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Examining Chinese consumers' luxury hotel staying behavior

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1. Introduction

The purpose of this paper is to examine lodgers' luxury hotel <u>staying</u> behavior when traveling for leisure purpose. The value of the luxury goods market is about to exceed US$302 billion worldwide in 2012, which is more than five times the value of the industry in 1997 (Roberts, 2012; Nueno & Quelch, 1998). Studies in luxury goods consumption have burgeoned in recent years because of this development. In addition, the robustness of the luxury goods industry in the face of the recent and ongoing global recession has fuelled academics and practitioners' interest in this area (Hung et al., 2011).

In contrast to studies of the consumption of physical luxury goods, such as handbags or cars (e.g., Han, Nunes, & Dreze, 2010; Hung et al., 2011), few studies have examined the consumption of luxury tourism and hospitality products, despite the significant growth in this market since 2005 (Mintel, 2010). In particular, relatively little is known about what drive lodgers to stay at luxury hotels when traveling. According to Mintel (2005), the top 3% of travelers in the world represent 20% of the total tourism expenditure.

2. Literature Review

This paper uses a modified value-attitude-behavior model to examine consumers' luxury values and their luxury hotels <u>staying</u> behavior when traveling (Homer & Kahle, 1988). This approach will bypass each hospitality product's unique facility requirements, providing additional implications for theory and practice. In this study, luxury goods refer to goods that have premium quality, recognizable style, reputation, and / or limited accessibility (Berthon, Pitt, Parent, & Berthon, 2009; Wiedmann, Hennigs, & Siebels, 2009). Figure 1 shows this research's proposed framework.

A review of the relevant literature (Berthon et al., 2009; Han et al., 2010; Hung

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et al., 2011; Vigneron & Johnson, 2004) suggests that luxury value involves experiential, symbolic, and functional value. Following a review of literature, the first relationship to be examined in this study is luxury hotels' functional value and its impact on lodgers' attitude toward luxury hotel. According to Wiedmann et al. (2009), functional value refers to a product's core benefits and quality. Vigneron and Johnson (2004) suggest that individuals who value the function of luxury goods (e.g., emphasize the product's quality) are likely to have a positive attitude toward purchasing luxury products. According to Ajzen & Driver (1992), attitude is the degree to which a person has a favorable or unfavorable evaluation of a behavior.

Experiential value, according to Holbrook and Hirschman (1982), evokes fantasies, feelings, and fun and is essential to the consumption of luxury products. In previous studies, scholars (Vigneron & Johnson, 2004) support the notion that consumers' experiential value (e.g., uniqueness and rarity) has a positive impact on their attitude regarding the purchase of luxury goods. Berthon et al. (2009) and Han et al. (2010) suggest that the symbolic value of luxury goods indicate the ability of the luxury good to relay information about its owner's wealth and status. In Berthon et al. (2009) and Han et al.'s (2010) papers, symbolic value (e.g., expensiveness and conspicuousness) is closely linked to consumers' attitudes toward the purchase of luxury goods.

In addition to the influence of luxury value on attitude, Hung et al.'s (2011) research finds that symbolic, functional, and experiential value can have direct impacts on Asian consumers' intention to purchase luxury handbags. In their study, luxury handbag's superior quality, conspicuousness, and uniqueness can directly trigger consumers' purchase intention. This research extends their work by testing the influence of luxury value on consumers' luxury hotel staying behavior. Up to date,

few studies have examined whether or not luxury value can influence consumers'
decision to purchase luxury products that are intangible. The last relationship to be
examined in this study is consumers' attitudes towards luxury hotels and their luxury
hotel staying behavior. In previous value-attitude-behavior studies, scholars have
demonstrated that individuals' attitudes toward certain products influence their
decision to purchase these items (Homer & Kahle, 1988). Based on the above
literature review, the following hypotheses are proposed:

> H1: Luxury hotel's functional value will have a positive impact on consumers'
> attitude towards luxury hotels.
> H2: Luxury hotel's experiential value will have a positive impact on consumers'
> attitude towards luxury hotels.
> H3: Luxury hotel's symbolic value will have a positive impact on consumers'
> attitude towards luxury hotels.
> H4: Luxury hotel's functional value will have a positive impact on consumers'
> luxury hotel staying behavior.
> H5: Luxury hotel's experiential value will have a positive impact on consumers'
> luxury hotel staying behavior.
> H6: Luxury hotel's symbolic value will have a positive impact on consumers'
> luxury hotel staying behavior.
> H7: Consumers' attitude towards luxury hotels will have a positive impact on
> their luxury hotel staying behavior.

3. Methodology

Chinese consumers are one of the main driving forces behind the growth of the
luxury goods market (Hung et al., 2011). This study focuses on Chinese consumers'
luxury hotel staying behavior because 2.1 billion Chinese individuals made domestic
tourism trips during 2010 (Li, Harrill, Uysal, Burnett, & Zhan, 2010). Prior to the
main study, this research conducted five interviews with tourism agency practitioners
and three focus groups with Chinese tourists. Based on participants' feedback, luxury
hotels have the following characteristics: five-star or better hotels and average daily

rate that is at least twice the price of non-luxury hotels (more than $185 per night) (Gu, Ryan, & Yu, 2012). For interviewees, these hotels are subject to stringent inspection, customers' high expectations, and competition from nearby hotels.

For the main study, after deleting incomplete questionnaires, 368 surveys were collected from Chinese residents living in Beijing (131/368), Shanghai (75/368), and Guangzhou (162/368). A purposive sampling method was used to recruit participants (Shankar, Elliott, & Goulding, 2001).These are China's tier-one cities that have been labeled as high-travel-incidence markets (Li et al., 2010). Using an interception technique, trained student interviewers selected individuals who had entered or exited luxury hotels. This was to increase the probability of meeting participants who had stayed at one of the luxury hotels (Wong & Yeh, 2009). All of the participants have travelled to other provinces and have stayed at luxury hotels before.

The participants completed a survey evaluating symbolic value, experiential value, functional value, attitude, and consumption behavior (Ajzen & Driver, 1992; Chen & Peng, 2013; Hung et al., 2011). The measurement scales were designed to examine the target question, "What contributes to a self-paid consumer's luxury hotel staying behavior when traveling for leisure purpose?" This study used a Likert-type scale for the question design. All variables in the model were measured with multiple items (Table 1).

4. Data Analysis

SPSS 17 and AMOS 5.0 were used to analyze the data. A confirmatory factor analysis (CFA) was performed to specify the structure between observed indicators and latent constructs and to test the validity of the measurement model. Following Anderson and Gerbing's (1988) two-step approach, this study examined the adequacy of the measurement model and the structural components of the model by using CFA

and structural equation modeling. Taken together, the high factor loadings, composite reliability, and average variances extracted (AVE) for each construct confirmed the reliability, convergence, and discriminant validity of the instrument (Table 1).

*Table 1 here

The results obtained from structural equation modeling show a good fit between the data and the model ($\chi2 = 173.051$, df = 80, p < 0.001, RMSEA=0.056, CFI=0.972, NFI=0.949, GFI= 0.943). This research's results support the application of the modified model of value-attitude-behavior in the context of luxury hotels. As for results gathered from hypotheses testing, the participants' functional, experiential, and symbolic value can affect their attitude toward luxury hotel; therefore, H1, H2, and H3 are supported. Secondly, experiential and symbolic value will affect participants' luxury hotel staying behavior directly, but functional value will not have such effect. Finally, the analysis of participants' luxury hotel staying behavior when traveling demonstrated that participants' attitude to stay at luxury hotels can affect their staying behavior; thus, H7 is supported. Figure 1 shows this research's testing results.

* Figure 1 here

By following Zhao, Lynch Jr., and Chen's (2010) guidelines on examining mediating effect, the results show attitude exhibits either complementary mediation (experiential value and staying behavior; symbolic value and staying behavior) or indirect-only mediation effects (functional value and staying behavior).

5. Discussions

The findings of this study have implications for tourism / hospitality literature and practices. First, this study explores the consumption of luxury goods in the context of hotel services by using a modified value-attitude-behavior model. The results show this research framework is suitable to examine lodgers' luxury hotel

staying behavior when traveling for leisure purpose. Prior to this study, few tourism studies have investigated this market despite its growth in the ongoing global recession that started in 2008. Additionally, this study focuses on China, which is the largest and fastest-growing market for tourism.

Second, this research examines and confirms that luxury value, which has primarily been applied to physical products, can affect consumers' attitudes toward the consumption of luxury hotels. Like luxury handbags and cars, luxury hotels' functional, experiential, and symbolic value can positively influence consumers' attitude towards these hotels. The findings also demonstrate that symbolic and experiential value have a direct effect on consumers' behavior; however, functional value does not have the same effect. One explanation is that hotel services are intangible, unlike tangible luxury goods; hence, it is difficult for consumers to evaluate the functional benefits of luxury hotels (e.g., quality and level of sophistication) prior to their stay.

Third, the findings of this study provide practitioners some insights regarding Chinese consumers' luxury hotel staying behavior. Based on the results, practitioners need to identify consumers who think luxury hotels are pleasant and desirable. Attending trade shows that are open to the public is a useful method to gather potential customers' information in the Greater Chinese market (Wong, Li, Peng, & Chen, 2013). Moreover, when targeting consumers of luxury hotels, practitioners should highlight their hotels' superior quality, uniqueness, and conspicuousness. To be more specific, managers must emphasize the experiential and symbolic value of their luxury hotels when promoting them to potential customers as they can influence staying behavior directly and by first influencing consumers' attitudes. They should advertise in magazines targeted at luxury goods consumers, underlining the hotel's

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symbolic meanings to its guests, and the luxurious experience it offers may appeal to potential customers effectively.

6. Future Studies and Conclusions

In conclusion, this study contributes to tourism and hospitality literature and practices by identifying the factors that will influence lodgers' luxury hotels staying behavior when traveling. However, this work has limitations, and these provide some suggestions for future research directions. One of the limitations of this study is that the luxury hotels mentioned in this paper are likely to be in the intermediate and accessible luxury goods categories, which appeal to middle-class and professional consumers. To enrich the body of hospitality literature, future studies could compare whether these two consumer groups have similar staying behavior for luxury hotels or investigate the elite consumers of inaccessible luxury hotels.

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Table 1 Descriptive Analysis of the Measures

Variable	Measurement items	Mean	SD	α	AVE
Functional value	Compared to other hotels,… 1: luxury hotels have the best quality. 2: luxury hotels are sophisticated. 3: luxury hotels are superior	5.70	.87	.83	.64
Symbolic value	Compared to other hotels,… 1: luxury hotels are conspicuous. 2: luxury hotels are expensive 3: luxury hotels are for the wealthy.	4.71	.96	.76	.51
Experiential value	Compared to other hotels,… 1: luxury hotels are unique. 2: luxury hotels are rare. 3: luxury hotels are stunning.	4.41	1.13	.88	.72
Attitude	For me, staying in luxury hotels is— 1: Extremely undesirable (1)/Extremely desirable(7). 2: Extremely unpleasant (1)/Extremely pleasant(7). 3: Extremely negative (1)/Extremely positive(7).	5.03	1.17	.93	.82
Staying behavior	1: I stayed at luxury hotel(s): (1). 0 time, (2) 1 time,…., (7). Above 6 times during the past twelve months 2: On average, I spent: (1). US$0, (2) $1-95…, (7). Above $571 per night on staying at luxury hotel(s) during the past twelve months. 3: Can you list at least one hotel that you stayed in when traveling to other provinces?[*]	4.58	1.14	.90	.74

*This question is not included in the statistical analysis.

Figure 1. Research Framework (N=368)
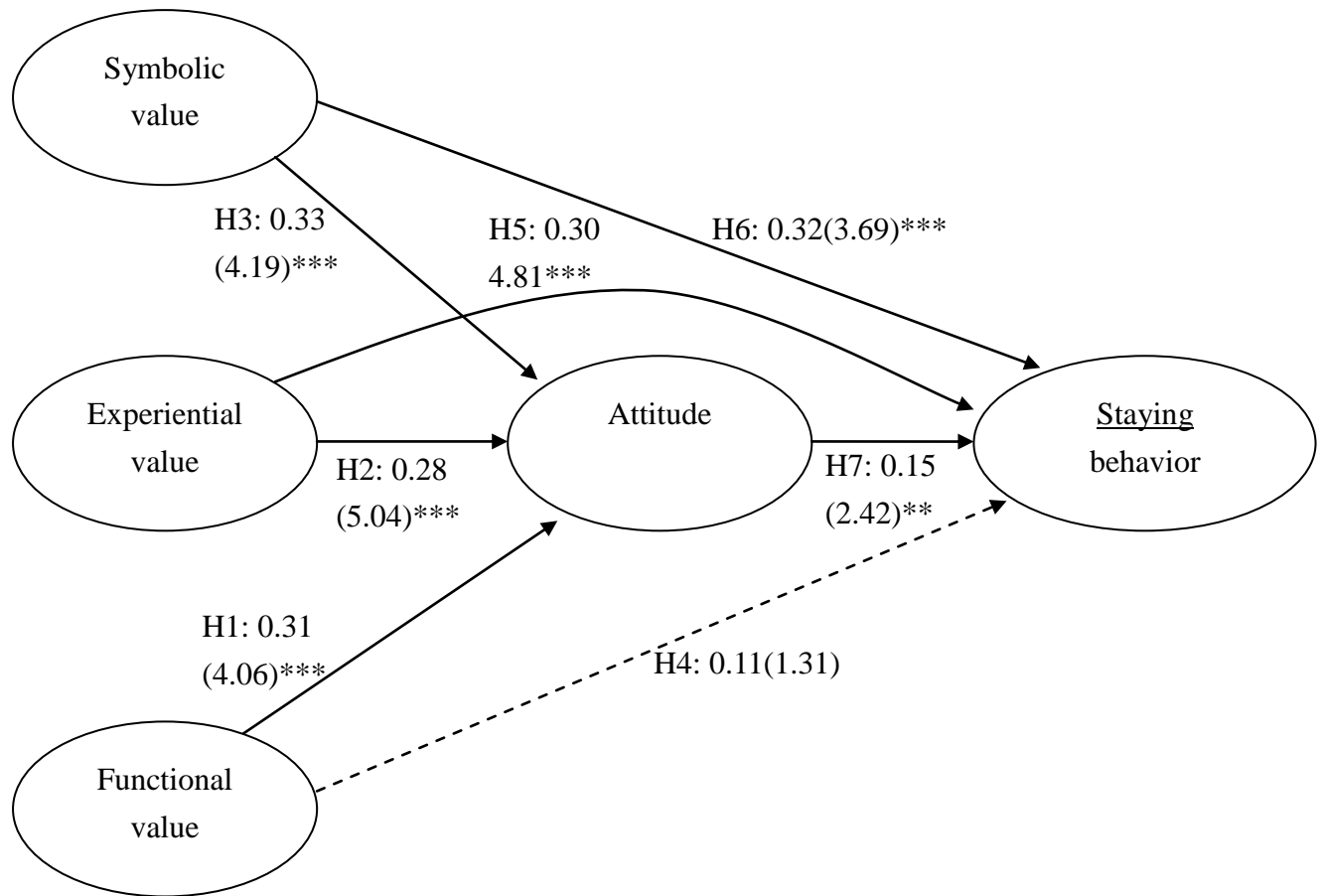
Number on path: standardized parameter estimation, Number in parentheses: T-Value.

Remark: * *p*< 0.05; ** *p*<0.01; *** *p*<0.001.

Model fit: χ^2/df=2.163, RMSEA=0.056, CFI=0.972, NFI=0.949, GFI= 0.943