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# PERCEIVED VALUE CONCEPTUAL MODEL FOR UPSCALE HOTE...

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## 5 PERCEIVED VALUE : CONCEPTUAL MODEL FOR UPSCALE HOTEL

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### Abstract

The purpose of this article is to investigate perceived value in hotel industry especially upscale & business hotel based on extensive literature review. Past research suggest that perceived value is key success in gaining customer satisfaction as well as behavior intention. It is also provide competitive advantage. Because of its roles, it received much attention from academic researcher and practitioners. Although perceived value has been widely studied, but only a little research developed perceived value as a multi-dimensional model for upscale hotels based on guest experience.

We develop a scale of measurement of perceived value for upscale hotel, which grouped into 7 dimensions mainly (1) functional value – building, (2) functional value – guestroom, (3) functional value – food & beverage, (4) functional value – service employees, (5) functional value – price, (6) emotional value and (7) social value. We proposed the model as formative. The models answer questions especially from the hotel manager about the factors which play a major role in forming the perceived value.

Keywords: perceived value, multi-dimensional, formative, upscale hotel

### 1. Introduction

Perceived value received great attention from academics and practitioners for 30 years. Perceived value established as a goal in American Marketing Association definition of marketing both in 2004 and 2007 (Wilkie, 2007). According to the Marketing Science Institute perceived value is one of the priority research in 2006 -2008.

Perceived value is a source of competitive advantage (Huber, 2000; Lai, 1996; Woodruff, 1997; Porter, 1988). Perceived value is antecedent of customer satisfaction and behavioral intention (Chen,Chen, 2010; Hutchinson, Lai, Wang, 2008; Lai, Griffin, Babin, 2008). Although perceived value is an important concept, but there is no consensus on the definition, operationalization and measurement of perceived value.

This article focused in perceived value of the hotel. Research on perceived value in hotel, been conducted by Jayanti & Ghosh (1996), Bojanic (1996), de Ruyter, Lemmink, Wetzels, Mattsson(1997), Kashyap & Bojanic (2000), Sabbahy, Ekinci, Riley (2003), Nasution &

Mavondo (2008), Walls (2012). Jayanti & Gosh (1996), Bojanic (1996), Kashyap & Bojanic (2000) focused on antecedent and consequences of perceived value and operated as uni-dimensional construct. de Ruyter, Lemmink, Wetzels, Mattsson (1997) operated perceived value as multi-dimensional construct which developed based on Axiology of Value theory. Sabbahy, Ekinici, Riley (2003) considered perceived value based on price based theory developed by Grewal, Monroe, and Krisnan. Nasution & Mavondo focused their study on customer value from customer perspective and hotel manager perspective. Walls (2012) developed perceived value based on experiential view and operated it as multi-dimensional reflective construct. There is still unanswered issue mainly what perceived value is formed. This issue is very important because managers have to focus on the elements of the services that are important to customers.

This article is structured into three sections. First section will discuss the literature review. Next section, is result/analysis. Result of the study is a conceptual model of perceived value. The model is intended to upscale hotels. Last is conclusion of the discussion.

## 2. Literature Review

Research on perceived value classified two approaches perceived value construct as uni-dimensional and multi-dimensional perceived value as construct. The first approach, assumed perceived value as a single overall construct that measured by one or a series of items that evaluate customers' perception of value. Second approach, assumed perceived value as multi-dimensional construct. The second approach, consider perceived value as a multidimensional construct that reflects an assessment of the attributes or dimensions that are interconnected to form a holistic represents a complex phenomenon (Sanchez-Fernandez & Iniesta-Bonillo, 2007).

Theories that support the first approach is a price-based studies and the means-end theory while the second approach and Hedonic and Utilitarian views. Since, perceived value represent complex phenomena then this article focus on multi-dimensional construct. Sanchez-Fernandez & Iniesta-Bonillo (2007) concluded that theories which assumed perceived value, are Axiology of value theory, Holbrook's typology of value, Consumption-values theory.

Consumption-values theory, constructed by Sheth, Newman, Gross (1991) based on 3 propositions mainly (1) to select multiple market value, (2) each value contributes different,



(3) each value independent. The theory identified 5 types of value which influence consumer behavior mainly, functional value, emotional value, social value, conditional value, epistemic value.

Researches on perceived value which used Consumption-values theory were conducted by Sweeney & Soutar (2001), Pura (2004), Sanchez, Callarisa, Rodriguez, Moliner (2006), Fandos-Roig, Gracia, Tena & Monzonis (2006), Cengiz & Kirkbir (2007), Williams & Soutar (2009), Simova (2009), Fandos-Roig, Gracia, Tena (2009), Fiol, Tena, Garcia (2011), Chi & Kildruff (2011). Despite using the same theory but they varied in the operationalization of perceived value. Sweeney & Soutar (2001), Pura (2004) operated perceived value as first-order construct. As perceived value is higher order construct (Sanchez-Fernandes & Iniesta & Bonillo, 2006; Day & Crack, 2000; Zeithaml, 1988), the other operated it as a second order construct.

Perceived value is a second order construct as it met the criteria such as there is theoretical justification, all factors in first order influence the construct in the same way (Hair, Black, Babin, Anderson, 2010). Some scholars assume that customer behavior including perceived value, as unobserved and can not measured directly. To measure it the scholar investigate indicators that reflect the behavior. Measuring indicators which considered to reflect the variables studied, called the reflective measurement models (Hair, Black, Babin, Anderson, 2010). However, indicators do not always have a positive influence on the latent variables so that there are other possibilities in relation to indicators of latent variables (Coltman, Devinney, Veniek, 2008). In some cases the indicators cause the latent variable. The model is called the formative measurement.

Some authors defined functional value, emotional value, social value, epistemic value, and conditional value formed perceived value (Sanchez, Callarisa, Rodriguez, Moliner, 2006; Fandos-Roig, Gracia, Tena & Monzonis, 2006; Cengiz & Kirkbir, 2007). Their argument are perceived quality or price are not manifestations of perceived value but defining characteristic of it, perceived quality, price or feeling do not share a common theme; each dimension of perceived value has its own antecedents and consequences.

### 3. Conceptual Model for Upscale Hotel

Batra and Ahtola (1990) stated there are 2 reasons consumers purchase, namely utility reasons and affective or hedonic reasons. Upscale hotel offers both utilities and sensory experience. Then the multi-dimensional perspective is more appropriate.

We use Consumption values theories since it is a strong theory which is often tested. Though Sheth, Newman, Gross (1991) suggested 5 values, we considered upscale hotel over 3 values mainly functional value, emotional value and social value. Epistemic value is not suitable for the hotel, because the hotel more emphasis on hospitality than technological sophistication which arouse desire of knowledge or offering something that has never existed. Hotel is not seasonal products and the number of hotel rooms is higher than its demand, therefore conditional value does not suitable the hotel.

Because perceived value is very subjective, Sanchez, Callarisa, Rodriguez, Moliner (2006) suggest that the measurement model should fit with the characteristics of customers and products. Hotel services categorized as a service shop (Ng, Russell-Bennett, Dagger, 2007). In service shop, the use of tools/facilities and services are balanced, and product

Service is a series of processes generated by people and equipment/facilities. From a customer perspective, service is the experience while from the perspective of service management is a process that must be designed based on customer experience (Lovelock & Wirtz, 2012). A series of processes are reservation, check-in, guests receive baggage handling using guestroom facilities, enjoy the food & beverage, using other facilities, guests receive baggage handling, check-out, paying the bill and leave the hotel (Bardi, 2007). The series of process is described as follows.

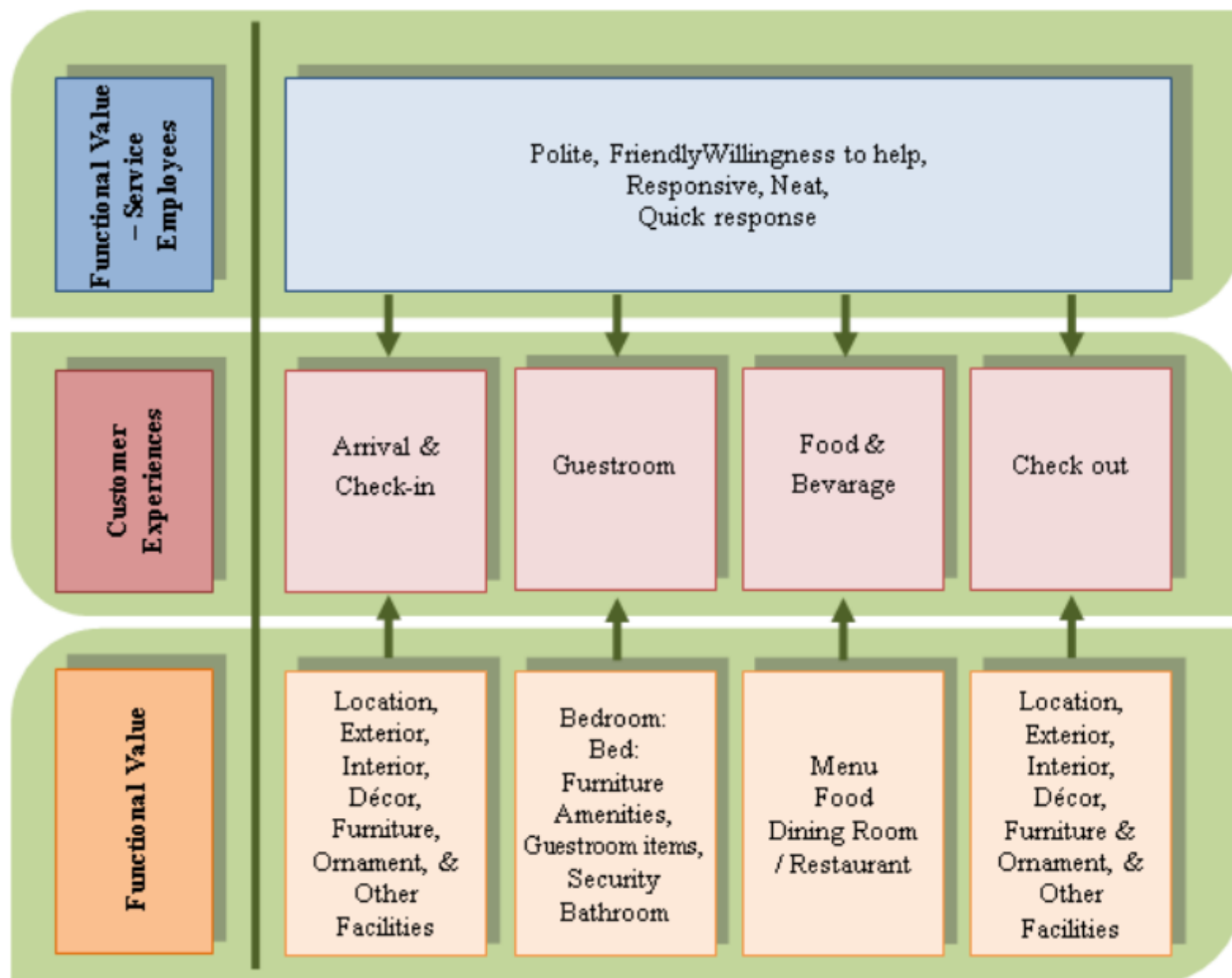


Figure1. Customer Experience & Functional Value

Reservation can be done through various media, the perceived value at this stage is difficult to generalize. We concluded that customer experience starts from arrival & check-in (registration), using guestroom, enjoy food & beverage, and check out. From these processes, guest perceived value. Source of value varies at each state as used due to using different facilities. Perceived value at each stage also varies. Because antecedents and consequences of each state are different we argue that functional value should be separated into some groups. Service employees at each stage of the guest experience. Services may vary at each stage but it is not easy for guests to assess the capabilities of employees in serving customers at every stage and each guest gets different experiences. We argue there are general capabilities throughout the stage in order to be able to generalize. Guest perceived value derived from capabilities of facilities and employees in carrying out their functions beyond the standard. Sheth, Newman, Gross (1991) suggested functional values emphasize on utilities. The utility obtained by a certain sacrifice, therefore, the price is one of functional value attributes.



Perceived value in hotel is a second order construct. Perceived value formed by functional value, emotion value and social value. They are abstract concept, which is reflected by several indicators. Thus the perceived value is a second order construct. Perceived value is a perceived utilities, as a result of cognitive and affective assessment. As <sup>3</sup> perceived value is formed by functional value, emotion value and social value then perceived value is second formative construct which described as follow.

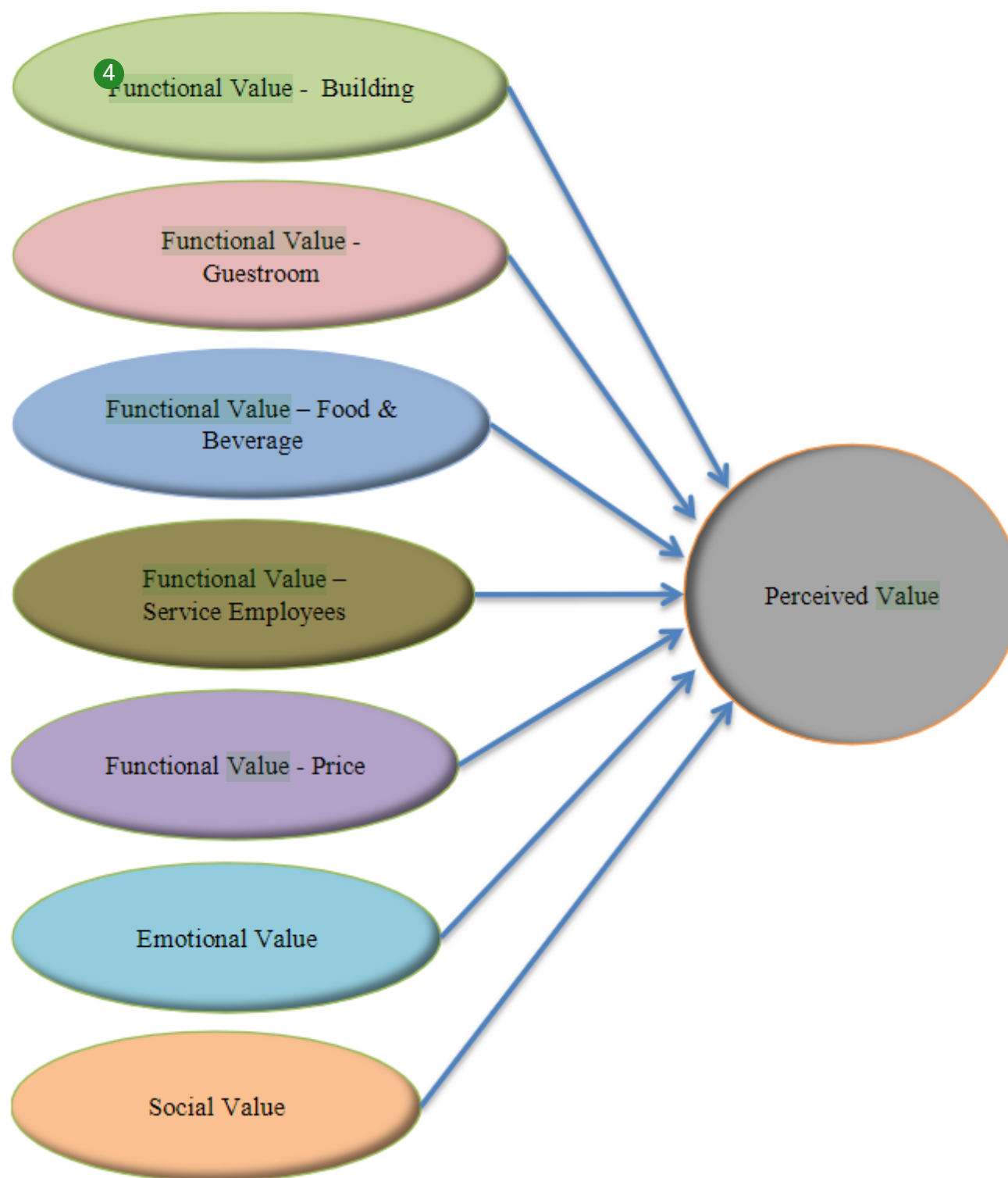


Figure 2. Perceived Value and Its Dimensions

Our conclusions on relevant functional value to the opinion of Yuan (2008) and Sanchez (2006). Functional value is defined as the values derived from the functional aspect of the

hotel which includes the value of the building (Sanchez, 2006), the value of the guestroom (Yuan, 2009), the value of the food & beverage (Yan, 2009), the value of the service employees (Yuan, 2009; Sanchez, 2006) and the value of the price (Sanchez, 2006).

Previous studies discussed emotion value which perceived by guest (Basky & Nash, 2002; Petrick, 2004). Based on our preliminary survey and their researches, we conclude emotion value which suitable for upscale hotel are comfortable, respected, relaxed, welcome, proud, practical, safe, fascinated and delighted.

We define social value as a utility customer perceived by linking themselves with their social group. We agree with Miladian & Sarvestani (2012) that social value is measured by social self-image. Because basically one of consumption motive is to get social self-image. Social self-image is defined as the image one wants "held" by others. Miladian & Sarvestani (2012: 226) concluded that the motive for buying and using the products depending on what one wants to be seen by others. Product which has prominent symbolic value exceeds the utility function will provide social value. Miladian & Sarvestani (2012) use social self-image and social relationships to measure social value. Social self-image suitable for measuring perceived value on hotel guests because the goal is for the customer to choose products to get a certain image of others, while social relationships are not suitable.

#### 4. Conclusion

This article offers insight on conceptual model of perceived value for upscale hotel. Model is designed based on customer experience and consumption values theory.

Based on the theory of consumption values, the values perceived guests are functional value, emotional value and social value. We conclude that there are five dimensions for measuring functional value, mainly functional – building, <sup>4</sup> functional value – guestroom, functional value – food & beverage, functional value – service employees, functional value – price. Emotion value should be fitted with guest and hotel characteristics. We conclude that social value should be measured by social self- image.

The weakness of this article is a model has not been tested yet. Empirical support is needed to make it a good model.

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