The Influence of Price Structures on Experience Quality and Behavior Intention in Hospitality Industry

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Abstract
Tourism is one of the largest industries in the world as well as the significant contributors to the world's economy. According to the UNWTO, the export income enervated by international tourism ranks fourth after fuels, chemicals, and automotive product. In 2011, there were over 983 million international tourist arrivals worldwide, representing a growth of 4.6% when compared to 940 million in 2010. The attribution of pricing structures and experience quality played an important in determinant of buying behaviour in the sense where these principles are likely to remain important factors or elements whether shoppers are purchasing online or through another medium such as online travel sites or traditional agents. To narrow down the author research, author is selecting Malaysia as a based to examine how the influences of price structures are has affected the experience quality and customers behaviour intention in selecting a hotel to stay. A theoretical framework is formulated in order to achieve the results by revealing the influence of price structures towards the experience quality and behaviour intention with incorporated the Hedonic pricing model. This study has contribution from both a theoretical and a practical perspective. First, the relationships between price structures and experience quality, and behavioural intentions were examined. Second, little price structure toward experience quality research has been conducted in the area of hospitality context. This paper aims to provide a further study for future researchers, especially hotel managers to have an in depth understanding of price structures towards experience quality in the hospitality industry. While it also helps hotel managers to implement all their pricing strategies where pricing is an issue of paramount importance for practitioners in the hospitality industry and It is the only element in the accommodation marketing mix that impacts directly on revenues.

Keywords: experience quality, behavioral intention, hospitality industry, price discount, price sensitivity, price transparency, hedonic model

1. Introduction
Everyone is tired of working and if given a chance, everyone would prefer to spend their holidays elsewhere. Therefore, spending on tourism is getting higher and higher and in fact, many researchers said that this industry is much closely related to the economic cycle of life. Thus, no doubt that it is one of the largest industries in the globe and is the significant contributors to the world's economy. According to the UNWTO, Fuel, chemical and automotive products are the main export income and tourism comes to the fourth ranks (QF Finance, 2011). This research is supported by an online source, where tourism business has become a popular global leisure activity. To support this statement, a research done by Wikipedia (2012) said that there are more than 983 million international tourist arrived worldwide which accounting a growth of 4.6% compared to 940 million in 2010. As quoted by Sir David Michels “hotel industry has a high degree of unreliability needs to be exaggerated and that the hotel business in general is not exactly fast moving, either in its product, customer base, owner base or in fact, in any way whatsoever” (Hotel Year Book, 2011). According to the spoke person from World Tourism Organization (WTO), Comparing year 2006 and 2007, there is an increase of 6.6% or 559,020 international tourist which amounting to 903 million. This has shown a significant earning of US$ 856 billion in that particular year, and in real terms by 5.6 per cent over 2006. Receipts from international passenger transport (example: visitor exports) were estimated at US$ 165 billion, bringing the total international tourism receipts to over US$ 1 trillion, corresponding to almost US$ 3 billion a day (WTO) while the tour and online package industries together produced more than $18 billion in gross travel sales in 2008 (PhocusWright 2009). A survey
done by Talking Travel Tech in 2012, it is estimated that there are about 202,842 hotels globally built and offering 17.5 million guest rooms (tnooz.com, 2012). With the growing of this industry, it is also indirectly benefited to those cybermediaries where travel package sold over the Internet will be likely to be increased, henceforth, predicted that tour packages purchased over the Internet will be one of the best values in 2010, and that “travellers who bundle air and hotel will save the most” (USA Today, 2009).

With the growing of the hospitality in the globally, the attribution of pricing structures and experience quality played an important role in determinant of buying behaviour in the sense where these factors are considered to be the important factors either customers are purchasing online or through another medium such as online travel sites or traditional agents. To narrow down the author research, author is selecting Malaysia as a based to examine how is the influence of price structures has affected the experience quality and customers behaviour intention in selecting a hotel to stay, particularly, there are so many hotels can be chosen now. A theoretical framework is formulated in order to achieve the results by revealing the influence of price structures towards the experience quality and behaviour intention. This is done by (1) to investigate the relationship between price sensitivity and experience quality in Malaysia’s hotel industry; (2) to determine the relationship between price discount and experience quality in Malaysia’s hotel industry; (3) to examine the moderating effect of price transparency on the relationship between price sensitivity and price discount on experience quality in hospitality industry; and (4) to determine the relationship between experience quality and behavior intention.

This study will contribute to academic and practitioners from both theoretical and practical perspective. First of all, the relationships between price structures and experience quality, and behavioural intentions were examined. Secondly, price structures toward experience quality research had been conducted in the area of hospitality context. The findings help hoteliers and hotel managers to determine the influence of price structures on experience quality and behavioural intentions. Findings of this study also provide the relationships among hospitality image, value, satisfaction, and behavioural intentions so that hoteliers in Malaysia may have an in depth understand of different customers on how to meet or even exceed their needs and wants.

2. Literature Review

There is no significant study on the influence of price structures towards experience quality and behavior intention. Although many researchers has done many aspect research on price structures, experience quality and behavior intention but none has none of the study has focused onto this model; Thus, give the author to comes out with the proposed framework to illustrate the effect on influence of price structure. Bojanic (1996) argued that prices and quality are the two fundamental elements to form unique strategies to gain a competitive edge, therefore, researchers like Cooper et al. (2008) said that pricing decision are the toughest decisions to make in the marketing mix. A Recent research compiled by Canina and Carvell (2005) had indicated that higher occupancy levels at discounted room rates do not necessarily lead to increased hotel financial performance in the long run. A further sample done by Enz et al. (2009) claim that average price in the hotel industry during their research has indicates that hotels that did not provide discount to customers will score better profit levels than those who did. The purpose of giving discount to the hotel room rates is to intend to meet company objectives so that their financial performance will look good ahead. However, it will only to be best described as a short term pricing goals for different strategies applied. In the hotel pricing section, rate transparency has been always classified as the ability for customers to see the rate for each night of their stay (Carroll & Sigauw, 2003; Rohlf & Kimes, 2007) and to compare rates for different hotels which have been pre selected by them (Miao & Mattila, 2007). The findings of the results also indicated that consumers prefer itemized pricing. Thus, they are willing to pay higher price if the rate increases and are transparent to them. Furthermore, Rohlf and Kimes (2007) found that hoteliers whom demonstrated their price to customers for each nights staying will be more likely reasonable and easy to be accepted by public even though the total price was the same. Researchers also found that experience quality play an important role in the hospitality industry too where it is a subjective in terms of measurement evaluation and thus, tends to be holistic and gestalt rather than attribute-based, and the focus of evaluation is on self (internal) but not on service environment (external) (Chen & Chen, 2010). Therefore, experience quality can be conceptualized as tourists’ affective responses to their desired social–psychological benefits (Chen & Chen, 2010). A research done by Miao and Mattila (2007) found that their participants were willing to pay higher price when they were exposed to actual online pricing that listed hotels in ascending rate order (Hotwire.com and Expedia.com), making it easy to make price comparisons. Several empirical studies have showed that experience quality has positive relationship with customer behavioral intention. Behavioral intention includes spoken word, repurchase visit & loyalty (Ryu & Han, 2010; Zeithmal, 1996; Swonson & Davis, 2003). Behavior intentions can be described as word of mouths, repurchase intentions, complaining behavior and price sensitivity while low service quality leads to unfavourable behavioral intentions and affected sales (Burton et al.
From the other point of views, behavioral intentions can be observed from customer’s decision whether he or she remains intact or gets isolated from the service providing company. The greater the customers’ experience, the better the customer is willing to reuse the services.

3. Hypothesis

The present study is considered to be exploratory in a sense. To the best of our knowledge, this is the first investigation to focus on price structures responses to unexpected experience quality and their behaviour intention on purchase; however, some of our hypotheses are based on the previous research.

H1. Price sensitivity has positive relationship with experience quality.

3.1 Conceptual and Operation Definition of Price Sensitivity

Conceptual Definition:
Some experts indicated that individual choice of decisions and focus on the estimation is one of the most prominent variables, which is related to price (Decrop & Snelders, 2004).

Operational Definition:
When it comes to the selection of tourism activities, it is important to know that tourists gained pleasure from activities that they participates for all destinations, but they have to compare the pleasure obtained with the cost they have to pay, which is, their moneys. Therefore, the price remained as the decision element again once they arrive at their designated destination (Masiero & Nicolau, 2011). Therefore, when price sensitivity is high, customers are likely to tolerate when price goes up. Alternately, when price sensitivity is low, lenders can afford to price for large gains in margin - and grow overall profitability (http://www.businessdictionary.com).

H1a. Price transparency moderates the relationship between price sensitivity and experience quality.

H1b. Price transparency moderates the relationship between price discount and experience quality.

3.2 Conceptual and Operation Definition of Price Transparency

Conceptual Definition:
Studies have found that price perceptions are the result of price comparisons between the internal reference price and the observed retail price, and that such perceptions significantly influence the consumer’s decisions on product category choice, brand choice, or purchase quantity (Kalwani et al., 1990; Rajendran & Tellis, 1994).

Operational Definition:
In the hotel pricing section, rate transparency has been classified as the ability for customers to see the rate for each night of their stay (Carroll & Sigauw, 2003; Rohlfs & Kimes, 2007) and to compare the rates for different hotels they have pre selected.

H2. Price discount has positive relationship with experience quality.

3.3 Conceptual and Operation Definition of Price Discount

Conceptual Definition:
Hanks, Cross, and Noland (2002) argue that discounting on room nights will be a wise strategy to move to perishable products in services industries while Finch, Becherer, and Casavant (1998) strongly agree that using discounting on room nights will maintain the perishable services and eventually increase hotel financial performance.

Operational Definition:
As indicated by Robertico Croes and Kelly J. Semrad (2012), using rebate systems on room rates is to meet hotelier’ objectives while also to increase hotel financial performance in the short run. Furthermore, it is helping to bring the local market back to equilibrium when a state of disequilibria is observed. On top of this, there will be a risk of negative marginal profit. Chatwin (2000) and Vinod (2004) both argue that constant price adjustments in the lodging industry may end up competitors criticize in many ways, especially in the same destinations. On the contrary, competitors will use the same tactics in adjusting price so that to meet their revenues too.

H3. Experience quality has positive relationship with behaviour intention.
3.4 Conceptual and Operational Definition of Experience Quality

Conceptual Definition:
In the tourism context, experience quality refers to the psychological outcome resulting from customer participation in tourism activities which not only to attributes by a supplier but also the attributes brought to the opportunity by the visitor. Therefore, experience quality can be conceptualized as tourists’ affective responses to their desired social–psychological benefits.

Operational Definition:
Service experience can be known in many ways. One of the examples is, a personal reaction and feelings towards the reaction which are felt by customers themselves when consuming or using a service. Otto and Ritchie (2000) described the service experience contain an important influence on the consumers’ evaluation and satisfaction with a given service offered.

3.5 Conceptual and Operational Definition of Behavior Intention

Conceptual Definition:
Shirai (2009) has mentioned that consumers are likely to feel happy if they are satisfied with an offered price or angry if they think it is too high. Thus, price response is considered to be composed of both cognitive and emotional responses.

Operational Definition:
Previous research has not captured fully of customers’ potential behaviours. Thus, it is likely to be triggered by the service quality offered. In many cases, positive words of mouth, the willingness to recommend to friends/relatives and returning purchase are used to measure behavioural intentions (Theodorakis & Alexandris, 2008; Ozdemir & Hewett, 2010). According to Bourton et al. (2003), most customers experience their “packages” are mostly related to behaviour intention, therefore, the more positive the customers experienced they felt, the more they will be likely to repurchase again.

4. The Hedonic Price Model

Since pricing structures are being introduced into the framework, author is using the Hedonic pricing model to be incorporated into the framework so that it will match pricing structures with experience quality and behaviour intention. Hedonic skills were developed long before other’s conceptual framework and it was applied in the price indices according to Tripplett (1986) research. Meanwhile, Bartik (1987) claimed that the first formal contributions to hedonic price theory were those made by Court before World War II. Although there was other solid evidence to prove it, however, Colwell and Dilmore (1999) mentioned that Haas is the first to publish the terminology “hedonic” and has been study for more than 15 years prior to Court. The original term of “hedonics” can trace back from the Greek word hedonikos, which is equivalent to pleasure. In the modern economic term, it is always refers to the utility or satisfaction which comes from the consumption of goods and services from a particular method.

The issue with hedonic model is the choice of the functional form. There are few fundamental functional forms such as linear, semi-log, and log-log forms that can be applied to the hedonic price model. According to Bloomquist and Worley (1981), there is an incorrect choice of functional form which may end up inconsistent estimates result and this has been supported by Goodman (1978). The Hedonic pricing theory provides little results even it has been known for many years and less guidance on how to apply to proper functional form (Butler, 1982; Halvorsen & Pollakowski, 1981). Butler (1982) added that all estimates of hedonic price models are to some extend models only which use a small number of key variables to generate suffice. He suggested that those attributes to the theory are too costly to produce and yield utility considered in the regression equation. Mok et al. (1995) conferred that biases are due to missing variables which are relatively small. Thus, neglect the prediction and explanatory power in the equation.

To ensure the data set used is homogeneous, a practical solution to the problem is to estimate the coefficient and all the missing variables, which may eventually, caused bias. When there is homogeneity, the use of the hedonic price approach will be justified. Finally, to resolve the issue of stability of the coefficients, a penal data are to be required in order to (pooled time-series cross-sectional data) modelling with different variable coefficients which can be adopted.
5. Methodology

5.1 Measurement

A questionnaire was designed in this study to measure the hotel customers’ perceptions of price structures towards experience quality and behaviour intentions. This type questionnaire form consists of two parts. First part consists of demographic characteristics of tourists and second part consist of experience quality and behavioural intentions scales. Questionnaire form was designed in English only as to measure perceived experience quality and price structures in precise matters.

5.2 Questionnaires

The survey questions were developed from a series of focus groups and informal interviews with customers from all walks of life. A preliminary draft of the questionnaires was then pre tested on a small sample of survey by relate to their price ending choices. Author specific research questions are as follows:

1) Have you been staying in any hotels (regardless of STAR) for the past 12 months?
2) Are you required to travel often within Malaysia?
3) Is the price of each room stay is main concern for you? Yes No

5.3 Data Collection

In order to obtain the maximum data as our sample frame, we chose car wash centre as our destination because it provides (i) a large of pool of customer from different categories; (ii) They will have time for survey while waiting their car to be washed; (iii) Customers will most likely to be answer questionnaires; (iv) Chances of these customers are likely to be stay in any hotels for the past 12 months due; (v) convenient sampling as high traffic car wash contain customers from many different background such as sales related (required to travel), government related and so forth.

Data will be randomly picked during office hours (trying to gather white collar employees/employers) and during weekend (most survey can be collected). Author’s aim is trying to get a min 20 Malaysian for the pre test and readjust from it so that questionnaires can be more suitable to be interviewed. Only those who had been staying in any hotels in Malaysia in the past 12 months were eligible to participate while they are still fresh in their mind. To make a precise contribution to the literature within the limited resources, it was decided to use a convenience sample for public and customize the task so it would be relevant and meaningful to these populations. Calder et al. (1982) suggested that using a convenience sample is to examine the theoretical relationships rather than revealing population parameters with no intention to generalize to all travel purchasers.

5.4 Plan for Data Analysis

In order to assess the data collected, author will use the multiple regression analysis to perform the hypotheses. Any correlation analysis must be mutated while the multi coileniality of each pair of hypothesis must be 0.8 or
below to ensure to get the nearest answers. Each of the independent variables and dependent variables must be crossing relationship quality and attribution of price structures and their behavior intentions.

6. Discussion

It is important to link between service quality and customer behavioral intentions for researchers and practitioners in this study because with the result found, it will compile all the evidence for the value of service quality research. Furthermore, the relationships between service quality dimensions and behavioural intentions are not yet clear, due to the different service quality models used and the different contexts applied (Theodorakis and Alexandris, 2008, p. 166). In some researches, it has been found that quality of service affected the behavioral intentions and this has been supported by Cronin and Taylor (1992), where they have found a positive relationship between service quality and purchase intentions. In addition, their previous research has also demonstrated service quality has associated with behavioral intentions. For example, in the study of Theodorakis and Alexandris (2008), a survey has been conducted with 242 spectators with tangibles, responsiveness and reliability dimensions were determined as the moderate estimators of the word of mouth’s variance. Results has proven that customers who perceive the quality of the service as high to be more likely to demonstrate behaviour intentions.

7. Limitation and Further Research

Although this finding has provided relevant and interesting insight with regard to the effort of price structures towards experience quality and behaviour intention, it is important to recognize limitation associated with this study. First, data were randomly selected in selected area were used in this study. As a consequence, the data collected may not be able to represent all Malaysian attitude and behaviour. The result, therefore, may not be able to interpreted as a proof of a causal relationship, but rather than a lending support. Secondly, the time frame given was too short and was not able to collect data from other cities. As some data collected from other cities may be different when on approaching. Further research, therefore, can expand on this study by taking samples from different locations in cities with different environment.

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