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# IMPACT OF HOTEL DISCOUNT STRATEGIES ON CONSUMERS' EMOTION AND BEHAVIOR IN THE PRESENCE OF HIGH AND LOW INVOLVEMENT CONSUMERS

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## ABSTRACT

*While hotels come up with various discount strategies to attract consumers, especially during a recession, both hotels and consumers seem to favor dynamic pricing. Previous studies also indicated that price discounts give consumers not only monetary benefits but also positive emotional responses. The purpose of this study was to investigate how uniform pricing and dynamic pricing influence consumers' emotion and behavior, identifying the role of their involvement. Results of study suggested that high involvement consumers responded more positively to dynamic pricing than uniform pricing. Moreover, younger and female consumers were more likely to be involved in obtaining a discount, and high involvement consumers showed more positive feelings, and were more likely to tell others, and make repeat purchases from a discount as compared to low involvement consumers.*

**Keywords:** *consumer behavior, consumer emotion, consumer involvement, dynamic pricing, price promotion, uniform pricing*

## INTRODUCTION

Since the economic downturn has heavily affected the hotel industry (Woodworth, 2009), hotels have made various discount strategies available in order to attract consumers. Among different pricing strategies companies tend to favor dynamic pricing because appropriately applied dynamic pricing will increase revenues and profits (Sahay, 2007). Dynamic pricing enables consumers to make a choice over the price. In addition, the concept of consumer involvement plays a significant moderating role. Thus, the different involvement a consumer attributes to a discount may not be independent from a consumer's preference on pricing strategies. Discounts in the service industry has been the subject of limited study, which causes businesses to have little empirical basis on which to plan their price promotions (Wakefield & Bush, 1998). Moreover, there have been scarce studies conducted to link involvement and pricing in terms of discounts. The purpose of the study was to examine the impact of hotel discount strategies on consumer's emotions and behavior. Specifically, the study was designed to

investigate (1) whether different levels of consumer involvement cause consumers to favor dynamic pricing or uniform pricing and (2) different levels of consumer involvement impact the emotions and behaviors of consumers.

## **LITERATURE REVIEW**

### **Pricing**

Among various pricing strategies, most companies use comparatively simple strategies to determine prices (Sahay, 2007). Traditionally, uniform prices would be set in the summer and be applied for the next entire year in a hotel. Uniform pricing requires hotels to commit to prices upfront, so those hotels may not have the ability to react to individual consumers (Aviv & Pazgal, 2005). Thus, uniform pricing has been evaluated as unrealistic since the hospitality business today is so dynamic that it needs to adjust to changes (Serlen, 2004). On the other hand, consumers might prefer the simplicity of a known, fixed price that is not subject to any changes (Yesawich, 2004).

However, both companies and consumers seem to favor dynamic pricing (Dimicco, Maes, & Greenwald, 2003; Kimes, 1989; Sahay, 2007). Dynamic pricing refers to making price changes in a response to marketplace demand that can be implemented in several different ways (Dimicco et al., 2003). A suitable use of dynamic pricing will generate an increase in revenue in the hospitality industry (Coulter, 2001; Kimes, 1989). Yet, many corporate travel buyers may be skeptical about the prospect of accounting for fluctuating rates that may be higher than uniform or negotiated prices (Eisen, 2006). However, dynamic pricing enables a consumer to make a choice over the price, so he or she can receive special benefits from accepting restrictions or making reservations in advance. Moreover, Sahay (2007) noted that consumers are more likely to accept dynamic pricing when they are more involved in the pricing process. By getting the consumers involved in the pricing process, firms are able to create an acceptance of dynamic pricing in the consumer's perspective.

### **Involvement**

The concept of consumer involvement with purchases needs to be measured based on the intensity of efforts spent in obtaining a specific activity. High involvement consumers are defined as those who spend more time, effort, and money to search for better deals (Schindler, 1998). Conversely, low involvement consumers are considered passive toward price deals (Farahmand & Chatterjee, 2008). Some literature indicated that consumers' information search behaviors and purchase decisions could be influenced by demographics, such as a traveler's age and gender (Duman & Mattila, 2003; Fodness & Murray, 1997; Van Raaij & Francken, 1984). In particular, Duman and Mattila (2003) indicated that younger and female travelers and travelers with prior experience with cruise vacations were significant predictors of discount usage. Discount receiving behaviors with cruise vacations might be linked with hotel experiences. In terms of the role of gender and age in influencing consumers' level of involvement in obtaining a discount, this study proposes two hypotheses as follows:

H1: Female consumers are more likely to be involved in obtaining a hotel discount than male consumers; and

H2: Younger consumers are more likely to be involved in obtaining a hotel discount than older consumers.

In addition, consumers perceive price differently according to individual characteristics (Campo & Yaue, 2007); different people in different situations would lead to various levels of involvement (Houston & Rothschild, 1978). However, consumers are much more accepting of dynamic pricing when they are more involved in the pricing process. Their participation represents an acceptance of the practice (Sahay, 2007). Thus, higher levels of involvement lead to greater levels of consumer loyalty and a lower need for scarce marketing resources. Hence, involvement plays a significant moderating role in the purchase decision; in most cases the relationships are stronger for consumers with higher involvement (Baker, Cronin, & Hopkins, 2009; Varki & Wong, 2003). In addition, the degree of involvement that the price promotion is able to generate can cause a large consumer response to a price promotion (Schindler, 1992). According to Schindler (1992)'s study, consumers can become far more involved in a price promotion than any simple consideration of the discount would seem to warrant. From the previous literature, the following hypothesis is formulated:

H3: Consumers highly involved in obtaining a hotel discount respond more positively to dynamic pricing than uniform pricing.

### **Emotional and behavioral responses to pricing**

Traditionally, literature suggests that consumers are interested in price promotions primarily because of the amount of money saved. Weiner (1985) argued that consumers experience pride and positive feelings as a result of attributing positive outcomes to them. Moreover, Kelly's (1967) co-variation theory suggested that the perception of consumers that received a discount not received by everyone else will enhance the "smart-shopper feelings" which result from this discount. Thus, the literature suggests that a consumer's willingness to take restrictions in order to get a discounted rate should lead to a greater achievement and excitement as a form of dynamic pricing. Similarly, consumers will tell more about their purchase and make repeat purchases if they attribute more to the discount's cause (Schindler, 1998). Reynolds and Arnold (2000) pointed out that consumers tend to spread positive word-of-mouth and make repeat purchases when they feel they have a good relationship with the service provider. Benefits gained from such a relationship include discounts (Leisen & Prosser, 2004). Therefore, the following hypotheses are proposed in this study:

H4: Consumers highly involved in obtaining a hotel discount experience more positive feelings from a discount, compared to low involvement consumers.

H5: Consumers highly involved in obtaining a hotel discount are more likely to tell others, compared to low involvement consumers.

H6: Consumers highly involved in obtaining a hotel discount are more likely to make repeat purchases, compared to low involvement consumers.

## RESEARCH METHODOLOGY

### Experimental design and measurement

An experimental study was conducted to examine the impact of pricing strategies on consumers' emotion and behavior with consumers' different levels of involvement. The experimental method relied on Hoch (1988)'s study, which states that respondents tend to use their own feelings and reactions as a guide to evaluating the feelings and reactions of others (Schindler, 1998). Two scenarios were designed, and each scenario represented a uniform pricing and a dynamic pricing situation. The high-involvement and low-involvement variables and the uniform discount and dynamic discount variables were fully crossed, yielding a 2 x 2 factorial experimental design.

For each scenario, five questions were chosen as dependant variables regarding how a respondent feels as the protagonist of the scenario and how a respondent responds after having received the discount: good feelings, pride, gratitude, tell others, and, repeat purchase (Schindler, 1989). Questions concerning good feelings, pride, and gratitude were grouped together to explore emotional responses. In terms of behavioral responses, the likelihood of telling people about the discount and the likelihood of repeat purchase were measured. Each question was answered by using a 7 point Likert scale. The scale for the first question, which asks about the participant's good feelings, was anchored at 1 (felt ok, but not especially good) and 7 (felt really good). The scales for the other four questions were anchored at 1 (no) and 7 (yes).

To measure a consumer's involvement of price promotion, Zaichkowsky (1985)'s Personal Involvement Inventory (PII) was employed (Table 1). PII is a semantic differential scale and offers a comprehensive collection of measurement scales from many different areas of marketing. PII was used to classify respondents into three groups on the basis of their involvement scores, ranged from 20 to 140.

**Table 1**  
**Personal Involvement Inventory (PII)**

High involvement	Low involvement
Important	Unimportant
Relevant	Irrelevant
Means a lot to me	Means nothing to me
Valuable	Worthless
Interesting	Boring
Appealing	Unappealing
Needed	Not needed
Of concern to me	Of no concern to me
Useful	Useless
Fundamental	Trivial
Beneficial	Not beneficial
Matters to me	Doesn't matter

Interested	Uninterested
Significant	Insignificant
Vital	Superfluous
Exciting	Unexciting
Fascinating	Mundane
Essential	Nonessential
Desirable	Undesirable
Wanted	Unwanted

Note. Adapted from “Measuring the Involvement Construct,” by J. L. Zaichkowsky, 1985, *Journal of Consumer Research*, 12, p. 341-52.

### Data collection and statistical analyses

The study sample was collected from patrons at a café inside a courthouse in a Southwestern metropolitan city in the U.S. in April 2010. Voluntary participation was sought after. The researcher was present at all times, explaining procedures and providing instructions. A total of 150 surveys were distributed and 120 usable surveys were received and used for data analyses, yielding a response rate of 80%.

To test the hypotheses, t-test and analysis of variance (ANOVA) were carried out. In this study, the results obtained from one half of the scale items were taken to check them against the results from the other half of the items (Zikmund, 2003). Internal consistency was measured with Cronbach's alpha, a statistic calculated from the pairwise correlations between items. An  $\alpha$  of 0.88 indicated good reliability. Moreover, construct validity was established since the variables behave as the study expects them to do (Zikmund, 2003). The validity of the measure was also checked by cross tabulating involvement and dependant variables.

## RESULTS

Based on the study sample of 120 respondents, the age group of the respondents was approximately distributed between the younger and older group; 46.67 % belonged to the group of ages below 35 and 53.33 % to the group of ages 35 years or older. The gender distribution of the respondents was fairly comparable, representing 56.67 % of male and 43.33 % of female. The income was roughly evenly distributed with 45.83 % of the respondents making less than \$50,000 and 54.17% making \$50,000 or higher. In terms of education levels, 53.33 % of the respondents had less than 4-year college while 46.67% received 4-year college education or above.

ANOVA results indicated that the mean of female group was higher than that of male group at 5 % level of significance ( $M_F = 117.23$  vs.  $M_M = 108.62$ ,  $F=7.75$ ,  $p < .05$ ) (Table 2). The p-value of the t-test ( $p < .05$ ) showed a significant difference in the two means of involvement based on gender (Table 3). H1 was supported.

Although age had more than two categories in the research instrument, it was regrouped

to two categories to simplify the data analysis and interpretation. The group whose age of younger than 35 years old was considered the younger group while 35 years or older as the older group. There is much debate over the ranges of dates when generation X and Y began, and the "cut-off" period. Fran Kick (2005) notes that "there are no hard and fast lines that occur between December 31st of one year and January 1st of the next. More often than not, it's as shift that occurs over three to five years, maybe more depending on who you ask (p. 33)." For this study, 35 years old was considered the cut off as a response to literature suggests that the Y generation is typically thought of as being born between 1976 and 1999 inclusively (Normand, 2010). The younger group was assumed to be more information savvy, as young and female travelers tend to rely on online websites for vacation-related information (Duman & Mattila, 2003).

The results indicated that the mean of "younger than 35 years old" was higher than the older group at 5 % level of significance (MY = 116.20 vs. MO= 108.98, F=5.45, p< .05) (Table 3). H2 was supported.

**Table 2**  
**Means of Gender and Age Groups**

Involvement	Mean	N	SD
Gender			
Male	108.62	136	22.92
Female	117.23	104	24.81
Age			
Younger	116.20	112	20.88
Older	108.98	128	26.20
Total	112.35	240	24.09

*Note:* Each involvement is ranged from 40 to 120 scores.

**Table 3**  
**Analysis of Variance for Involvement**

Source of Involvement	df	F	MS	P
Gender	1	7.75*	4372.02	0.006
Age	1	5.45*	3106.95	0.020

*Note.* \*p < 0.05.

For the involvement scores, which ranged from 20 to 140, the top forty responses were classified as high involvement consumers and the bottom 40 as low involvement consumers, with the middle 40 excluded. Based on the distribution of scores in the range of 20 to 140, involvement scores between 20 and 104 were categorized as low involvement and scores between 127 and 140 were categorized as high involvement. As shown in Table 4, in the

presence of highly involved consumers, the mean of dynamic pricing for emotional scores was higher than the mean of uniform pricing at 0.1 % level of significance ( $M_{E, \text{Dynamic}} = 6.39$  vs.  $M_{E, \text{Uniform}} = 3.48$ ,  $p < .001$ ). In addition, the mean of dynamic pricing for “tell others” was higher than the mean of uniform pricing at 0.1 % level of significance ( $M_{T, \text{Dynamic}} = 6.40$  vs.  $M_{T, \text{Uniform}} = 3.70$ ,  $p < .001$ ) (Table 5). Similarly, the mean of dynamic pricing for repeat purchase scores was noticeably higher compared to the mean of uniform pricing at 0.1 % level of significance ( $M_{R, \text{Dynamic}} = 6.43$  vs.  $M_{R, \text{Uniform}} = 3.88$ ,  $p < .001$ ). Therefore, H3 was supported.

**Table 4**  
**Means of Variables in Uniform and Dynamic Pricings**

Variables	Uniform		Dynamic	
	M	SD	M	SD
Emotion	3.48	1.86	6.39	1.01
Tell others	3.70	2.57	6.40	1.17
Repeat purchase	3.88	2.52	6.43	1.15

*Note:* Each dependent variable is measured on a 7-point scale.

**Table 5**  
**Dependent Variables for High Involvement Consumers**

Variable	Price Strategies		t	df
	Dynamic	Uniform		
Emotion	6.39 (1.01)	3.48 (1.86)	8.70*	78
Tell Others	6.40 (1.17)	3.70 (2.57)	6.06*	78
Repeat Purchase	6.43 (1.15)	3.88 (2.52)	5.82*	78

*Note.* \* $p < .001$ . Standard Deviations appear in parentheses below means.

With regard to H4, measuring consumers’ emotional responses, an average of three scores was taken to run ANOVA. The obtained results revealed that the mean of emotional scores for high involvement consumers was higher than that of low involvement consumers at 5 % level of significance ( $M_{E, \text{Low}} = 4.14$  vs.  $M_{E, \text{High}} = 4.94$ ,  $F = 7.319$ ,  $p < .05$ ) (Table 6). It was found to have a significant difference between the levels of involvement and positive feelings. H4 was supported.

Moreover, the mean of variable “tell others” scores for high involvement consumers were founded to be higher than that of low involvement consumers at 5 % level of significance ( $M_{T, \text{Low}} = 4.05$  vs.  $M_{T, \text{High}} = 5.05$ ,  $F = 8.128$ ,  $p < .05$ ) (Table 7). Likewise, the mean of repeat purchase scores for high involvement consumers were higher than that of low involvement consumers at

5 % level of significance ( $M_{R, Low} = 4.46$  vs.  $M_{R, High} = 5.15$ ,  $F=5.062$ ,  $p < .05$ ). Consequently, H5 and H6 were supported.

**Table 6**  
**Means of Variables in Low and High Involvement Consumer Groups**

Variables	Low		High	
	M	SD	M	SD
Emotion	4.14	1.63	4.94	2.09
Tell others	4.05	2.01	5.05	2.41
Repeat purchase	4.46	1.42	5.15	2.33

*Note:* Each dependent variable is measured on a 7-point scale.

**Table 7**  
**Analysis of Variance for Variables Based on Involvement**

Involvement	df	F	MS	P
Emotion	1	7.319*	25.600	0.008
Tell Others	1	8.128*	40.000	0.005
Repeat Purchase	1	5.062*	18.906	0.026

*Note.* \* $p < .05$ .

## CONCLUSION

Results of the study revealed interesting findings. First, high involvement consumers responded more positively to dynamic pricing than uniform pricing. Second, younger and female consumers were more likely to be involved in obtaining a discount. Third, high involvement consumers showed more positive feelings, and were more likely to tell others and make repeat purchases from a discount as compared to low involvement consumers.

Theoretically, this study has attempted to examine differential involvements a consumer may attribute to a discount affecting consumers' preferences on price strategies. It has been worthwhile to study this linkage because hotels heavily rely on discounts due to the economic recession. This study has also suggested an understanding of emotional and behavioral responses with differential levels of involvement.

In practical terms, hotel managers may consider offering various discounts aimed at younger and female travelers. Moreover, hotel managers are advised to identify dynamic pricing to attract their high involvement consumers. This target segment seems to be more prone to deal seeking consumers than low involvement consumers. The findings of this study recommend hotel managers to segment consumers into differential involvement groups. Hotel managers may

possibly design price promotions targeting a specific group. Also, managers are advised to take a caution when introducing a new price promotion. Hotels may receive short term benefits from a price promotion, but it may find the practice to be unprofitable in the long run. Thus, hotels need to evaluate price strategies from the long term business perspective at the same time.

Since the survey was conducted in a single place, respondents would be limited to the given area at that given time. Its results would not represent the views of the entire population. Also, respondents may not be representative because they select themselves as volunteers in response to oral requests (Zikmund, 2003). Therefore, generalizations should not be made since the sample would not be representative enough. In addition, other types of product and services using more representative samples are needed before practical implications can be generalized. Moreover, the study was conducted during tough economic times, so further studies should be carried out on good economic times to see if economy affects consumers' emotions, behaviors, and preferences about price strategies. Ages of respondents were regrouped into two categories to simplify the data analysis and interpretation. It may seem to be unrealistic to categorize the group whose age of younger than 35 years old as the younger group and 35 years or older as the older group. Previous study argued that older housewives tend to deal prone (Webster, 1965). Finally, other variables such as income and education were not controlled in this study. Thus, it may be skeptical to generate that younger consumers are more involved in obtaining a discount.

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