nation, the general consensus had been that those who can attain employment from tourism establishments can earn a good livelihood, but those who own the resorts would be at the top of the Maldivian elite. Employees of tourism establishments have the means to afford a decent lifestyle, even with the unusually high cost of living in Maldives.

“So if you travel around in Maldives, especially the rural areas now, suddenly you see the best houses are owned by people who have been working in the tourism sector, and we’re not only talking about owners of tourism assets, we’re talking about employees.” (former President of the Maldives).

The income disparity in the Maldives is highlighted in the ‘Paradise Paradox’ which states that the Maldives has some of the highest tourism earnings in the region while having a large number of the population living in poverty (Scheyvens, 2011; Diarra, 2008). Some locals also express a dissatisfaction towards the precedence of tourism development as one of the primary objectives by the government, which often comes at the expense of development of local infrastructure, transport and other essential requirements that the people of the Maldives desire.

“I think they focus on it (tourism) way more than they need to. They just over do it, and nothing gets done (in terms of infrastructural development). We over-depend on it, in a way that without it, we don’t have anything else to depend on.” (Maldivian tourist).

### **The Perception of Budget Tourism in the Maldives**

When it was first introduced to the Maldives 10 years ago, the guesthouse initiative was

developed to cater for the growing backpackers segment (Scheyvens, 2002) and to reduce the dominance of international hotel chains in the tourism sector (Ashley et al., 2000). Within the Maldives, the introduction of the guesthouse tourism sector has been viewed as a pioneering form of budget tourism and can also be utilized to promote community-based tourism.

“The guesthouse industry, in my opinion, is Maldives’ attempt at promoting the Small-Medium Enterprise (SMEs). For small communities, when the overall revenue increases, the quality of life increases.” (Maldivian guesthouse proprietor).

The fiscal element of guesthouses in the Maldives also ties with the principles of budget tourism, with a smaller investment and smaller profit margin. However, the return on investment is higher due to the cost of developing a guesthouse on an inhabited island being very low in comparison to the development of an entire island as an enclave resort.

« Because you do this on a local island. In terms of percentages the investment comes to a tenth of what it would cost for a resort, but the return on investment comes much faster than a resort. The fastest returns I have seen in terms of time, are four years for a resort, and for guesthouses it is 2.5 years.” (Maldivian guesthouse manager).

## **The Issue of Segmentation**

The second theme arises from the success of the Maldives as a luxury tourism destination, and due to this factor, a lot of the interview participants believe that there should be a clear distinction between the two products (resorts and guesthouses) as a mean of protecting the reputation of a luxury destination while aiming to expand to the backpacker segment (Zubair & Bouchon, 2014; Scheyvens, 2002). This view is clearly reflected by a Malaysian tourist who visited the Maldives and found the disparity.

« When I went there, I went to Male, the capital and I went to other islands, so to me, the Maldives is focusing too much on the resorts and not the local islands. From what I see, you guys can actually try to put more focus on the local islands and you can get

to promote community based tourism, and not only focus on the resorts. It's a pity because right now people keep getting this perception that the Maldives is a luxurious destination but for me there are a lot of other market segments. People like me who are not that rich, but I still want to enjoy the beautiful scenery of this place » - (Malaysian tourist).

The costs involved with the operation of the guesthouses are much lower, and offer more economic benefits to the Maldivian population, i.e. job opportunities for the people on different islands to expand into auxiliary tourism products such as food and beverage, and souvenirs.

« Technically, now, we are almost coming to a point where the return on capital would be almost better in a local island with a guest house, along with less social issues like staff having to working outside. This is my subjective opinion » - (Maldivian guesthouse manager).

The introduction of guesthouses did not have a clear idea about the target market that it was intended for, as many people still considered the Maldives a high-priced destination. This creates an opportunity to collaborate with other service providers such as travel and transportation operators that are also focused on the same target segment of millennials and students.

« There should also be collaborations with budget airlines and guesthouses to market to clientele such as students and millennials, who have lower incomes and spending power, but they are more interested in cultural experiences. I don't think students can experience Maldives properly if they decide to visit resorts and they may not even have the desire or ability to spend that much to visit » - (Maldivian guesthouse proprietor).

The initial response to the implementation guesthouse industry garnered mixed

reactions. The negative aspect of the introduction of budget tourism would dilute the Maldivian tourism product, which for many years has been synonymous with the luxury tropical destination. This created a fear that the introduction of budget tourism via guesthouses would create an internal conflict between the resorts and the guesthouses, as they are located in the same destination but charged different prices.

« At first when the guesthouses were introduced, many people had the perception that this was the loss of the exclusivity that a luxury destination such as the Maldives provides. But actually this was not the case, and in fact guesthouses can complement luxury resorts. This is because Maldives does not always have to position itself as a luxury destination. The only way to expand tourist arrivals is through diversification of the product that we offer » - Officer from Maldives Marketing & Public Relations Corporation (MMPRC)

### **Ownership, Registration and Promotion of the Guesthouses**

The ownership of the guesthouses can only be carried out by a local Maldivian, and foreign partners are not allowed, when compared to the resorts which usually require foreign investment in order to generate enough operational capital. This is also part of the government initiative to allow locals to try and enter the tourism industry as means of practicing sustainable tourism (Shakeela & Cooper, 2009a).

« ... guesthouses can only be owned only by locals, so even in a partnership, a foreigner cannot be a part the ownership...and the core aim of the guesthouse existence and regulations was to give the local Maldivians an opportunity to be part of the tourism industry. » - Former employee of Maldivian Ministry of Tourism

Since its establishment, the guesthouse sector have often struggled with trying to reach the desired clientele as many local business proprietors do not have the means to advertise to the target segments and to reach a wider audience (Brueckner & Lederman, 2017). The concept of a guesthouse union/association was discussed as a means of combatting this issue.

«Now the government should also do tourism promotion work to improve the guesthouses, not just the resorts. Because guesthouse owners will find it very difficult to go to the big tourism fairs, which would be almost a requisite for the international hotel chains that run resorts in the Maldives. But at least if they have an association, they can send a representative to promote the guesthouses belonging to members of the association » - Former president of the Maldives

Another prevalent issue is the existence of unregistered guesthouses, which do not undergo government verification and are more susceptible to risks and on issues of cultural misunderstanding (Shakeela & Weaver, 2012b). This is mainly due to the high fees charged for the registration process, which many local proprietors believe to be unnecessary, but which the government feel is crucial to introduce some form of standardization for the guesthouse industry in the Maldives.

« But what happens is when you try to get licensing, the criteria set are very high. Even for guesthouses, you are required to have things ranging from combs to sewing kits, and all of these things are expected to be there in both hotels and guesthouses. For them (guesthouse proprietors), it's quite difficult due to the lack of resources. » - Former President of the Maldives

« The government, while not offering much help to new proprietors, also charges a large amount of money for registration fees. I believe the amount of money is around MRF5000 (around \$320) for some clerical work, safety inspection and registration within the government system, along with free stay for the people doing the inspection» - Maldivian guesthouse proprietor.

Many of the guesthouse owners tend to forego the tedious registration process, resulting in a sub-standard tourism product that reflects negatively on the whole destination, as the tourism perception of a customer of an unregistered guesthouse would consider that as representation of the entire Maldivian guesthouses tourism product.

## Star-ratings and Quality Control

The information derived from the interviews indicates that there should be a different rating system for guesthouses from the star-system that is assigned to hotels and resorts due to the massive difference in size, resource availability and functionality between the two types of accommodation establishments (Jones et al., 1997).

« This star system for guesthouses shouldn't entirely depend on facilities provided, because sometimes, you may have a very traditional house, with local thatch roof, etc... as opposed to a guesthouse that resembles a mansion. The focus really should be on the service provided and guest experience. » - Former President of the Maldives

The emergent theme of quality control is particularly important for a country such as the Maldives which relies so heavily on tourism (Zubair & Bouchon, 2014), and should therefore place a bigger emphasis on quality control. The guesthouse industry has their own spectrum of challenges which need to be taken into consideration when formulating a guesthouse rating system.

« You know, as a service industry, the focus on good, high-quality service delivery, should not be compromised. There's no reason why a small guesthouse cannot provide a high quality service like in a resort: when in fact, it could be even better than the services provided in resorts, because you have a small number of clients, small staff force and a more personal experience. » - Former President of the Maldives

The current stigma associated with star ratings in the Maldives tend to be centered around the belief that a star rating is a one-time ranking, which will not be subject to change. In order to ensure the success and accurate representation of the quality offered in an establishment, it should be noted that star ratings should be regularly evaluated in order to ensure it is an accurate representation of quality assurance.

« ...the thing about star rating, in my personal opinion is that I agree with the implementation of such a system so that the guests have an idea about the expected

quality. If star ratings can be regulated, it could also improve the standards of service quality in guesthouses in the long-run. But the important thing is enforcement, not only just the implementation » - Employee of Maldivian tour operator

Many companies in the Maldives do not have an international standard auditor, rather preferring to use star-rankings assigned in correlation with the services offered in order to manage expectations of clientele.

« We do assign star ratings. But it's based on our criteria of the services provided, and the experience of the guest. » - Employee of Maldivian tour operator

In conjunction to being representative of the services and facilities provided, the star system also reflects the pricing strategy of the business. In addition, a new model of star rating system includes user-based reviews to determine the number of stars an establishment receives as a representation of the quality provided in their service.

« In the Maldives – right now, there is no official star system. So basically, star systems are now determined in Maldives mostly by price, especially at peak time. And our star rating also comes from websites like – holiday check, booking.com or TripAdvisor or Agoda. It comes from both from the services and your pricing. » - Former MP of the Maldives

However, the importance of a proper rating system is highlighted by many interviewees who considers the rating system to be paramount in making purchasing decisions on goods and services, especially when they are expensive vacations and travel packages.

« Looking at the demand side, which is the customer/guest side, the ranking and rating is super important. Like you and me, before we go into a restaurant or a hotel, we go to TripAdvisor to see how the people are commenting, how's their rating and reviews and all that. So, those properties without this sort of ratings will miss out on these customers» - Marketing executive of Expedia



## **Perceptions of Service Quality related to SERVQUAL:**

### **Reliability**

Reliability is one element of the SERVQUAL model in which it measures the consistency and trustworthiness of an establishment.

«I didn't expect anything, honestly, but it didn't disappoint me. They were there whenever we needed them. Sometimes the power would go off, and they would be there right away, even if it was the middle of the night. I felt safe, and that's very important» - Maldivian tourist

«To be honest, the guesthouse I went to is pretty new, recently opened about 2 months before I arrived. So obviously, I'm like the other vacation goers. Ok wait, let me give you my expectations towards Maldives first. When I went to the Maldives, I expect awe-inspiring sights due to its image as a beautiful place. I understand that if I go to a resort, it will cost me about 400 USD a night, so my expectations would be different. So when I go to a guesthouse, I lowered my expectations» - Malaysian tourist

### **Assurance**

Assurance is a dimension of the SERVQUAL model that refers mainly to the certainty and confidence of the customer in the service provided by the establishment.

«We would plan the night before, and they would ask us what we want to do the next day, and everything would be planned on the spot and they would come on time, usually we would go fishing around 4:30am, coming back around 9am, we would eat together and then we might go later for swimming, etc... » Maldivian tourist

«I said I lowered my expectations right? So I wouldn't expect I would be taken care of like a guest in a resort, with the lower price and everything. I expect someone to attend to me whenever I needed anything. So the staff there are really great» - Malaysian tourist

## Tangibles

Tangibles are the dimension of the SERVQUAL model that deal with the physical aspects of the hospitality establishment such as the decorations, design and functionality of the building will offer a significant influence on the perception of the service quality provided.

«I thought there would be a lot of bugs around (laughs) yeah, but I don't really mind it.

But my mom does! But it wasn't like that, everything was bug-free, and the showers were "A+++", and they had hot water, beverages laid out of you, traditional meals any time you wanted, you could go rest on the beach...they had air-conditioning» - Maldivian tourist

« The guesthouse is very nice, the decorations and everything. The café was like a small café' next door, and they serve a buffet. Which serves breakfast and lunch which I didn't expect for the price, which was good. They also have nice rooms...they have air-conditioning, bath-tubs...hot water, and the room is an A-grade room. They had like a 30-50inch television. The exterior looks normal, but inside is much better...when I lowered my expectations, when I come into the room, when I got the service, buffet and everything it actually exceeded my expectations» - Malaysian tourist

## Empathy

Empathy refers to the emotional conscientiousness of the staff in the hospitality and is often determined by the genuineness of the service provided as well as the natural kindness and compassion of staff.

« Honestly, 11 out of a 10. Because they were very caring, and this one time when we went fishing, this skipjack tuna kind of slapped me in my back and then I had a cut on my back. And immediately they brought me water, everything, they made sure I slept well and that I woke up well. I think the caring aspect of it, I saw it, but I don't think they differentiate for just anybody, they do that for everybody. And it's very nice to see people... if somebody needs something they won't hesitate. They won't ignore you. »

- Maldivian tourist

« I would say yes (they had good empathy). Maybe because there wasn't a lot of guests at the time, so if they didn't give me that A-grade service, I would really tell them off. But they gave me good service. But they didn't show me around, they just told me what I could do on the island, stuff like island hopping. For the excursions it's about 100 USD, he brought us to this one sandbank near the island. And he gave us the snorkeling equipment and such » - Malaysian tourist

## **Responsiveness**

Responsiveness refers to the speed and efficiency of how the staff of the hospitality establishment, in this case, the guesthouses visited by our two interviewees, in response to requests or demands of the customers.

« I knew that they would take care of it. There was a hospital right beside us as well, I didn't feel like I wouldn't be taken care of, because they had boats and stuff arranged as well but I definitely didn't think they would go above and beyond, making tea, soup, and stuff like that. It made us feel like we were home. I could look back and think that's my second home. That was lovely » - Maldivian tourist

« They would respond immediately, yeah. When we asked for extra towel, they gave it to us right away, when we needed a shampoo and soap and amenities, they bring them to us for free. There was this one time- they actually respond to these issues pro-actively. » - Malaysian tourist

## **5. CONCLUSION**

The most important aspect of service quality arguably, is to provide the best overall experience for the guest. Understanding this perspective of the customer, and how to design a service delivery that is optimized to guarantee the most satisfaction is paramount in the success or failure of any establishment in the hospitality industry and the guesthouse segment is no different. In this study, the primary focus is on developing a star-rating system on service

quality based on the guesthouse experience.

Managing expectation is also a very important aspect of quality control and can be achieved via star-ratings control system. These systems exist as a way of creating a pre-conceived notion inside the customer mind as to the level of service quality they will receive during their vacation. Thus, the importance of an accurate star-rating is essential to the proper management of customers' expectations, as it is always better to exceed expectations rather than fall short of the customers' standards. The customers' expectations is nearly almost always formed through a combination of both star-ratings and promotional material such as pictures, descriptive texts, and online customer reviews.

In the Maldives, the star rating system is often decided by the proprietor of the hospitality establishment in direct correlation to the price the establishment charges as well as the facilities and services provided. While international hotel chains can use their own auditing abilities and services to create a more accurate rating system, this self-rating method can be risky for guesthouse proprietors, due to the possibility of the guesthouses being at risk of overrating their product and failing to live up to expectations, or underrating their product and losing out on potential clientele as well as revenue.

The service quality model SERVQUAL (Zeithaml et al., 1996) includes 5 main dimensions of reliability, assurance, tangibles, empathy and responsiveness and can be utilized to evaluate the service quality of guesthouses. The interviews on service quality based on the SERVQUAL model were conducted with two visitors; one from Malaysia and the other from the Maldives who stayed at two different guesthouses. The interviews were used to gauge their perceptions on the service quality offered by the guesthouses which can assist in the formulation of a new quality control system.

## **Practical Implications**

While online user-based reviews may be an alternative to star-ratings as an influencing factor in today's purchasing decision making by the clientele, the implementation of a proper

star-rating system will allow businesses that do not have reviews; i.e. establishments that are just setting up; to have an accurate initial rating that could be used to assist consumers in their guesthouse selection process. Utilizing online user-based reviews together with a star-rating awarded through a rigorous checklist by a governing body would instill greater confidence in consumers.

The research that has been conducted can be utilized in other SIDS (small-island developing states) as they can also venture into budget tourism as a means of achieving social sustainability. Due to the unique geographical disposition of the SIDS including the Maldives, which was the subject of this exploratory research, an initial star rating system for guesthouses will help manage customer expectations, while a dynamic user-based review system can be used to ensure that these types of accommodation establishments can achieve a consistent business performance. Both of these quality-control systems can even work in tandem, to improve the service quality of guesthouses, which will lead to the promotion budget tourism in SIDS.

This research paper has several limitations. First, this research was conducted on a very small scale as data were collected via semi-structured interviews with only ten participants. There might be more diverse opinions if the number of participants was increased. The research was conducted in Maldives and data collected are limited to the Maldivian context. The target market and guesthouse operations in the Maldives are different compared to other tourism destinations. Therefore, the results of the research may not be applicable to other destinations. Results from future research on guesthouses in other destinations can provide a comparison with the results obtained in the Maldives to provide a more generalizable outcome. For future research, studies on the feasibility of implementing a star-rating system for guesthouses in other SIDS can be conducted to assist them to venture into budget tourism as a means of achieving sustainable tourism goals.

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