

# Is the system of hotel rating still fit for purpose?

Z  
O  
N  
E  
S





*Limitations and inconsistencies in the current hotel rating systems around the world could mean that high-end hotel and resort properties in the Gulf are being undervalued. Fixing this will require creative solutions, both regionally and internationally.*

## The evolution of a system

Hotel ratings were originally introduced to enable potential guests to understand the overall quality of places where they might choose to stay and the range of facilities available. Later, they acquired significance as valuation tools for hotel brands, as well as for the properties themselves. Studies have analysed the individual willingness to pay across ratings<sup>1</sup> and the effect of ratings on room pricing power.<sup>2</sup> While classifications are now used across many different accommodation categories, the rating system was designed for traditional hotels.

The original criteria continue to be used today and include amenities, property quality, cleanliness, food services, entertainment, view, room variations, ease of access and location.

The rating system remains firmly rooted in national jurisdictions. The responsible organisation in each country aims for accuracy, consistency and reliability in its own rating system. While many systems are highly regarded in their own jurisdictions, there are wide variations and some misalignments. For example, when India placed a luxury tax on its 5-star hotels, there was an entirely understandable proliferation of 4-star and even 3-star hotels as a result.

### *Selected national hotel rating systems*

Awarding Institution	Jurisdiction	Structure	Key Criteria
German Hotel and Restaurant Association (DEHOGA)	Germany	One to Five Star	Room quality, service, and amenities, guest comfort, experience
Japan Travel Bureau (JTB)	Japan	One to Five Stars (with added criteria for Japanese <i>ryokans</i> )	Not officially disclosed, but understood to be based on the size, cleanliness, and comfort of the rooms. Amenities, quality of customer service, location, overall experience
Tourism Grading Council of South Africa (TGCSA)	South Africa	One to Five Stars (with additions for high-end 5*)	Hospitality, service, cleanliness, bedrooms
Automobile Association (AA)	United Kingdom	One to Five Stars	Hospitality, service, bedrooms, bathrooms, cleanliness and food
American Automobile Association (AAA)	United States	One to Five Diamonds	Cleanliness, comfort and hospitality



## The Gulf challenge

With tourism now clearly far more globalised than it was when national hotel rating systems emerged, there is an acute need for a genuinely comparable international system. There are a few international systems that have emerged.

### *Principal international hotel rating systems*

Awarding Institution	Coverage	Structure	Criteria
Booking.com	Worldwide	Quality Rating One to Five Stars (also has a Guest Rating system 1-10)	Facilities, amenities and/or services offered, property configuration, such as unit size, number of rooms and occupancy rates. (includes guest review scores) <sup>3</sup>
Crescent Rating	Halal-friendly hotels	One to Seven Crescent ratings	Ratings for Muslim travellers <sup>4</sup>
Expedia.com	Worldwide	Quality Rating One to Five Stars (also has a Guest Rating system 1-10)	Follows national ratings in Europe and parts of Asia <sup>5</sup>
Forbes Travel Guide	Luxury hotels	One to Five Stars	Quality of facilities, level of service <sup>6</sup>
Green Star	Worldwide	Three to Five Stars	Sustainability ratings for hotels
Hotelstars Union	Europe	One to Five Stars	239 criteria including facilities, service quality, overall guest experience
Michelin Guide	Luxury and boutique hotels	One to Five Keys	Excellence in architecture and interior design, quality and consistency of service, overall personality and character, value for the price, and a significant contribution to the neighbourhood or setting <sup>7</sup>
TripAdvisor	Worldwide	One to Five - Bubble Guest Rating	Overall guest experience <sup>8</sup>

However, the ratings they provide are not necessarily appropriate for international travellers. Most obviously, these systems generally do not reflect the needs of travellers of different faiths, whether prayer facilities, food or access to a nearby places of worship. But there are other examples of criteria that may not be fully reflected in these systems. These include families travelling together that may require interconnecting rooms, and the needs of vegetarians, green travellers, those with allergies or medical needs, and people with a disability ('people of determination').

The different focus of each standard is understandable, but it places the onus on the traveller themselves to identify which standard is right for their needs. It is scarcely surprising that, for nearly a decade, there has been a growing recognition of the need to incorporate subjective

preferences into an integrated hotel rating system.<sup>9 10</sup> There is also a confusion between the entirely subjective guest ratings from the booking agencies and the more objective hotel ratings from the more traditional organisations. The guest ratings systems differ not only among themselves but are also subject to change, as demonstrated by Booking.com's modification in 2018.

The valuation impacts of such changes are potentially significant. As a result, even guidance sites admit that the rating system can seem confusing or arbitrary, making international comparisons challenging.<sup>11</sup> If one were to summarise the current position in one sentence: it is in urgent need of improvement.

## Hotel rankings in the Gulf

Gulf jurisdictions have also introduced and maintained national hotel rating systems. In the past they have benchmarked these systems against comparable Western jurisdictions, aiming to exceed the number and quality of luxury hotels. The UAE, in particular, has also pushed the boundaries of luxury with its well-known tourism destinations and hotels now internationally recognised as benchmarks in the industry.

### *Gulf national hotel rating systems*

Awarding Institution	Jurisdiction	Structure	Key Criteria
Bahrain	Bahrain Tourism and Exhibitions Authority	One to Five Stars	General requirements, public areas, Guest rooms, F&B, staffing, service quality. <sup>12 13</sup>
Kuwait	Kuwait Hotel Owners Association	No fixed categorisation	Customer experience <sup>14</sup>
Oman	Ministry of Heritage and Tourism	One to Five Stars for service, One to Five Keys for space	Benchmarked against 351 international criteria <sup>15</sup>
Saudi Arabia	Ministry of Tourism	One to Six Stars	Formal evaluation process across multiple criteria <sup>16</sup>
Dubai	Department of Tourism and Commerce Marketing	One to Five Stars	Multifaceted list incorporated in a formal document <sup>17</sup>
Abu Dhabi	Department of Culture and Tourism	One to Five Stars	Multifaceted list incorporated in a formal document <sup>18</sup>



## Recent Saudi initiatives

The momentum behind recent Saudi tourism initiatives is likely to accentuate the already acute problem of the lack of appropriate and comparable international rating systems. Many of the hotels set to open there will provide facilities that are a generation ahead of traditional 5-star hotels elsewhere in the world, especially in Europe. The new Red Sea resorts<sup>19</sup> – NEOM Sindalah is an obvious example of a qualitative leap forward<sup>20</sup> – and hotels elsewhere in the Kingdom may be operated by familiar international brands, but they provide an experience that goes beyond what is typically offered by a 5-star hotel in Europe or the USA. This is a bold claim, but the evidence supports it. This new generation of Saudi hotels is clearly more luxurious than their European and US equivalents across dimensions such as private beaches, the size and qualities of fitness facilities, the range of restaurants, the size of rooms, the availability of personalised services, and even spectacular architecture.

The traditional five-tier system of hotel ratings was clearly inadequate and a rebellion was inevitable. It was the Burj-al-Arab in Dubai that first broke ranks with the status quo. The hotel unilaterally claimed 7-star status on its opening in 1999 and has sustained that claim to this day. On the other hand, the Fullerton Hotel in Singapore, which claimed 6-star status, has seen that claim recede to occasional references online.<sup>21</sup> Luxury hotels deemed particularly extraordinary have for many years been given a separate 'Palace' title by the French Tourism Development Agency. More recently, other hotels have sought to follow by being labelled as 6-star, representing an experience that goes beyond traditional 5-star comfort. But these are unofficial ratings.<sup>22</sup> What is different this

time is that the Saudi government has now taken the inevitable next step and introduced an official sixth star in its comprehensive set of classification criteria. Ultra-luxury hotels of the new generation will no doubt be seeking that coveted rating.

The comparative advantage of hotels has traditionally been to provide luxury and high-quality services and, in the past, European and US hotels have advanced their history and culture as justifications for their ratings. But there are now more options than before. Airbnb and serviced apartments cater for travellers who are less interested in luxury and more interested in specific places to visit. Traditional hotels, particularly in Europe, are struggling to keep pace: the continent-wide labour shortage has led to reductions in the mandatory requirements for reception and room service hours in the recently updated Hotelstars' criteria.<sup>23</sup> It is becoming increasingly difficult to accept the AA's assertion that a five diamond rating is a 'crown jewel'.<sup>24</sup> Europe is not alone in this challenge: the Japan Tourism Authority acknowledges that Japanese hotels provide less space compared to their counterparts in Western jurisdictions, and even more so when compared to those in Saudi Arabia.<sup>25</sup>

An important point to note is that the difference lies not in how perceptions of luxury vary across jurisdictions, but in actual level of luxury associated with a particular star rating. In Europe, beyond a certain point, additional luxury becomes superfluous, as rating systems do not account for many hotel qualities that influence ratings elsewhere. An example is the existence of hotel suites, a common feature of 5-star hotels in the Gulf but largely absent in a European jurisdiction such as the Netherlands. As a result, the system of ratings now shows wide disparities between different jurisdictions. What obtains a 5-star rating in Europe or in the United States would not be able to do so in the Gulf.



## Potential ways forward

Ratings in the Gulf have become so out of kilter with their equivalents in Europe and North America that international comparisons are rapidly becoming impossible. The rise of Saudi tourism is set to accentuate differences even further. To make matters worse, the wide disparities between facilities and prices for 5-star hotels in the same jurisdiction are too wide for travellers to use them reliably. Finally, the kind of user-friendly search facilities that are familiar from the competing subjective set of standards provided by websites such as TripAdvisor are glaringly absent. What can be done?

To address the first problem, the disparity in ratings criteria between jurisdictions, there are two potential solutions. The first is for independent organisations to start publishing 'equivalent' ratings between jurisdictions, effectively 'exchange rates' between ratings in different jurisdictions. While this would be a welcome first step, it could only be a temporary solution, and, no doubt, a highly contested one. The second solution in the longer term is for the existing international rating systems to gradually replace national systems, employing a uniform set of criteria across different jurisdictions, with the national systems fading out over time. This would then allow for competition between better-resourced international

systems that would be trusted by travellers and supported by international hotel chains, airlines and other industry stakeholders. A similar process has already taken place for other rating systems, for example in respect of green buildings, with the rise of LEED<sup>26</sup> and BREAM,<sup>27</sup> university rankings, where international ranking systems now dominate,<sup>28</sup> and restaurant rankings, where Michelin and Zagat have a wide following internationally.

The second problem is, in principle, easier to address. In future, the international rating chains may have to think carefully about potentially following the lead of the Saudi Government and introduce at least two additional star levels themselves. Clearly these belong on the upside: 6-star and 7-star. A far-sighted international hotel rating system should already be considering this approach.

Finally, the international hotel rating systems should implement more user-friendly and user-controlled software, allowing travellers to avoid a 'one size fits all' approach and benefit from more flexible website options. Instead, they will be given the ability to select their preferred universe of comparable properties and to alter the balance between variables to produce a personalised rating that reflects their own preferences. This could also entail the wider use of surveys, eventually leading to a narrowing of the current gap between user-generated and expert rating systems.

---

## Conclusions

It seems clear that at present the network of national hotel rating systems is rapidly becoming not fit for purpose. Change is coming, with potential solutions within reach. However, since these solutions will require challenging decisions from the organisations currently involved in rating systems, the timeframe for their adoption remains uncertain.

There will undoubtedly be winners and losers from this process. In terms of hotel ratings, the Gulf region, and Saudi Arabia in particular, stands to benefit significantly from the change. This shift to introduce new 6-star and 7-star hotels is expected to enhance tourism. As for the existing rating systems, some may not survive if they fail to adapt quickly enough, while others may emerge to take their place. Change of this nature is rarely smooth. However, the real winners will be tourists who will enjoy greatly enhanced ability to make informed decisions as a result of these improvements.

---



## Contacts



**Gergely Balint**

*Associate Partner, Commercial Valuation*  
gergely.balint@cavendishmaxwell.com  
+971 50 839 5494



**Siraj Ahmed**

*Partner, Head of Strategy and Consulting*  
siraj.ahmed@cavendishmaxwell.com  
+971 50 382 4409



**Julian Roche**

*Chief Economist*  
julian.roche@cavendishmaxwell.com

---

If you'd like to speak with one of our specialists, or for more information, please reach out to us.

+971 4 453 9525  
dubai@cavendishmaxwell.com  
2205 Marina Plaza, Dubai Marina, P.O. Box 118624, Dubai, UAE

Dubai | Abu Dhabi | Sharjah | Ajman | Muscat | Kuwait City



cavendishmaxwell.com



---

## Disclaimer:

The information and analysis contained in this report is based on information from a variety of sources generally regarded to be reliable, and assumptions which are considered reasonable, and which was current at the time of undertaking market research, but no representation, guarantee or warranty is made as to their accuracy or completeness. We reserve the right to vary our methodology and to edit or discontinue the indices at any time, for regulatory or other reasons.

The information and analysis contained in this report does not constitute advice of any nature (legal, financial or otherwise). The report and analysis do not purport to represent a formal valuation of any property interest and must not be construed as such. Such analyses, including forward-looking statements are opinions and estimates only, and are based on a wide range of variables which may not be capable of being determined with accuracy. Variation in any one of these indicators can have a material impact on the analysis and we draw your attention to this. Cavendish Maxwell do not accept any liability whatsoever for any loss or damage (including, without limitation, any direct or indirect damage) suffered by any party resulting (directly or indirectly) from reliance on this report.