AN EXAMINATION OF POST-EXPERIENCE PERCEIVED VALUE: THE CASE OF HOSPITALITY SERVICES

By

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ABSTRACT

The concepts of perceived quality and customer satisfaction gained their importance and wide popularity amongst marketers and researchers because of the information they are thought to provide about the customer's product / service evaluation process. However, these two notions, in many cases, fell short of their promise. The first tends to provide information about the internal aspects of the operations, while the latter proved to be inadequate in predicting behavioural intentions as experience showed that, in many cases, satisfied customers defect.

The emerging concept of perceived value is more customer-orientated. It is perceived value that consumers use when comparing alternatives rather than quality and satisfaction. This makes perceived value one of the best tools to help the service provider improve their competitive position. Despite the increased recognition of perceived value as a source of competitive advantage, it has not been sufficiently incorporated into the service evaluation research stream. Moreover, little attention has been given to identifying the dimensions of this construct and ascertaining their nature.

This study aims to investigate the dimensionality of perceived value of hotel customers after the service encounter and examine the relationship between the found dimensions and other post-service-experience service evaluation constructs, with application to hospitality services.
A preliminary study showed that the existing measures of perceived value did not show enough validity when applied to the hospitality services’ customers after the service experience. A follow up study showed that a refined conceptualisation of perceived value dimensions was needed and a new perceived value measurement tool was required to capture these dimensions. Therefore, this study presented a new two-dimensional scale for perceived value. The new scale was shown to be a good measure of perceived value. The study also suggested a perceived value model that relates the two perceived value dimensions to price, perceived quality, customer satisfaction, and behavioural intentions. The tested model showed that not only does perceived value affect customers’ behavioural intentions directly, but also indirectly through customer satisfaction. Finally, another contribution of this study is that it introduced an improved definition of perceived value. The new definition is more comprehensive and therefore should be adopted in further research on this concept.
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Chapter 1
CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The concepts of perceived quality and customer satisfaction gained their importance and wide popularity amongst marketers and researchers because of the information they are thought to provide about the customer's product / service evaluation process. The impact of perceived quality and customer satisfaction on behavioural outcomes has been an important focus of service marketing research. Particularly, identifying the dimensions of perceived quality and customer satisfaction has been the chief concern of many researchers. However, these two notions, in many cases, fell short of their promise (Woodruff, 1997). The first tends to provide information about the internal aspects of the operations, while the latter proved to be inadequate in predicting behavioural intentions, as experience showed that, in many cases, satisfied customers defect (Jones and Sasser Jr., 1995). A satisfied customer may switch to a different service provider if s/he is looking for a different bundle of benefits. It is also
likely that a customer will switch if a different service provider is perceived to be offering the same level of quality at a lower price. On the other hand, a customer who is less satisfied with a service may continue to buy it if there are no other known alternatives or if the alternative is not affordable (Semon, 1998). Consequently, it became apparent that there was a need for a more informative tool. The emerging concept of perceived value seems to be more customer-orientated. It is perceived value that consumers use when comparing alternatives rather than quality and satisfaction (Petrick, 2001). This makes perceived value one of the best tools to help the service provider gain a better competitive position (Parasuraman, 1997; Woodruff, 1997). Perceived value is more related to willingness to buy (Dodds, Monroe, and Grewal, 1991; Parasuraman and Grewal, 2000). In fact, the effect of service quality and price on the customers' behavioural intentions is mediated by perceived value (Monroe and Krishnan, 1985). Thus, the richness and importance of the perceived value construct originates from its ability to capture several product evaluation measures in one and to give an outcome that is more correlated to behavioural intentions than any other service evaluation tool.

Despite the increased recognition of perceived value as a source of competitive advantage, it has not been sufficiently incorporated into the service evaluation research stream. In fact, the body of knowledge about perceived value is somewhat fragmented (Woodruff, 1997). Moreover, little attention has been given to identifying the dimensions of this construct and ascertaining their nature. Therefore, this research aims to identify these dimensions and their antecedents, and test their interaction with
other post-service experience service evaluation constructs, with application to hospitality services.

1.2 Objectives of the Study

Taken from the above, the objectives of the study are identified as follows:

1. To develop a valid and reliable multi-item, multi-dimensional scale for the measurement of perceived value.

2. To capture all the possible post-service-experience perceived value dimensions and ascertain their nature.

3. To examine the antecedents and consequences of each of the found perceived value dimensions.

4. To develop and test an integrated model for perceived value, perceived quality, customer satisfaction, and behavioural intentions in the post-consumption of services.

1.3 Scope and Domain of the Study

This study is based on survey research that was applied to hospitality services. Although the findings of this study can be generalised to other services, it is worth mentioning that the scientific evidence used in this study is based on data from the
hospitality sector only. Specifically, the two preliminary studies are applied to hotel rooms and restaurants independently. The main study is applied to hotel rooms. In all cases, studies are set to trace the constructs under investigation after the service encounter. Therefore, it is not an aim of this study to deal with how individuals make the buying decision. Rather, the study focuses on how customers perceive the value of a previous service experience of theirs, the dimensions of this value perception, and how this could possibly affect their future behaviour.

As most of the previous literature was applied to other products or services in different settings, it was necessary to develop the initial conceptual background of this study from the existing body of literature. The reason for choosing the post-service-experience setting for this study is that perceived value, as will be explained in the next chapter, comes as a result of the customers’ perception of the benefits received from the service compared to the sacrifices endured to get the service. The benefits and sacrifices associated with a product or service might only be revealed from the outcomes of the product or service in use situations (Woodruff and Gardial, 1996; Woodruff, 1997). This especially applies to hospitality services that are likely to fall in the zone of products that are high in “experience qualities” on (Zeithaml's (1981) continuum of evaluation. Therefore, it is believed that grounding a generic foundation of knowledge about the rising perceived value construct could be best achieved by examining the construct after undergoing the experience. For that reason, this study examines the hotel customer’s perceived value and its potential dimensions in the post-consumption phase.
1.4 Overview of the Study

This thesis consists of 6 chapters:

Chapter two provides the conceptual background that guided this study. It includes a review of the literature on perceived value. The chapter starts by covering the meaning of value in different disciplines; it then covers the literature on perceived value as it is addressed in this study.

Chapter three is the preliminary study. This study tested the adequacy of the available perceived value measures for capturing the dimensions of the construct when applied to hospitality services. In particular, an effort is made to investigate whether or not the two-dimensional scale developed by Grewal et al. (1998) would maintain its validity and reliability for the evaluation of hospitality services at the post-consumption stage. The scale was adapted and applied to hotel and restaurant customers. Thereafter, a follow-up qualitative study was conducted to help interpret the results of the two preliminary studies.

Chapter four describes the methodology for the main study. It details the steps taken to implement the study, collect the data, and analyse the findings. The first section sets forth the objectives of the study. Then, the conceptual framework for the study propositions is described and the definitions of the study’s variables are stated. The propositions that guided this study are then presented and the research design suited to test these propositions is detailed. The second section of this chapter describes how the findings of the collected data will be validated and analysed.
Chapter five presents the results of the main study. It starts with the sample characteristics and respondents' profiles; then it presents the results of the exploratory factor analysis of the perceived value scale. Then, the scale reliability is calculated, validity of the scale is tested, and the propositions that guided this study are tested and the conceptual model is reproduced.

Finally, Chapter six begins with a review of the research objectives as stated in the methodology chapter (Chapter 4). This is followed by a discussion of the findings of this study and to what extent they conform with previous research findings. The contributions of this study are then outlined and implications for future research are identified. Finally, the limitations of the study are presented.
References


CHAPTER 2
2.1 Introduction

Customer return and good word of mouth is the ultimate goal for hotel operators. These behavioural intentions depend on how the customer evaluates his experience with the hotel. Most of the previous service evaluation research focused on perceived quality and customer satisfaction and how they relate to behavioural consequences. Recently, the concept of perceived value emerged and gained more attention in consumer behaviour research. Soon after its emergence, perceived value started to receive wide popularity amongst researchers and was identified as the emerging strategic imperative (Vantrappen, 1992) and the most important success factor for firms (Naumann, 1995). Creating and delivering superior perceived value is considered a driving force to customer satisfaction (Anderson, Fornell, and Lehmann,
In fact, perceived value was identified as the main determinant of repurchase intention (Patterson and Spreng, 1997). For that reason, offering value to customers was nominated as the fundamental basis for marketing activities (Holbrook, 1994). All this led hotel firms to put their emphasis on creating and delivering value (Overstreet Jr., 1993; Huckestein and Duboff, 1999) and alerted hospitality researchers to the need for increased efforts to identify the best practices to create value for customers (Shoemaker, 1994; Dubé and Renaghan, 2000).

This chapter provides the conceptual background that guided this study. It includes a review of the literature on perceived value. The chapter starts by covering the meaning of value in different disciplines. It then covers the literature on perceived value as it is addressed in this study.

### 2.2 Conceptual Background

Linguistically, the term “value” refers to (Oxford English Dictionary):

1. That amount of some commodity, medium of exchange, etc., which is considered to be an equivalent for something else; a fair or adequate equivalent or return.
2. A standard of estimation or exchange; an amount or sum reckoned in terms of this; a thing regarded as worth having.

3. The material or monetary worth of a thing; the amount at which it may be estimated in terms of some medium of exchange or other standard of a similar nature.

Although the connotation of the term 'value' varies from one discipline to another, it is used throughout this study to reflect a combination of the above three meanings in the context of evaluating a product or service from the customer perspective. Towards this end, it was apparent that a demonstration of the wider usage of this term through different disciplines would be beneficial in grasping the essence of the concept under investigation.

2.2.1 The Wider Meaning of 'Value'

From a research point of view, the term 'value' is used to refer to different concepts in different disciplines. This has led to the existence of a number of different definitions of value, depending on the perspective from which the concept is investigated and the background of the research (Woodruff and Gardial, 1996). To start with, a distinction has to be made between 'value' as a preferential judgement and 'values' as criteria through which judgements are made (Taylor, 1961; Burns and Woodruff, 1992; Broderick, Ennew, and McKechnie, 1997). Although the latter affects the former (Holbrook, 1996), it is the former - namely the preferential judgement - that is intended when referring to 'value' in this context.
From a broad perspective, the term ‘value’ was used to refer to whatever pleases us, what is desired, and/or whatever is of interest to us (Frondizi, 1971). In that sense, Frondizi (1971, p. 6) philosophically differentiated between ‘value’ and ‘value objects’. While value is an abstract perception, value objects are “valuable things, that is, both the thing and the value embodied in it”. While this distinction might be useful in discriminating the tangible object from the intangible perception, it is extremely difficult to conduct research on value as a perception without attaching it to a valuable object.

Value as a proportionate concept has been recognised for a long time. However, at earlier times, the value was assigned to a product eventually on the basis of production related factors such as labour. For example, Adam Smith (1776) stated that the main source of a commodity value is the labour. To Smith, in a society that depends on hunting, a beaver would be worth two deer, since it takes twice as much labour to hunt a beaver than to hunt a deer. Therefore, Smith identified labour as the standard that should be used to estimate and compare the value of commodities. To him, labour is the real price; money is only a nominal price. However, these kind of supply-side value theories are not of much use in the current market-orientated era nor do they have major implications in consumer behaviour issues.

It was recently that economists as well as marketers started to pay more attention to the demand-side factors when it comes to deciding a product value and, in turn, its price. This new trend of thinking of value with consideration to demand was dubbed as subjective value theory as opposed to the preceding production-based (so-called objective) value theory (Woo, 1992). In his attempt to develop a theory of value
related to material consumption, Woo (1992, p. 85) started by identifying four meanings of value. First, value means "what is of true worth to people in the broad context of the well-being and survival of individuals, and by extension, of the species as a whole". Second, it means, "what a society collectively sees as important and worthy of individual pursuits, ... regardless of whether or not such highly valued objects of consumption really contribute to his or her well-being". Third, at the level of the individual, value "refers to what the individual holds to be worthwhile to possess, to strive or exchange for" (p. 85). Finally, value, in the most concrete sense, refers to "the amount of utility that consumers see as residing in a particular object and that they aim to maximize out of a particular act of buying or consuming" (p. 85).

It is this last conception of value that researchers seem to widely adopt. However, in economics, the word value is used almost synonymously with the word price (Woo, 1992). From a marketing and/or consumer behaviour point of view, this approach seems to be defective as it does not tell much about the mechanism that individuals' use to form their perception of value; therefore, an understanding of all the above four meanings of value is necessary.

### 2.2.2 Reference to Perceived Value in the Literature

This study is concerned with value as a judgement made by the consumer with regard to a product or service consumed, based on perceptions of the characteristics of this product or service. Throughout this research, this concept is referred to as 'perceived value'. It is worthwhile to mention here that researchers used different terms to designate perceived value although all of them eventually refer to the same thing. Some referred to it as 'customer value' (Bounds and Dewhirst, 1991; Carothers and

Others referred to perceived value as 'consumption value' (Sheth, Newman, and Gross, 1991b; Sheth, Newman, and Gross, 1991a; Bowen, 1987; Drew and Bolton, 1987; Onkvisit and Shaw, 1987; Pisharodi, 1987; Rys, Fredericks, and Luery, 1987; Liljander and Strandvik, 1992; Jayanti and Ghosh, 1996; Cronin et al., 1997; Brady and Robertson, 1999). In other instances, it was termed as 'value for money' (Donnelly and Shiu, 1999). Some other researchers used the term 'perceived value' (Parasuraman, 1987; Kortge and Okonkwo, 1993; Kortge et al., 1994; Kiefer and Kelly, 1995; Patterson and Spreng, 1997; Lapierre, 2000; McDougall and Levesque, 2000; Swait and Sweeney, 2000; Sweeney and Soutar, 2001; Petrick and Backman, 2002).

A few researchers addressed the dimensions of the construct and therefore broke 'perceived value' into 'acquisition value' and 'transaction value' (Monroe, 1990; Yadav and Monroe, 1993; Grewal, Monroe, and Krishnan, 1998). In this text, the term 'perceived value' is used to signify the overall concept under investigation, while other designations for the dimensions are drawn on as appropriate.
2.2.3 The Context of Perceived Value in This Study

The role of perceived value is usually investigated in consumption contexts (Oh, 1999). So, any reference to ‘perceived value’ will always be inherent to a product or service (Woodruff, 1997). In other words, studying the perceived value concept will always be related to material consumption or consumption that requires the aid of some good or service (Woo, 1992). In the current study, the product under investigation is the hospitality product, particularly hotel rooms.

2.3 Definitions of Perceived Value

This study is concerned with the customer’s perceived value – i.e. the value of a service as perceived by the service customer. Defining value from the customer viewpoint is difficult (Zeithaml and Bitner, 2003). Yet, there have been some attempts to propose definitions for perceived value. Monroe and Krishnan (1985) described the value judgement a buyer makes in a purchase situation as a trade-off between two utilities, the utility of the sacrifice versus the utility inferred from the perception of quality. If the latter is perceived to be greater, this will lead to a positive value perception. As a result the definition of the perceived value concept is not straightforward since it represents a combination of various perceptions embodied in one judgement.
Hauser and Urban (1986) adopted a more economics-based approach. They proposed that “value is the surplus of utility over price” (p. 448). In line with that, Anderson, Jain, and Chintagunta (1993) defined perceived value in business contexts as “the perceived worth in monetary units of the set of economic, technical, service and social benefits received by a customer firm in exchange for the price paid for a product offering, taking into consideration the available suppliers’ offerings and prices” (Anderson et al., 1993, p. 5). As easy to understand as these definitions are, they do not seem to be of much use to the consumer behaviour researcher since they do not offer an explanation as to how a customer forms his/her own value perception.

From the customer perspective, perceived value is the ratio of benefits to the sacrifices necessary to obtain those benefits (Naumann, 1995). As these benefits and sacrifices are determined by the customer, it is the customer perception of both that matters. However, even the customer definition of a product value is inconsistent. In an exploratory study conducted by Zeithaml (1988), the surveyed consumers defined value in different ways:

1. Value is low price.
2. Value is whatever I want in a product.
3. Value is the quality I get for the price I pay.
4. Value is what I get for what I give.
In her study, Zeithaml (1988, p. 14) suggested the following widely accepted definition of perceived value:

"Perceived value is the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given."

However, terms like utility, what is received, and what is given seem to be vague and need to be defined independently. Monroe, (1990, p. 45) was more specific in that concern as he stated that a perception of value would depend on how buyers evaluate the quality or benefits to be received from a product relative to the cost or sacrifice inherent in the price. Consequently, he suggested that buyers' perception of value "represents a trade-off between the quality or benefits they perceived in the product relative to the sacrifice they perceive by paying the price" (Monroe, 1990, p. 46). Monroe (1990) expressed perceived value as:

\[
\text{Perceived Value} = \frac{\text{perceived benefits}}{\text{perceived sacrifice}}
\]

Monroe's definition of perceived value was a clearer articulation of the earlier one of Sawyer and Dickson (1984) that conceptualised value as a "ratio of attributes weighted by their evaluations divided by price weighted by its evaluation" (Sawyer and Dickson, 1984, p. 13). Both definitions agree that perceived value is a relative judgment based on comparative evaluations made by buyers with regard to two elements: benefits and sacrifices. According to Bojanic (1996) this approach of measuring value eliminates the consumer's need to utilise his own value definition (Bojanic, 1996).
In some instances, the concept of perceived value was simplified and equated to the relationship (or the ratio) between quality and price (Anderson et al., 1994; Patterson and Spreng, 1997). Although this approach puts perceived value as subject to two widely researched constructs, it neglects the relative nature of the concept. This relative nature was highlighted by Buzzell and Gale (1987) who argued that perceived relative value is more important; that is, the perceived value of the product in hand relative to the perceived value offered by other competitors in the marketplace.

From a behavioural perspective, perceived value is a perception. Therefore, the magnitude of monetary price is not important (Broderick et al., 1997) nor is the quality as assessed by the producer. Rather, it is the way the customer encodes price as high or low, fair or unfair, and quality as high or poor, that is important (Broderick et al., 1997). This notion was stressed in the literature by those researchers who recognised the role of non-financial sacrifice in shaping value perception. This also complies with the conceptualisation of perceived value as a “trade-off between perceived quality and perceived psychological as well as monetary sacrifice” (Dodds, Monroe, and Grewal, 1991).

Some researchers took an even broader approach in conceptualising perceived value from the customer perspective, for example, Woodruff and Gardial (1996, p. 54) proposed the following definition:

"Customer value is the customers' perception of what they want to have happen (i.e. the consequences) in a specific use situation, with the help of a product or service offering, in order to accomplish a desired purpose or goal."
However, this definition does not give sufficient particulars about the nature and composition of value perception. It also seems to be more concerned with the benefit, while neglecting the associated sacrifices. This might be why Woodruff (1997, p. 142) refined this definition of perceived value later as follows:

"Customer value is a customer’s perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer’s goals and purposes in use situations."

According to Woodruff (1997), the contribution of this definition is that it incorporates both desired and received value and highlights that the overall value perception develops from customer-learned perceptions, preferences and evaluations. This definition also emphasises the role of the use situation and relates consequences experienced by goal-oriented customers.

In this context Woodruff (1996) stressed three important points with regard to perceived value:

1. Products are means of accomplishing the customers’ purposes. The purpose of product use can be broadly classified as value-in-use or possession value.

2. Products create value through the delivery of consequences (the outcomes that are experienced by the customer), rather than through their inherent characteristics.

3. Customers’ value judgements are highly influenced by and best determined within the constraints of a particular use situation. These judgements are
subject to change across use situations, over time, and due to specific “trigger” situations.

Finally, Kotler, Bowen, and Makens (2003) condensed the value perception process by stating that “customer value is the difference between the benefits that the customer gains from owning and/or using a product and the cost of obtaining the product” (Kotler et al., 2003, p. 16). They explicitly stressed that cost can be monetary or non-monetary. For example, they indicated that one of the biggest non-monetary costs for hospitality customers is time.

### 2.4 The Nature of Perceived Value

The most widely accepted conceptualisation of perceived value is that it is a ratio or trade-off between quality and price (Zeithaml, 1988; Monroe, 1990; Gale, 1994). An extension to this view is that value is a trade-off between the customer’s perceived benefits and his perceived sacrifices (Naumann, 1995; Kotler et al., 2003). Surprisingly, little attention has been given to delineating the nature of perceived value. Holbrook (1994 and 1996) made an effort to portray a framework for the nature of perceived value. He described value as an interactive relativistic preference experience. This section is an attempt to highlight the nature of value according to the paradigm presented by Holbrook (1994; 1996).
2.4.1 Perceived Value is Interactive

According to Holbrook, this means that value involves an interaction between two sides: a subject (consumer) and an object (product being consumed). Therefore, a perception of value is not only generated by the characteristics embodied in the product. Rather, a perception of value cannot occur without the involvement of the consumer who appreciates it. This observation conforms with the philosophical view of Frondizi (1971).

2.4.2 Perceived Value is Relativistic

This means that value is "(a) comparative (among objects), (b) personal (across people), and (c) situational (specific to the context)" (Holbrook, 1996, p. 138). To detail, value is comparative as consumers' perception of the value of a product is not formed in isolation from other offerings. On the one hand, before the purchase, consumers compare the value of available alternatives before making a buying decision. On the other hand, after consumption, consumers not only compare the performance of the chosen alternative against a particular standard, but also compare the actual benefits obtained from the chosen alternative against the actual sacrifices they had to endure throughout the consumption process. This makes value personal; because the sought benefits and significance of sacrifices vary from one person to another (Holbrook, 1994; Holbrook, 1996). Further, a value judgement is situational which means that it is "context-dependent" (Holbrook, 1996, p. 138; Woodruff and Gardial, 1996). People's wants and desires vary in different situations and,
consequently, their standards for evaluation would follow the same pattern (Taylor, 1961).

2.4.3 Perceived Value is a Preference

Value is a preferential judgement made by customers as to what they want to have in a product or service experience (Woodruff and Gardial, 1996). The evaluative judgement on the customer side comes in conformance with his beliefs and personal values that serve as a standard for evaluation and criteria for judgement (Holbrook, 1996).

2.4.4 Perceived Value is Experiential

Holbrook (1996, p. 37) states that “value in consumer behaviour does not resides in the object (good or service) being purchased but rather pertains directly to the consumption experience derived therefrom”. This notion conforms to the philosophical views that distinguished value from value objects (Frondizi, 1971; Woo, 1992). Holbrook (1994) contends that the value of an object comes from its ability to contribute to a certain experience. All products are meant to provide a service and therefore the emphasis is on the services of products and not on the products themselves.
2.5 Approaches to Perceived Value

Research on perceived value has typically adopted two noticeable theoretical approaches: the behavioural approach and the utilitarian approach (Jayanti and Ghosh, 1996). This section highlights the main characteristics of these two approaches:

2.5.1 Behavioural Approach to Perceived Value

The behavioural approach to perceived value comes from social psychology and marketing backgrounds. According to this approach, perceived value is a behavioural outcome that is based on post-consumption experiences. According to Jayanti and Ghosh (1996), the behavioural approach assumes that perceived value is highly dependent on perceived quality. However, Jayanti and Ghosh's behavioural perspective to value (1996) pays insufficient attention to other influences on perceived value recognised by other scholars such as sacrifices (Zeithaml, 1988; Bolton and Drew, 1991) and customer characteristics (Bolton and Drew, 1991). One of the most widely recognised behavioural conceptualisations of perceived value is the one presented by Zeithaml (1988). In this paper, Zeithaml presented a more comprehensive vision of perceived value in the context of a means-end model. Although the means-end approach was originally developed to describe the customer information categorisation process (Gutman, 1982), it was argued that it can be used for other consumer-related processes as well and Zeithaml made use of that in her model. The model is an expansion of an earlier one presented by Dodds and Monroe (1985). Figure 2-1 is a reproduction of Zeithaml's (1988) model.
According to Zeithaml's (1988) depiction and in accordance with the means-end approach, several levels of abstraction are involved in the consumer's categorisation process. On the lowest level of abstraction is the information available to the consumer regarding the product attributes and price. By processing the product intrinsic and extrinsic attributes, the consumer forms a perception of quality. Similarly, by processing price information and considering any other non-monetary costs, the consumer forms a perception regarding the overall sacrifices involved with the product. Thereafter, the trade-off between perceived quality and perceived sacrifices in the consumer's mind results in creating a judgement: a perception of value. This perception of value is not only governed by the perceived quality and
perceived sacrifices, but also by other attributes as well as other higher-level abstractions such as personal values.

Zeithaml's means-end model is the most acknowledged behavioural model in the literature. However, there were some other attempts to model perceived value from the behavioural perspective. For example, Bolton and Drew (1991) suggested a multistage model of customers' assessments of service quality and value. Also, Woodruff and Gardial (1996) and Woodruff (1997) made some effort in the same direction. Woodruff (1997) presented a customer value hierarchy model. Woodruff's model is shown in Figure 2-2:

**Figure 2-2: Customer Value Hierarchy Model**

![Customer Value Hierarchy Model Diagram](image)

- Desired Customer Value
  - Customers' goals and purposes
    - Goal-based satisfaction
  - Desired consequences in use situations
    - Consequence-based satisfaction
  - Desired product attributes and attribute performances
    - Attribute-based satisfaction

Similar to Zeithaml's (1988) means-end model, Woodruff's (1997) two-way model suggests that customers think of perceived value in a means-end manner. Starting at the bottom of the model (Figure 2-2), customers initially think of products as bundles of attributes. In use situations, the customers evaluate these attributes based on their ability to achieve desired consequence experiences. On the highest level, customers make judgements as to the ability of the product to help them achieve their goals and purposes. Looking at the model from the opposite direction, customers' goals (highest level of abstraction) are the ultimate driver that directs customers to choose a certain product that possesses the attributes that they think would enable them to achieve their goals.

### 2.5.2 Utilitarian Approach to Perceived Value

The second approach to perceived value is the utilitarian approach. This approach originates from microeconomics. The most acknowledged conceptualisation effort from this perspective is the theory of Thaler (1985). According to Thaler, perceived value comes as a result from two perceptions: acquisition utility and transaction utility. While the first "depends on the value of the good received compared to the outlay" the latter was depicted as solely dependent on the "perceived merits of the deal" (Thaler, 1985, p. 205). Researchers who adopt the utilitarian perspective contend that price is the main determinant of perceived value (Urbany, Bearden, and Weilbaker, 1988; Monroe, 1990). According to Monroe (1990), price is the main player in creating a perceived value. Monroe depicted this dual role of price in a conceptual model (Figure 2-3).
Figure 2-3: Conceptual Relationship of Price, Perceived Value, and Willingness to Buy

Figure 2-3 shows the major role attached to price in the utilitarian approach to perceived value. Not only is price an indicator of the sacrifice, but also an indicator of quality when making a buying decision. According to Monroe's perspective, while acquisition value comes as a result of subtracting the actual price from the buyer's maximum price (Monroe, 1990, p. 75), transaction value "is determined by comparing the buyer's reference price to the actual price" (Monroe, 1990, p. 76).

Yet, modelling perceived value as solely dependent on price is an inadequate view because customers do not only consider the price of the product or service, they also consider other attributes of the product or service. This leads to questioning the feasibility of adopting only one of the above two approaches to perceived value. Despite this distinction made in the literature, it is argued here that there is no good reason why the study of perceived value should adopt only one of these approaches. Combining both approaches could lead to a better understanding of perceived value.
Furthermore, Onkvisit and Shaw (1987, p. 55) argue that “the value concept as used by marketing scholars is essentially the ‘utility’ concept advanced by economic disciplines”. They go further to say that all approaches to value “have one thing in common: they are based on consumer perception” (p. 57). They emphasise that any research on perceived value must reflect this orientation. Studying the two determinants of perceived value according to the utilitarian view (acquisition value and transaction value), and empirically examining whether they do exist from the customer viewpoint, could lead to great marketing and research implications. Additionally, examining how these two determinants are determined themselves, and putting them in a behavioural setting, would be of much better use to both marketers and marketing researchers.

2.6 Perceived Value Formation

Perceived value is a relational concept, which means that “it obtains its content from relations between and among things” (Howard and Sheth, 1969, p. 6). To express this process more clearly, it might be useful to refer to Sheth et al.'s (1991a) approach of splitting consumers’ decisions and choices into a series of stages. The most basic choice a consumer makes is whether to spend or save. Afterwards, given the decision to spend, the consumer decides on what to buy from the available alternatives (Sheth et al., 1991a). Similarly, before the purchase, it seems that a consumer makes a value judgement on two levels: first, considering whether having the product would be of more value than saving the money (the price) and, second, by comparing the value of
different competing alternatives to one another. After consumption, based on the actual experience, the parallel would be to make a perceived value judgement based on comparing the actual benefits received to the actual sacrifices endured. This process is likely to couple with another process that involves comparing the actual received value to the perceived value of other offerings in the market place that could have been a potential alternative.

Caution should be taken here, in recognising that attaching and limiting perceived value to price is a deficient perspective. Perceived value is a construct that is based on two generic underpinnings and several other personal and situational elements. Price is only one of the two generic underpinnings of perceived value, while the other is quality. Therefore, either offering low quality product and poor quality service, or asking for too high a price will all lead to a drop in perceived value. For that reason, adopting a quality only or price only approach for defining perceived value will lead to inadequate conceptualisation (Naumann, 1995). What is more, a perception of value is formed in customers’ minds not only through the careful combination of quality and price, but also by considering other kinds of benefits and sacrifices.

Perceived value is a perception. Any perception is affected by two different groups of factors, stimulus factors and personal response factors. In a buying situation stimuli are the characteristics of the product or service being perceived, and are consequently outer-directed, while personal factors are internal and are influenced by individual customer’s interests, needs and motives, expectations, personality, and, possibly, social position (Berkman and Gilson, 1986). As a result, the spectrum of benefits the customer seeks, and sacrifices he would be concerned to agonise would be shaped by
his own characteristics and specific needs and wants. This process is depicted in the model of customer value for consumer market, offered by Lai (1995). The model is presented in Figure 2-4.

**Figure 2-4: A Model of Customer Value for Consumer Market**

<table>
<thead>
<tr>
<th>Customer Characteristics</th>
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</thead>
<tbody>
<tr>
<td><strong>Cognitive Traits:</strong></td>
</tr>
<tr>
<td>- Personality and attitude</td>
</tr>
<tr>
<td>- Knowledge and experience</td>
</tr>
<tr>
<td>- Personal values</td>
</tr>
<tr>
<td>- Consumption schemata</td>
</tr>
<tr>
<td><strong>Demographics:</strong></td>
</tr>
<tr>
<td>- Age</td>
</tr>
<tr>
<td>- Education</td>
</tr>
<tr>
<td>- Income and wealth</td>
</tr>
<tr>
<td>- Time resources</td>
</tr>
</tbody>
</table>

**Perceived Logistic Benefits:**
- Purchase convenience
- Ordering time
- Parts and supplies
- After sale service

**Perceived Product Benefits:**
- Functional
- Social
- Affective
- Epistemic
- Aesthetic
- Hedonic
- Situational
- Holistic

**Evaluation**
- Central factors
- Peripheral factors

**Perceived Costs:**
- Monetary cost
- Time costs
- Risks
- Human energy costs

According to Lai (1995), value is a perception. Therefore, like any perception, perceived value would be influenced by the cognitive traits and demographics of the individual customer. With the customer's characteristics in the background, the buyer evaluation of the product begins with the perceived *product benefits* (further discussion of the typology of product benefits will follow). However, to Lai, product benefits that are directly related to the use of the product are not the only benefits that might be valued by the customer. Other benefits that are related to the ease of the purchase are also relevant (in a hotel context, an example of these might be the ease of making a reservation). Lai (1995) calls these kinds of benefits "logistic benefits". Then, the customer considers the costs of obtaining these product and logistic benefits. At this stage, the customer "may apply principles of costs-and-benefits to evaluate the purchase" (Lai, 1995, p. 386). As shown in Figure 2-4, the costs that the customer would be concerned about are not only the *monetary cost*, but also other *behavioural, social, and psychological costs*. Like the benefits, costs are also subject to customer perception, which means that these costs are evaluated differently among customers. It is only at this stage that the customer compares the benefits against the costs and perceive the buying value of the product, which Lai (1990) agrees with Monroe (1990), that it represents the surplus (or difference) between perceived benefits and perceived costs.

### 2.6.1 The Relationship between Quality and Price

In some instances, price is used by the customer as an indicator of quality (Szybillo and Jacoby, 1974). However, the relationship between these two variables is not linear. Additionally, the conceptual individual influences of perceived quality and
perceived price on the customer consequential behaviour are contradictory. While a higher perceived quality leads to increasing willingness to buy, higher perceived price results in negative impact. Measuring these two variables independently does not reveal much information about the effects of the two of them — together or relative to one another — on behavioural consequences. The question raised by Erickson and Johansson (1985) as to whether or not the positive effect of price as a quality indicator can offset the negative influence on the consumer’s wallet, can only be answered in the context of perceived value that involve the trade-off between these two.

Care should be taken here that it would be improper for the researcher to do this trade-off assessment on behalf of the customer. It is this trade-off assessment between price and quality in the customer’s mind that needs to be measured by the researcher. An extension to this would be to measure the customer trade-off between benefits and sacrifices, which is the essence of perceived value measurement.

2.6.2 Elements in Forming Perceived Value

Any perceptual process can be seen as a process by which we make sense of the world (Ateljevic, 2000). Therefore, customers form their value perception in compliance with their own view of reality (Kassarjian and Robertson, 1968). Consequently, discrepancies in value perception happen because not all benefits and costs are equally important to all customer nor are they equally evaluated by different individuals (Fishbein and Ajzen, 1975). "Some benefits and costs are considered central factors and are therefore weighted heavily, while others are perceived as peripheral factors and weighted less" (Lai, 1995, p. 386). This section discusses the
typology of the two elements that are used by customers to form a value perception; benefits and sacrifices.

The point to emphasise here is that, when it comes to benefits and sacrifices, customer perception is considered more important than reality (Ateljevic, 2000). It is not of much use to focus on benefits and sacrifices as seen by the producer or service provider. It is the customer who defines the benefits sought, and the sacrifices of concern, and it is the customer who makes a cognitive assessment of value based on his/her mental tradeoffs (Naumann, 1995). Figure 2-5 is a representation of this process.
In Figure 2-5, Naumann’s view of how a perception of value is formed is shown. From the above figure it can be seen that there are different possible sources of benefits and sacrifices. Applying the above model to hospitality services, the benefits will be mainly derived from two sources; the attributes of the product (e.g. physical characteristics of the hotel, design, room features, consumables, etc.) and the attributes of the service (i.e. courtesy, reliability, etc.).

Considering sacrifices in hospitality settings, the main sacrifice component is the initial cost or transaction cost (such as room price). This transaction cost can be seen
as the only cost that is generic to all customers in terms of magnitude, but not in terms of perception. On the other hand, life cycle cost and risk, the two other cost elements as specified by Naumann (1995), are two subjective elements that would vary from one customer to another based on circumstantial, situational, and preferential factors.

2.6.2.1 Benefits

The term benefit is generally used to designate the usefulness of a specific product or service, i.e., the advantages a consumer would expect to gain from the purchase, possession, or usage of this particular product or service. Benefits should be distinguished from the product attributes. Benefits refer to the consequences of buying and using the product or service. The customer perceptions of these consequences are argued to be more important than perceptions of the product attributes. In other words, "attributes are important only to the extent that they are perceived to be means for achieving a consequence or an end state which is salient to them" (Jensen, 2001, p. 300). In the case of a hotel, "guests do not choose to stay in a hotel because it possesses attributes such as a swimming pool or haute cuisine restaurant but because of the benefits they expect to enjoy from experiencing these attributes" (Wilensky and Buttle, 1988, p. 31). "Benefits are the real reason the consumer comes to a hotel" (Lewis, 1982, p. 381). With this in mind, Naumann (1995) identified three classes of attributes that can be a source of customer-sought benefits:

1. Search Attributes: these are attributes that can be evaluated relatively easily prior to the purchase. Although in the case of products this usually includes
the tangible characteristics of the product, in hospitality services, this might include intangible cues that can be revealed and might be appreciated by the customer before making a reservation, for example the brand name and the hotel classification.

2. **Experience-based Attributes**: benefits derived from this kind of attribute can only be evaluated after the purchase decision is made and during the use of the product or service. With hospitality services this might include the staff courtesy, the feeling of relaxation, and the enjoyment of the experience. Most hospitality service attributes are experience based as the customer cannot accurately evaluate the quality of service before taking the actual experience.

3. **Credence-based Attributes**: these are attributes that lead to benefits that cannot be evaluated, even after the purchase, and would need an extended period of time. In the case of a hotel, this might refer to club card points or air miles collected through patronising a particular chain.

So, from the customers' standpoint, products are seen as a bundle of benefits rather than attributes. In fact, customers' interest in the technical characteristics of the product or service is less than their interest in the benefits they get from buying, using, or consuming the product (Lai, 1995). An individual purchase is often one of many steps that a buyer makes toward achieving an end-benefit (Nagle and Holden, 1995). This end benefit may take one of three different forms (Monroe, 1990, p. 90):
- Perform certain tasks or functions.
- Solve identified problems.
- Provide specific pleasures.

Thus, a product is not bought for its particular components or materials, or expertise, but rather for what the product or service does. "It is what the product or service does and how well it does it that provides value" (Monroe, 1990, p. 90). To help marketers understand the benefits sought by customers, Young and Feigin (1975) suggested the Grey Benefit Chain Procedure (Figure 2-6).

![Figure 2-6: The Benefit Chain](image)

Source: Adapted from Young and Feigin (1975, p. 73)

According to this benefit chain, at the lowest level of abstraction, the product (hotel room for example) performs its function (accommodation). The practical benefit from this is the comfortable sleep, reliable catering services, etc. Finally, the emotional payoff would be the feeling of wellbeing.

Lewis (1982) built on previous literature on product and service benefits to develop a benefit matrix for hotels. Towards this end, Lewis classified five elements that form the source of hotel customer benefits. These include benefits related to the form of the hotel, the place of the hotel, the time, in addition to the psychic and monetary
benefits. Doing that, Lewis (1982) restated that the physical features and attributes of the hotel are not the most important. More important are benefits perceived in the environment in which the service is used. Figure 2-7 sheds more light on how customers perceive products and services as benefits in use situations.

According to Figure 2-7, products and services are, in essence, a bunch of characteristics or attributes. These characteristics or attributes are only important to the extent they are able to deliver the benefits they are designed to deliver. However, not all of these delivered benefits would be appreciated by customers, as different customers seek different benefits depending on the customer behavioural characteristics and the particular use situation. For example, a business traveller might have different requirements from his hotel or accommodation from a leisure traveller. Therefore, the two may perceive different benefits in different ways. Value is created when the benefits delivered by the product or service match the benefits wanted by the customer in use situations. To sum up, the product or service...
characteristics or attributes are important "insofar as they deliver certain benefits to customers" (Monroe, 1990, p. 92).

The nature and typology of benefits sought by customers has received some consideration in the literature. For example, Sheth et al. (1991a) proposed five types of customer benefits which they called 'consumption values'. These include functional, social, emotional, epistemic, and conditional values (Sheth et al., 1991a). The work of Sheth et al. was then criticised by Lai (1995) as being general and insufficient. As an alternative, Lai extended the typology of product benefits to evolve eight categories, outlined as follows (Lai, 1995, p. 383):

- Functional benefit  → this is related to the utilitarian or physical performance of the product or service.
- Social benefits  → this comes from the product being associated with a social class.
- Affective benefit  → this comes from the product capacity to arouse feelings or affective states
- Epistemic benefit  → this is acquired if the product is able to satisfy curiosity or provide novelty.
- Aesthetic benefit  → this is subjective and refers to the sense of beauty provided by the product.
- Hedonic benefit  → this refers to the product capacity to meet a need of enjoyment and / or distraction from life anxiety.
- Situational benefit  → this is related to the product ability to meet situational needs in specific circumstances.
- Holistic benefit → this refers to the perceptual benefit acquired from complementarity, coherence, compatibility, and consistency of the product or service as a whole.

2.6.2.2 Sacrifices

The concept of sacrifices is extremely important for understanding perceived value. In the context perceived value, benefits can be considered akin to a gain a consumer experiences from buying and using a product, while sacrifices might be seen as a loss the consumer has to endure. It has been argued that people are more sensitive to the prospect of a loss than to the prospect of a gain (Monroe and Chapman, 1987). This tells us how crucial perceived sacrifices can be in determining perceived value and, subsequently, the customer’s behavioural intentions.

As in the case of benefits, buyers do not attach the same importance to different types of costs. While some would normally be concerned with the transaction or life cycle costs when buying a hotel stay (typically the leisure traveller), others (such as the business traveller) may be more concerned with the risk associated.

It has been argued that consumers make their purchase decision in a two-step process: first, they judge the value of an offer; then they decide whether to make the purchase (Monroe, 1990). In the first step, customers compare the expected benefits of the purchase against the sacrifices they have to bear to get this product. Sacrifices refer to the different types of costs a consumer might incur when and as a result of buying, owning, and consuming a product. Although some researchers have equalised
sacrifices to the monetary price of the product, others have referred to other types of
non-monetary costs that might constitute a part of the perceived price (Kotler, 1991; Lai, 1995; Naumann, 1995). Monetary cost, time cost, energy cost, and psychological
cost can all be part of the sacrifice side of the value equation.

However, monetary cost (or price) is still the main sacrifice that a customer endures. Price is “the amount of money we must sacrifice to acquire something we desire” (Monroe, 1990, p. 5). When evaluating the price, consumers compare it either against other alternatives or against a reference price that is stored in memory (Monroe, 1990). Price is a major factor when making a buying decision. A customer who is convinced that a product of interest would be satisfying might still not purchase it if the required monetary commitment on the part of the buyer is perceived to be too great a sacrifice (Howard and Sheth, 1969). However, the role of price as the main sacrifice seems to be confusing. A considerable theoretical and empirical evidence suggested that price is also used as an extrinsic quality cue (Dodds and Monroe, 1985; Monroe and Krishnan, 1985; Zeithaml, 1988; Dodds et al., 1991; Lichtenstein, Ridgway, and Netemeyer, 1993; Teas and Agarwal, 2000). Therefore, in the pre-purchase phase, price is not only a repelling factor (as a sacrifice) but also an attracting factor (as a quality cue).

Price has also been defined as “the summation of all sacrifices made by a consumer in order to experience the benefits of a product.” (Buttle, 1997, p. 235). Many researchers have acknowledged the impact of other non-monetary sacrifices on consumer product evaluations (Bender, 1964; Fine, 1981; Monroe and Krishnan, 1985; Carothers and Adams, 1991; Sheth et al., 1991a; Lapierre, 2000). Fine (1981)
emphasised the importance of non-monetary price, which he called social price. He identified four types of social price: time expended in the activity, effort needed to get the product offering, possible modifications of one's lifestyle, and psyche related to losses affecting a person's peace of mind. However, not all these types of social price are generic to all types of consumption exchange. Monroe (1990) suggested that types of other costs may include search, risk of non-performance, service, maintenance, and life-cycle costs. In line with that, Naumann (1995) identified three possible classes of sacrifices a customer may use to formulate a perception of the sacrifice element of value:

- **Transaction Cost** refers to the immediate financial outlay or commitment that a customer must make. In the case of a simple product with a short usage life, this is the principal cost the buyer endures. The opposite applies to services, especially those services that the customer would be personally involved with for a relatively long period of time, for example, accommodation. However, even in this case, transaction cost remains the main criterion a customer uses to formulate a perception of sacrifice. Transaction cost is particularly important if the customer lacks information about the service attributes and in turn uses price as his main cue for making a judgement.

- **Life Cycle Costs** refer to the costs customers endure during and as a result of using the product or service. In product settings, this refers to cost of maintaining and / or operating the product. The parallel to this in hospitality settings might be the costs of using or buying other extra products or services
that can be seen by the customer as inseparable from the main product (the room) such as the price of meals in a resort hotel during the customer's stay. A customer may not be willing to pay an affordable room price in a 5-star mountain resort, simply because s/he knows that the associated costs will not be affordable.

- **Risk** as a cost is particularly relevant to products and services from which the customer would benefit over a longer period of time. The risk may arise from the difficulty of appraising the product or service prior to the actual experience. Particularly, with service organisations like hotels, customers sometimes have to make a reservation (i.e. buying decision) when they are thousands of miles away from the service provider.

Finally, it should be reiterated that perceived value is a relative concept that is based on comparing benefits to sacrifices. Perceptions of both the benefits and the sacrifices result from parallel processes. According to Voss, (1993), while the first process involves comparing the price of the purchase to some reference price, the other compares the perceived quality of the purchase to some expected or reference quality. An extension of this would be for the first process to include other possible sacrifices, and for the second process to include other potential benefits. Then, a collective judgement is made, comparing the first component, namely sacrifices, to the second component, namely benefits, in an ultimate process that results in a value judgement. Additionally, a customer's perception of the value of a product or service is influenced by competitive offerings (Naumann, 1995). It cannot be expected that a
customer will form a high value perception if s/he thinks s/he could have bought a similar product or service of almost the same quality at a lower price elsewhere in the marketplace.

2.7 **Dimensions of Perceived Value:**

For the purpose of better measuring and better understanding perceived value, some researchers have considered two dimensions of perceived value; these are acquisition value and transaction value. This distinction between acquisition value and transaction value is particularly important when considering the impact of value perception on willingness to buy, or intentions to search for more price information or alternatives. Figure 2-8 represents the two dimensions of perceived value.

*Figure 2-8: Dimensions of Perceived Value*

![Diagram of Dimensions of Perceived Value](image)

Figure 2-8 embodies the notion that the customer perception of the product value and, in turn, his behavioural intentions towards that product is positively related to overall

2.7.1 Acquisition Value

It is acquisition value that is usually referred to in the previous literature when discussing perceived value. It is defined as the perceived net gains associated with the products or services acquired (Zeithaml, 1988; Dodds et al., 1991; Grewal et al., 1998). In previous works, several terms have been used to indicate the concept of acquisition value (Grewal et al., 1998). It was first called "perceived worth" (Szybillo and Jacoby, 1974); later, Thaler (1985) termed it as "acquisition utility" and defined it as the net utility that accrues from the trade of the price paid to obtain a good. Monroe and Chapman (1987) defined it as the perceived benefits inherent in the product compared to the outlay. It was also called "value consciousness" (Lichtenstein, Netemeyer, and Burton, 1990; Lichtenstein et al., 1993), while Dodds et al. (1991) referred to it as "perceived value". All of these terms imply the same notion, that is the buyers' net gain (or trade-off) from acquiring the product or service. Hence, the perceived acquisition value of a product has a close relationship with the perceived benefits as well as perceived sacrifices associated with that particular product. It will be positively influenced by the benefits buyers believe they are getting by acquiring and using the product, and negatively influenced by the money given up to acquire the product (i.e. the selling price) as well as any other behavioural price. Any scale measuring acquisition value should measure the process of trade-off between both sides of this construct.
2.7.2 Transaction Value

Transaction value was conceptualised as the difference between consumers' internal reference price and the price offered within the context of a special price deal (Grewal et al., 1998). From the customer viewpoint, a deal is assessed by comparing the selling price to the customer internal reference price (Thaler, 1985; Grewal et al., 1998). So, it can be said that while acquisition value comes as a result of comparing benefits to sacrifices, transaction value results from an evaluation of the sacrifice component only (Voss, 1993). On examining the financial terms of a price offer, a buyer might perceive additional value beyond that provided by acquisition value. This can be conceptualised as the customer's perception of psychological satisfaction or pleasure obtained from taking advantage of the financial terms of the price deal (Thaler, 1985; Lichtenstein et al., 1990; Grewal et al., 1998).

So, transaction value focuses exclusively on the financial aspects of the exchange and depends on the price the individual pays compared to some reference price, i.e. it depends solely on the perceived merit of the deal (Thaler, 1985). Perceived price and reference price are cognitive beliefs about what the current price offering is and what it should be, respectively. Transaction value can be seen as an affective integration of these beliefs. However, it remains unclear how consumers generate reference prices for evaluating transaction value (Voss, 1993).

The logic of transaction value being an essential part of the value perception is in consistence with findings in price research. For example, O'Neil and Lambert (2001) found that surprise and enjoyment associated with getting bargain play a role in
consumers' reactions and evaluations. The concept of transaction value seems connected to what Schindler (1989, p. 447) called "smart-shopper feeling" that results from the consumer feeling smart, proud, or competent when paying a low price for a particular item. Similarly, Yadav and Monroe (1993) drew attention to transaction value that comes as a result of the saving made when buying two or more items at a bundle price.

2.8 Perceived Value Measurement

It could be said that the construct of perceived value can be researched on different levels:

- **Elements Level**: this refers to the elements that, acting together, result in the perception of value. These elements include all the benefits and sacrifices that represent the constituents for the mental trade-off that a consumer makes to form a value judgement. Researching perceived value on this level is closely related to research on benefit segmentation (Haley, 1968). This kind of research usually aims to find the right mix of desirable benefits and acceptable sacrifices that, together, will maximise the customers' perception of value. In most cases, the nature of this research requires an experimental design as well as the use of particular techniques such as conjoint analysis (Lewis, 1980; Lewis, 1982; Möller et al., 1985; Anderson et al., 1993; Baloglu, Weaver, and McCleary, 1998; Koo, Tao, and Yeung, 1999; Mattila, 1999).
- **Dimensions Level:** researching perceived value on this level aims to examine the factors that lie beneath the value perception. The most common theory suggests that, by interacting together, the elements of perceived value result in an interim, more abstract judgement as to (a) the benefits of the acquisition compared to the associated sacrifices and (b) the merit of the financial deal (Thaler, 1985; Monroe and Chapman, 1987; Lichtenstein et al., 1990; Monroe, 1990; Voss, 1993; Grewal et al., 1998). In order to capture the dimensions of perceived value, multi-item multi-dimensional measures of the construct should be developed and proper statistical methods should be used.

- **Global Level:** this refers to researching perceived value as an overall concept. This is perceived value on its highest level of abstraction – a judgement that sums up the customer’s relative assessment of the product or service based on perceptions of what is received and what is given (Zeithaml, 1988). Research on this level generally aims to understand the role of perceived value in the behavioural model either before or after the purchase.

The study in hand is concerned mainly with researching perceived value on the dimensions level.

There are many difficulties associated with measuring perceived value. These difficulties mainly arise from the richness of the construct and the wide spectrum of other constructs involved in the formation of a customer’s perception of the value of a product or service. Perceived benefits, perceived price, monetary price, psychological price, and behavioural price are all concepts that need investigation and
conceptualisation prior to defining the concept of perceived value. Furthermore, like any other perceptual process, a customer’s perception of value may be affected by two categories of factors: (a) stimulus and (b) personal response factors (Solomon, 1999). While stimuli are basically the characteristics of the product being perceived and are hence outer-directed, personal factors that govern the perception of these stimuli are internal and are influenced by individual interests, needs and motives, expectations, personality and social position (Ateljevic, 2000). This means that two customers receiving the same product with the same characteristics might still perceive its value differently due to these personal factors. So, it is likely that perceived value varies among individuals and from time to time for the same individual (Semon, 1998). Therefore, the measurement of perceived value needs an instrument that considers the dissimilarity among individuals and the diverse characteristics of different market segments.

Furthermore, the specific objectives of the perceived value measurement attempt should be taken into consideration when choosing a measurement approach. Anderson et al. (1993) argued that measuring perceived value can be performed through a variety of techniques depending on the objectives and nature of the study. For example, if the objective of the research is to get an overall estimate of perceived value, a researcher may use focus groups, while conjoint analysis might be more appropriate if the study aims to decompose the overall value into elemental values.

Despite the presence of the above-mentioned difficulties for the measurement of perceived value, there have been some attempts at the assessment of this important construct. However, these attempts are still far from adequate (Semon, 1998). Some
researchers depended on secondary data that were not originally designed to serve the purpose of measuring perceived value (Bolton and Drew, 1991; Bojanic, 1996). Others developed their own scales for primary data collection. However, most of the previous attempts measured perceived value using a single-item scale asking subjects to rate their perceived value of the product or service (Jayanti and Ghosh, 1996; Caruana and Money, 1997; Oh, 1999; Kashyap and Bojanic, 2000). This approach of measuring perceived value does not give any indication of the nature and components of perceived value. This was why Onkvisit and Shaw (1987, p. 57) emphasised that “a researcher must resist the temptation of taking a short cut by using a single question to measure the overall value of a service”.

Some scales were designed which were claimed to be a multi-item scales for measuring perceived value. Although these alleged scales asked about the benefits and sacrifices associated with a specific product or service, the benefits and sacrifices were traced as separate variables from one another (Petrick, 2001; Sweeney and Soutar, 2001). They lack the contemplation of the core of the perceived value concept, which is the trade-off process between benefits and sacrifices. This makes them more of benefit segmentation rather than perceived value scales. A perceived value scale will not measure the benefits received and the sacrifices endured. Rather, it should be designed to measure the customer judgement arising from trade-off process between benefits and sacrifices.

In line with the above theoretical developments, a few efforts were made in the right direction towards measuring the perceived value construct and developing a multi-item scale (Dodds et al., 1991; Sweeney, Soutar, and Johnson, 1997; Grewal et al.,
Grewal et al. (1998) argue that past research did not address the conceptual distinction between acquisition and transaction value. Therefore they made an effort to test the validity of these two dimensions with two empirical studies. Their research was experimental and concerned with perceived product value and customers' choice behaviour in the pre-purchase phase. They measured perceived value using a twelve-item scale that traced the two dimensions. As a result, these two dimensions were found to be valid and reliable. However, despite their pioneering effort, the nature of the research was experimental and was applied to product evaluation as opposed to services.

2.9 The Relationship between Perceived Value and Other Concepts

In the literature there is sufficient evidence of a significant bivariate relationship between perceived quality, perceived value, and customer satisfaction on one side, and behavioural intentions on the other side (Cronin, Brady, and Hult, 2000). However, the direct relationships between these constructs and behavioural intentions cannot be accepted based on bivariate correlations because of the numerous possibilities of intermediate links. Therefore, the interrelationship between these three constructs, and how they interact together to lead at the end to behavioural intentions, remains unresolved. Considering this fact, it is not difficult to envisage the complexity of designing and testing a collective model that considers the relationship,
not only between the above constructs, but also between them and the two dimensions of perceived value.

Monroe and Krishnan (1985) presented an early conceptual model for perceived value. In their model, perceived value was modelled as resultant from trading off perceived quality and sacrifice. Built on this model, Dodds and Monroe (1985) experimentally tested the relationships between price and value and found that the lower the price, the higher the perceived value. Later, Monroe and Chapman (1987) acknowledged the model presented by Monroe and Krishnan (1985) and offered a more elaborate model that, in an early attempt, put together the two dimensions of perceived value drawn on the transaction utility theory of Thaler (1985). In their study, perceived value was modelled as a result of two types of evaluations: acquisition value and transaction value. While the first comes from comparing the product benefits to the outlay, the latter is based on evaluating the actual price weighted against the reference price. In their conceptualisation, Monroe and Chapman (1987) suggested that transaction value exists only if the buyer is aware of a reference price that is higher than the actual price. On the other hand, acquisition value is a judgement that is inherent to any purchase situation. This notion supports the depiction of acquisition value as the core and principal component, and transaction value as the added auxiliary one. Although Monroe and Chapman did make progress in synthesising previous research literature to test the relationships suggested in their conceptual model, they did not empirically test that model.

In the early 1990s, Bolton and Drew (1991) presented a paradigm that integrated customer satisfaction along with quality and value in the model. However, their study
is criticised as: (1) the model was too complicated and did not consider the dimensions of perceived value, (2) they used secondary data that was based on single-item measures, and (3) the direct relationship between customer satisfaction and perceived value was not tested in the model. In the same year, Dodds et al. (1991) presented a good effort in measuring and modelling perceived price, perceived quality, perceived value, and willingness to buy, using experimental design. Although their model was an extension of that of Monroe and Krishnan (1985), the main contribution of their effort is that they presented one of the earliest multi-item perceived value measures. However, this measure did not adequately reflect the trade-off nature of perceived value and was not designed to capture the different dimensions of the construct.

With the existence of several models applied to different types of services, Cronin et al. (2000) worked on a comparison of four different models of perceived quality, perceived value, customer satisfaction, and behavioural intentions attempting to propose a generic model. They ended in favour of the model that depicted a direct relationship between perceived quality and behavioural intentions in addition to the indirect effect through perceived value and satisfaction. In that sense, they concluded that "quality, value, and satisfaction directly influence behavioural intentions, even when the effects of all three constructs are considered simultaneously" (Cronin et al., 2000, p. 210). In the mean time, the indirect paths from perceived quality to behavioural intentions through customer satisfaction and perceived value and from perceived value to behavioural intentions through customer satisfaction were all found to be significant. In other words, their model featured a complete grid that linked
together perceived quality, perceived value, customer satisfaction, and behavioural intentions with direct and indirect paths. In their conclusion, Cronin et al., (2000) emphasised "the need for further consideration of similar composite models" (p. 211) to overcome the lack of model uniformity suffered in previous literature. The importance of this study comes from the fact that it was one of a few studies that modelled these constructs in the post experience of services and that it was applied to four different services in real life context rather than experimental settings. However, perceived value was measured with a two-item scale that did not allow the emergence or modelling of the two perceived value dimensions.

The intricate relationship between perceived value, customer satisfaction, and behavioural intentions was also established in the post consumption of business-to-business services (Patterson and Spreng, 1997). In this study, evidence was found that perceived value not only affects behavioural intention directly, but also indirectly through customer satisfaction. Therefore, it can be said that this dual path has been tested and established with different service categories in the post-experience phase.

Also, McDougall and Levesque (2000) investigated the relationships between service quality, perceived value, customer satisfaction, and behavioural intentions with application to four different services. According to their model, both service quality and perceived value contribute to customer satisfaction, which, in turn, results in behavioural intentions.

Probably, the most advanced perceived value measure was that presented by Grewal et al. (1998). Using a 12-item scale, Grewal et al. were able to capture and measure
the two perceived value dimensions: acquisition value and transaction value. Using experimental design, Grewal et al. tested a model that considered the individual antecedents and consequences of the two perceived value dimensions. In this model, evidence was found that the effect of price on acquisition value is mediated by transaction value and that the effect of transaction value on behavioural intentions is mediated by acquisition value.

2.10 Research on Perceived Value of Hospitality Services

The importance of perceived value for the success of hospitality businesses has been recognised in the literature. From a strategic viewpoint, Brotherton and Adler (1999) identified "customer value" as the core imperative on which strategic decisions of international hotel firms should focus in their endeavours for success in different markets. Therefore, the importance of perceived value for hospitality businesses is recognised by both academics and practitioners. Dodwell (1993, p. 250) affirms his practitioner's view that:

"Hotels are conscious of the "value for money" issues... and we as hoteliers recognize that, in order to maintain or improve market share, we need to offer our guests the ability to balance the value perception with price and quality."

It was also stressed for hospitality professionals that perceived value should be considered from the customer viewpoint if it is to be a tool for gaining competitive advantage. It is customer's perception that counts rather than what is actually being
produced. That is why managers should allocate resources to lift these perceptions (Dodwell, 1993; Mattila, 1999). In the words of Dodwell (1993, p. 249):

"Value for money for a vacationer can indeed be abstract and is not measurable in absolute terms. Rather, it is a perception and, given the nature of consumers today, our success as hoteliers rises and falls on the delivery of those perceptions."

Hence, some hospitality researchers have conducted studies, trying to synthesise the strategic and operational factors necessary for delivering value to customers (Huckestein and Duboff, 1999). Others investigated the impact of some cues – such as employee performance – on the customer perception of value (Gould-Williams, 1999). There was also an attempt to explore the price-quality perceptions of specific market segments and the influence of these perceptions on the choice of a hotel brand (Cullen and Rogers, 1988). In line with that, using conjoint analysis, Mattila (1999) found that physical environment followed by personalised service are the major determinants of perceived value of luxury hotel customers. It was also shown that customers' ability to remember the price paid was positively related to their perception of value (Kiefer and Kelly, 1995).

Despite its recognition as a major managerial imperative, literature on perceived value in hospitality is still far from sufficient. It is still not clear how customers make this evaluative judgement about the service. Most research on perceived value in hospitality settings has been concerned with testing the relationships between perceived value as an overall concept and other theoretically related constructs. Perceived value was often measured using a single-item scale (Bojanic, 1996; Oh,
1999; Kashyap and Bojanic, 2000). Such measures do not provide sufficient information on the dimensions and typology of the construct.

Using secondary data from consumer reports, Bojanic (1996) investigated the relationship between hotel customers' perceived price, perceived quality, and perceived value. Perceived value was measured using a single item and, in turn, multiple dimensions were not considered. The important result of this study was that perceived value was found to mediate the relationship between perceived quality and customer satisfaction completely. In comparison, in a study applied to catering services, Broderick et al. (1997) found that perceived value was driven primarily by perceived price while quality attributes had little influence. However, there is a suspicion of bias in their study as their sample involved only students, who are normally concerned with price because of their limited budget constraints.

Again, using a single item measure of perceived value Oh (1999) presented a holistic model to explain the post-purchase behaviour of luxury hotel customers. In contrast to Bojanic (1996) and Broderick et al. (1997), Oh's model suggested that perceived value was driven by both perceived price and perceived quality. It was also found that the influence of perceived value over behavioural intentions is twofold: directly, and indirectly through customer satisfaction. The contribution of this study comes from the fact that it proposed a complete model of perceived quality, perceived value, and customer satisfaction of hotel services in the post-purchase phase. However, the single-item measures used were not good enough to capture and model the construct dimensions.
On a different occasion, Oh (2000) presented a regression based model using an experimental design. In this study, perceived value was measured using a 4-item measure. However, no attempt was made to test the dimensionality of perceived value. The findings of this study lend great support to the importance of perceived value as “the only significant positive predictor of purchase intention” (p. 151).

Also, Kashyap and Bojanic (2000) modelled the relationships between perceived price, perceived quality, and perceived value in the post experience of a hotel stay using a single item perceived value measure. Their findings showed that perceived value mediated the effect of perceived quality on behavioural intentions.

Cronin et al. (2000) examined the relationships between service quality, perceived value and customer satisfaction and the effects of these constructs on the customer behavioural intentions. The study was applied to fast food and three other services. Cronin et al. (2000) tested four different models and concluded that “quality, value, and satisfaction directly influence behavioural intentions, even when the effects of all three constructs are considered simultaneously” (p. 210). The importance of this study comes from the fact that it was one of a few studies that modelled these constructs in the post experience of services and that it was applied to four different services in real life context rather than experimental settings. However, perceived value was measured with a two-item scale that did not allow the emergence or modelling of the two perceived value dimensions. In their conclusion, Cronin et al. (2000) emphasised “the need for further consideration of similar composite models” (p. 211) to overcome the lack of model uniformity suffered in previous literature.
Similarly, McDougall and Levesque (2000) investigated the relationships between the same four constructs (service quality, perceived value, customer satisfaction, and behavioural intentions) with application to four different services including restaurants. Yet, their findings were different from those of Cronin et al. (2000). McDougall and Levesque suggested that both service quality and perceived value affect customer satisfaction, which, in turn, results in subsequent behavioural intentions.

As for the dimensionality of perceived value of hospitality services, there is an implicit support for the notion of transaction value in hospitality services. For example, Shoemaker (1994) found that restaurateurs could increase the perceived value of their menu items by adding other highly-priced items to the menu. The rationale for that, according to Shoemaker, is that the highly priced item acts as a decoy, providing customers with a frame of reference that they use for judging the value of other items on the menu. Despite this indirect support, a review of the literature reveals that attempts to test the dimensions of perceived value in hospitality settings were very limited. Even most of these attempts suffered serious methodological problems. Most of these problems are caused by failure to develop measures of perceived value that reflect the theoretical background, or other concerns about the validity of the used perceived value measures. For example, Voss (1993) acknowledged the existence of two perceived value dimensions. He used an experimental research design to test a model that relates perceived value dimensions to perceived quality and willingness to buy. However, his perceived value scale suffered from a lack of discriminant validity, especially the transaction value
dimension. Voss (1993) stated that this could have been caused by the ineffective operationalisation of the construct or the experimental manipulation effect.

Lemmink, de Ruyter, and Wetzels (1998) developed what they called “measures of value dimensions” and applied them to dining experiences. However, neither their conceptualisation nor their measure reflects perceived value as an evaluative judgement based on trade-off between benefits and sacrifices. Rather, their measure seems more like perceived quality and customer satisfaction measures that focus on service attributes. Similarly, Petrick (2001 and 2002) presented what is claimed to be a multi-dimensional scale for measuring the perceived value of a service. He applied his scale to customers of cruise liners. However, Petrick’s scale suffers from serious validity problems. Although his scale items measured the customers’ perception of the benefits and sacrifices of the cruise experience, the scale did not ask about the judgement made by the customers with regard to the perceived value of the service experience. Petrick failed to recognise that the essence of value perception is the judgement that comes out of the trade-off process made by customers themselves.

In another attempt, Petrick and Backman (2002) examined the construct of perceived value. However, their paper holds an astonishing number of fallacies throughout their conceptualization, methodology, and discussion. To mention the least, Petrick and Backman confused acquisition value and transaction value. The impression given is that the two scales for the two dimensions have been mixed up. The issues about Petrick and Backman’s paper were responded to by Al-Sabbahy, Ekinci, and Riley (2004).
To conclude, although there were some efforts for measuring and modelling perceived value of hospitality services, there is still a lot to be done. First, an examination of the dimensions of this construct in this setting is still to be researched. Learning about these dimensions could lead to important managerial and research implications. Second, in order to examine the dimensionality of the construct, an appropriate measurement tool is needed. Such a tool is not currently available in the hospitality literature. Therefore, the logical start would be research on tangible goods. Yet differences between hospitality services and other products may necessitate the development of a specifically designed tool. To investigate these two routes, a preliminary study would be conducted to test the competency of the available perceived value measures from research on tangible goods. Additionally, the preliminary study would be a means towards getting an initial feeling of the dimensionality of perceived value of hospitality services. The findings of this preliminary study would dictate the direction of the subsequent part of this research.

2.11 Conclusion

The concept of perceived value has recently gained importance and wide popularity among researchers because of its effect on consumer behaviour and because it provides strategic implications for the success of companies. Perceived value is thought to be a major tool to help the service provider to gain a better competitive position in the market. However, despite its strategic importance, perceived value has
received insufficient investigation in the literature. In particular, very few efforts have been made to measure this construct in the hospitality industry.

The widely accepted theoretical definition of perceived value states that it is the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given. Therefore perceived value is seen as a trade-off between two components; benefits and sacrifices. The former is referred to as the "get" component, while the latter is known as the "give" component.

Theoretically, research on perceived value can be described as adopting one of two approaches; the behavioural approach or the utilitarian approach. Empirically, despite the difficulties associated with perceived value measurement, there have been some attempts for measuring this construct. In most of these attempts, perceived value was operationalized using a single-item scale which aims to capture customers' overall value judgement. However, the concept of perceived value is proposed to be multi-dimensional and therefore the use of a single-item scale would not capture dimensions of this construct adequately. Perceived value is said to have two-dimensions; acquisition value and transaction value. While acquisition value refers to the perceived net gains associated with the products or services acquired, transaction value was defined as the psychological satisfaction or pleasure obtained from taking advantage of the financial terms of the price deal.

A few efforts have been made to measure the perceived value construct and its dimensions. Grewal et al. (1998) made an effort to test the validity of the two theorised dimensions using a multi-item scale. The results of their study show that the
two dimensions were found to be valid and reliable when applied to tangible goods within an experimental setting.

Research on perceived value of services in general and hospitality services in particular is still far from adequate. Therefore, it is thought that building on research on perceived value of tangible goods could be a good starting point. The most advanced attempt in that domain is that of Grewal et al. (1998). However, despite of their pioneering effort, their research was experimental and applied to product evaluation at the pre-consumption stage rather than services. Therefore, a preliminary study would be conducted to examine whether Grewal et al.’s scale would maintain its validity and reliability for the evaluation of hospitality services after the service experience.
References


CHAPTER 3
CHAPTER THREE

METHODOLOGY I: PRELIMINARY STUDY – APPLICATION OF GREWAL, MONROE, AND KRISHNAN’S PERCEIVED VALUE SCALE TO HOSPITALITY SERVICES

3.1 Introduction

A review of the hospitality literature on perceived value has shown that this construct was often operationalised using single-item scales. With this kind of scale it is not possible to capture the dimensions of the construct. The case was not much different with regard to measuring perceived value of services in general. Therefore, a multi-item multi-dimensional perceived value scale needs to be borrowed from research on perceived value of tangible goods. The purpose of this chapter is to test the adequacy of the available perceived value measures for capturing the dimensions of the construct when applied to hospitality services. In particular, an effort is made to
investigate whether the two-dimensional scale developed by Grewal et al. (1998) would maintain its validity and reliability for the evaluation of hospitality services after the service experience. Also, in this chapter, an attempt is made to explore the nature of the relationship between perceived value and other theoretically related constructs after the service experience.

3.2 Conceptual Background

The concept of perceived value has recently gained importance and wide popularity in the business environment because of its effect on consumer behaviour and because it provides strategic implications for the success of companies. It is recommended that products offering value for money not only influence customers' choice behaviour at the pre-purchase phase but also affect their satisfaction, intention to recommend and return behaviour at the post-purchase phase (Dodds, Monroe and Grewal, 1991; Parasuraman and Grewal, 2000; Petrick, 2001). Hence, perceived value is claimed to be a major tool to help the service provider to gain a better competitive position in the market (Woodruff, 1997; Parasuraman 1997; Huber, Herrmann and Morgan, 2001; Naumann, 1995; Stahl, Barnes, Gardial, Parr, and Woodruff, 1999).

However, despite its strategic importance for marketing, perceived value has received insufficient investigation in the literature (Dodds et al., 1991). In particular, very few efforts have been made to measure this construct in the hospitality industry (Bojanic, 1996; Jayanti and Ghosh, 1996; Kashyap, and Bojanic, 2000; Oh, 1999). Although the conceptualization of perceived value goes back to late 1970's, researchers only recently began to pay reasonable attention to its operationalization (Sweeney, Soutar,
and Johnson, 1997). The existing efforts have been hampered by various difficulties, mainly arising from inadequate conceptualization and the wide spectrum of other constructs involved in the formation of value judgement. Perceived benefits, perceived price, monetary price, psychological price, and behavioural price are all concepts that are associated with conceptualization of perceived value. Furthermore, perception of value is recommended to be affected by stimulus and personal response factors such as characteristics of product, interest in product, different needs, motives, expectations, personality and social status (Ateljevic, 2000; Solomon, 1999). Therefore, evaluation of this construct is claimed to vary among individuals and this has made the process of value measurement a complicated and challenging task (Semon, 1998).

Despite the presence of the above-mentioned issues, there have been some attempts at the assessment of perceived value through a variety of techniques (Anderson, Jain, and Chintagunta, 1993); for example, if the objective of the research is to explore the concept of value, focus group interviews are used. If the study aims to deconstruct the overall value judgement into various benefits sought in consumption, conjoint analysis is recommended (Anderson et al., 1993). Also some scholars have relied on secondary data analysis originated by consumer reports (Bojanic, 1996; Bolton, and Drew 1991). In the recent literature perceived value is usually operationalized using a single- item scale which aims to capture customers' overall value judgement on a statement (e.g. the hotel is good/bad value for money) (Jayanti and Ghosh, 1996; Kashyap and Bojanic, 2000; Oh, 1999). However, such practice suffers from two apparent shortcomings. First, this approach fails to reflect the widely accepted theoretical definition of perceived value which states that it is the consumer’s overall
assessment of the utility of a product based on perceptions of what is received and what is given (Zeithaml, 1988). By implication, perceived value is a trade-off between two components; benefits and sacrifices. The former is known as the “get” component (what customers get from a product) and the latter is known as the “give” component (what customers give in order to get a product; usually referring to the money paid) (Dodds et al., 1991; Kotler, Bowen, and Makens, 1999; Naumann, 1995). Second, the concept of value is proposed to be multi-dimensional (Kotler, 2000) and therefore the use of a single item scale would not capture dimensions of this construct adequately.

In accordance with the recent argument, perceived value consists of two-dimensions; acquisition value and transaction value. Acquisition value refers to perceived net gains associated with the products or services acquired in consumption (Dodds et al., 1991; Grewal, Monroe, and Krishnan, 1998; Zeithaml, 1988). It has a close relationship with the perceived benefits as well as perceived sacrifices. Hence, acquisition value is positively influenced by the product benefits and negatively influenced by the money given up to obtain the product. Scholars argue that one important element of this “get” component could be perceived quality (Grewal et al., 1998; Parasuraman and Grewal, 2000; Thaler, 1985).

Transaction value has been defined as the difference between consumers’ internal reference price and the price offered within the context of a special price deal (Grewal et al., 1998). From the customer point of view, a deal is assessed by comparing the selling price to the customer internal reference price (Grewal et al., 1998; Thaler, 1985). Internal reference price refers to the price in buyers’ memories which they use
as a basis for judging and/or comparing actual prices (Grewal et al., 1998; Monroe, 1973). It is the expected or "fair" price (Thaler, 1985) or range of prices (Lichtenstein, Bloch, and Black, 1988) for the product in the customer's mind. Thus it was found that there is a positive relationship between buyers' internal reference price on one side, and their perception of transaction value and, in turn, overall value on the other side (Grewal et al., 1998). That is, on examining the financial terms of the price offer, the customer might perceive additional value beyond that provided by acquisition value if s/he finds that the actual selling price is less than what s/he expected to pay. Thus, transaction value can be conceptualized as the psychological satisfaction or pleasure obtained from taking advantage of the financial terms of the price deal (Grewal et al., 1998; Lichtenstein, Netemeyer, and Burton, 1990; Thaler, 1985). This distinction between acquisition value and transaction value is particularly important when considering the impact of perceived value on consumers' willingness to buy, information seeking behaviour and/or comparing alternatives. Although it is the acquisition value that is usually meant when addressing perceived value, transaction value has also been claimed to have a profound effect on consumers overall value judgment. This is especially relevant in purchasing situations when customers take advantage of a special price deal. Grewal et al. (1998) argue that the influence of transaction value on behavioural intentions is mediated by acquisition value. The likelihood that the buyer intends to purchase the product is positively related to overall perceptions of acquisition and transaction value (Della Bitta, Monroe, and McGinnis, 1981; Monroe and Chapman, 1987; Zeithaml, 1988).

A few efforts have been made to measure the perceived value construct (Dodds et al., 1991; Grewal et al., 1998; Sweeney et al., 1997). Grewal et al. (1998) stated that past
research has not addressed the conceptual distinction between acquisition and transaction value. Therefore they made an effort to test the validity of these two dimensions with two empirical studies. Their research was experimental and concerned with perceived product value and customers' choice behaviour in the pre-purchase phase. In their study, the perceived value construct was operationalized by a 12-item scale split into two dimensions. As a result, these two dimensions were found to be valid and reliable. However, despite of their pioneering effort, the research was experimental and applied to product evaluation rather than services at the pre-consumption stage.

3.3 Objective of the Preliminary Study

Zeithaml, (1997) argues that goods contain more search quality attributes whilst services contain more experience quality attributes, which can only be recognized during or after consumption phase. In line with this view, perception of benefits and sacrifices (the two elements of perceived value) associated with services at the post-consumption stage are not only different from those associated with goods, but also different from those at the pre-purchase stage (Woodruff, 1997; Woodruff and Gardial, 1996). The purpose of this preliminary study is to test the dimensionality of perceived value of hospitality services with the most sophisticated perceived value measurement tool found in the literature on tangible goods. In particular, effort is made to investigate whether or not the two-dimensional scale developed by Grewal et al. (1998) would maintain its validity and reliability for the evaluation of hospitality services at the post-consumption stage. Additionally, an initial exploration of the
nature of the relationship between perceived value and other theoretically related constructs at the post-consumption stage will be conducted.

3.4 Methodology

This study investigates the validity and reliability of the two perceived value dimensions with two empirical studies applied in hotels and restaurants. To do that, the 12-item perceived value scale developed by Grewal et al. (1998) was adapted for the evaluation of hotel and restaurant services. The following section illustrates the scale adaptation and questionnaire development procedures.

3.4.1 Measurement of Perceived Value: Scale Adaptation Procedure

In their research, Grewal et al. (1998) used nine statements to measure acquisition value and three statements to measure transaction value. The scale was accompanied by a seven-point Likert type rating scale labelled as strongly disagree (1) and strongly agree (7). Their study involved two empirical applications concerned with two different samples, undergraduate students and employees of a university. According to the factor analysis results, the scale was found to be valid. The internal consistency measured by Cronbach Alpha statistics indicates that the scale is reliable (alpha coefficient was .95 for the acquisition value scale and .85 for the transaction value scale). As Grewal et al. (1998) applied this instrument for the evaluation of a product (bicycle) in pre-purchase setting; modifications were needed to regulate this instrument so that it could be applied for the evaluation of hotels and restaurants at the post-consumption stage. Using Grewal et al.'s instrument for the measurement of
perceived value, their definitions of both perceived acquisition value and perceived transaction value were also accepted and adopted as the operational definitions for this study. According to Grewal et al. (1998, p. 48) perceived acquisition value is:

"... the perceived net gains associated with the products or services acquired. That is the perceived acquisition value of a product will be positively influenced by the benefits buyers believe they are getting by acquiring and using the product and negatively influenced by the money given up to acquire the product."

Grewal et al. (1998, p. 48) also defined perceived transaction value as:

"The perception of psychological satisfaction or pleasure obtained from taking advantage of the financial terms of the price deal."

Modifications of the scales for use in the current study included changing the tense of the statements from present to past to capture post-consumption evaluation, and rewording some of the statements so as to suit the attributes of hotels and restaurants. In accordance with the definition of the acquisition value, all of the nine statements exemplify the process of trade-off between a 'get' component or a product benefit (e.g. good quality) and a 'give' component or a sacrifice (money paid). The acquisition value statements used for the evaluation of hotel services were as follows:

1. I received a good quality service for a reasonable price.

2. Considering the quality of the physical environment of the hotel, the price was appropriate.
3. If I had stayed in that hotel at a price lower than the price I paid, I would have got my money’s worth.

4. I valued this hotel as it met my needs at a reasonable price.

5. I got good value for the money I spent.

6. Given the features of the room, it was good value for money.

7. This hotel fulfilled both my high quality and low price requirements.

8. Compared to what I was willing to pay, the price I actually paid was good value.

9. This hotel met my specific needs (e.g. comfortable accommodation, convenient location) at a reasonable price.

In accordance with the definition of transaction value, the three statements used for its measurement embodied the pleasure associated with taking advantage of a price deal. These are:

1. Reflecting on the price I paid, I feel that I got a good deal,

2. It added to my pleasure knowing that I got a good deal on the price,

3. Beyond saving money, there was a good feeling attached to making a good deal – as was the case here.
3.4.2 Questionnaire Development

The questionnaire consisted of three major parts (a copy of the questionnaire can be found in Appendix 1):

The first part included respondents' profile. Since the study did not target any specific market segment, both questionnaires started with an attempt to draw a profile of the hotel and restaurant customers. This included questions about the frequency of purchase, the last service experience, the type of hotel/restaurant visited, the purpose of travelling/meal occasion, whether or not the respondent took advantage of any kind of price deal. The questionnaire ended with the demographics of customers; gender, age, nationality, occupation, and income.

The second part included the perceived value scale. As mentioned above, perceived acquisition value was measured using nine statements modified from the scale presented by Grewal et al. (1998). Respondents were asked to rate the attributes on a 7-point scale labelled as "strongly disagree" (1) and "strongly agree" (7). Similarly, using the same 7-point Likert scale, transaction value was measured by three statements. The acquisition value statements used in the Restaurant Study were virtually the same as those used in the Hotel Study; just the word 'hotel' was replaced with the word 'restaurant', plus some other minor changes in the wording to suit the nature of the product investigated. For example, the statement "This hotel met my specific needs (e.g. comfortable accommodation, convenient location) at a reasonable price" was reworded as "This restaurant met my specific needs (e.g. tasty food,
convenient location) at a reasonable price”. On the other hand, the three transaction
value statements were identical in both studies.

The third part included the measurement of related constructs. As detailed above, it
was endeavoured to measure perceived customer value with its theorized two
dimensions. As value is claimed to be a higher-order construct (Kashyap and Bojanic
2000; Zeithaml 1988) that is dependent on other lower-order independent latent
constructs (price and quality), other variables were also measured to establish the
scale validity. These were overall value, behavioural intentions, customer
satisfaction, overall service quality and perceived price.

Overall value. Respondents were asked to rate their evaluation of the overall value of
the hotel visit or meal experience on a 7-point bipolar rating scale ranging from
“extremely bad value” to “extremely good value”. The purpose of this question is to
test the concurrent validity of the perceived value scale. According to Churchill
(1979), the concurrent validity of the scale is established if it is shown to be highly
correlated with other measures of the same construct.

Behavioural intentions. According to theory, perceived value is correlated to
behavioural intentions. Hence, behavioural intentions were measured using two
questions: intention to return and intention to recommend. Subjects were asked to
plot their intentions on a 7-point numeric scale labelled as “extremely unlikely” (1)
and “extremely likely” (7). If the perceived value scale correlated with behavioural
intentions as theorized, this would establish the predictive validity of the scale (Jacoby
1978).
Overall customer satisfaction and overall quality. It has been argued that value has played a mediating role between quality and satisfaction, that is, the higher the quality the higher the value, and the higher the value the higher the satisfaction. Additionally, to the majority of scholars in this domain, quality is the most important, if not the only, constituent of the get component of perceived value. However, despite the expected positive correlation between perceived value and both customer satisfaction and perceived quality, an extremely high correlation will pose some doubts on the discriminant validity of the perceived value scale. Thus, both overall satisfaction and overall quality were measured using 7-point bipolar rating scales marked “very dissatisfied” (1) and “very satisfied” (7) for the first, and “very poor quality (1) / excellent quality (7)” for the latter.

Perceived Price. As monetary price represents the major sacrifice of the value equation, two questions were used to assess the respondents' perception of the "fairness" of the price paid, based on both their internal feeling and their knowledge about other alternatives in the market place. In the first instance, respondents were offered three choices to pick the one that best described their feeling about the price they paid. Respondents were asked to choose whether they considered the price was a fair price, more than the fair price, or lower than the fair price. They were then asked to rate the price they paid for that hotel compared to other alternatives in the market place. Three options were offered to pick one, indicating the price was about equal to, higher or lower than the average market price.

Before sending the questionnaire to the sample, it was tested on a group of university employees and postgraduate students. The clarity of the questions and items were
explicitly discussed with the respondents. As a result, a few corrections and adjustments in the wording and structure of the questions were made.

3.5 Findings of the Preliminary Study

The scale was applied to two different samples; hotel customers (Study 1), and restaurant customers (Study 2).

3.5.1 Study 1. Hotels

3.5.1.1 Sample

The study was conducted on hotel customers who had stayed in a hotel in the last six months. A total of 400 questionnaires were distributed through a hotel reservation service company that offers hotel reservations for interested customers in different hotels in the UK. The questionnaires were sent to customers who contacted the company for a future reservation along with the reservation confirmation letter. Subjects were requested to complete the questionnaire based on their latest actual hotel experience. A total of 120 questionnaires were received back: a response rate of 30%. Four questionnaires were excluded due to excessive missing values. The demographic profile of the sample is shown in Table 3-1.
The respondents were mostly aged between 25 and 54 years old (84%), having an executive/managerial or professional occupation (41% and 29% respectively). They had considerable experience with hotels, with a median of 10 hotel stays per year. The average length of the last hotel stay was 1.8 days. The respondents’ purpose of travelling was mainly leisure (46%) and business (39%). 57% of the total respondents paid their own hotel bill while 25% of the accounts were paid by their companies. 47% of the respondents had had their last hotel stay in 3 star hotels and 35% in 4 star hotels. The majority of the hotels were located in a city centre (38%) or in a city suburb (25%).

A percentage, 36%, of the respondents had received some discount on the room price they paid. The amount of monetary saving could not be detected. However, the subjects were asked to evaluate the price they paid based on two criteria; the price
they consider would be a fair price for the hotel and their perception of the average price in the market place. While 70% of the respondents thought they were charged a ‘fair price’, 22% thought the price was higher than that which they perceived to be a fair price, and 8% thought the price they paid was less than a fair price. On the other hand, 65% stated that the price they paid was around the average market price, while 13% thought it was higher than the average market price and 22% thought it was lower.

3.5.1.2 Reliability of the Scale

Reliability refers to “the degree to which measures are free from error and therefore yield consistent results” (Peter 1979, p. 6). Cronbach coefficient alpha is “the most commonly accepted statistic for assessing the reliability of a measurement scale with multi-point items” (Peter, 1979, p. 8). Thus, coefficient alpha for perceived acquisition value and perceived transaction value scales were calculated to test the reliability of both scales as seen in Table 3-2.
Table 3-2: Acquisition and Transaction Value Scale Reliability – Hotels

<table>
<thead>
<tr>
<th>No</th>
<th>Perceived Value Scale</th>
<th>Cronbach’s Alpha</th>
<th>Item to total correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>I received a good quality service for a reasonable price.</td>
<td>.97</td>
<td>.83</td>
</tr>
<tr>
<td>2</td>
<td>Considering the quality of the physical environment of the hotel, the price was appropriate.</td>
<td></td>
<td>.79</td>
</tr>
<tr>
<td>3</td>
<td>I valued this hotel as it met my needs at a reasonable price.</td>
<td></td>
<td>.92</td>
</tr>
<tr>
<td>4</td>
<td>I got good value for the money I spent.</td>
<td></td>
<td>.93</td>
</tr>
<tr>
<td>5</td>
<td>Given the features of the room, it was good value for money.</td>
<td></td>
<td>.92</td>
</tr>
<tr>
<td>6</td>
<td>This hotel fulfilled both my high quality and low price requirements.</td>
<td></td>
<td>.86</td>
</tr>
<tr>
<td>7</td>
<td>Compared to what I was willing to pay, the price I actually paid was good value.</td>
<td></td>
<td>.82</td>
</tr>
<tr>
<td>8</td>
<td>This hotel met my specific needs (e.g. comfortable accommodation, convenient location) at a reasonable price.</td>
<td></td>
<td>.91</td>
</tr>
<tr>
<td></td>
<td><strong>Transaction Value</strong></td>
<td><strong>.93</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Reflecting on the price I paid, I feel that I got a good deal.</td>
<td></td>
<td>.78</td>
</tr>
<tr>
<td>2</td>
<td>It added to my pleasure knowing that I got a good deal on the price.</td>
<td></td>
<td>.90</td>
</tr>
<tr>
<td>3</td>
<td>Beyond saving money, there was a good feeling attached to making a good deal – as was the case here.</td>
<td></td>
<td>.88</td>
</tr>
</tbody>
</table>

Although both scales were highly reliable, one statement – if I had stayed in that hotel at a price lower than the price I paid, I would have got my money’s worth – was excluded from the acquisition value scale because of its low correlation magnitude with the other statements of the scale. This increased the reliability of the acquisition value scale from .93 to .97. As for the transaction value scale, it was also found to be reliable (Alpha = .93).
3.5.1.3 Validity of the Scale

Validity refers to how well the scale measures what it sets out to measure (Litwin 1995, p. 33). It was a concern to expose the perceived value scale to different types of validity tests. "The most necessary type of validity in scientific research is construct validity" (Jacoby 1978, p. 92). Construct validity refers to "how well the measure conforms with theoretical expectations" (De Vaus 2002, p. 54). Two types of validity were essential in order to test the construct validity; convergent validity and discriminant validity. Convergent validity infers "the extent to which the measure correlates with other measures designed to measure the same thing" (Churchill 1979, p. 70). As detailed above, one of the questions was designed to fulfil this need. To establish discriminant validity, "we examine the degree to which the operationalization is not similar to (diverges from) other operationalizations that it theoretically should be not similar to" (Trochim 2002). This was tested in our case on two levels. First, the acquisition value scale items should discriminate from transaction value. This was investigated using principal components analysis. Second, it was checked to ascertain if the perceived value scale discriminates from overall customer satisfaction.

First, the construct validity of both scales was tested using principal components analysis. Table 3-3 shows the output of the analysis.
Table 3-3: Validity of the Scale: Factor Analysis – Hotels

<table>
<thead>
<tr>
<th>No</th>
<th>Perceived Value Scale</th>
<th>Factor Loading</th>
<th>Communality</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Acquisition Value</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>I received a good quality service for a reasonable price.</td>
<td>.86</td>
<td>.73</td>
</tr>
<tr>
<td>2</td>
<td>Considering the quality of the physical environment of the hotel, the price was appropriate.</td>
<td>.81</td>
<td>.65</td>
</tr>
<tr>
<td>3</td>
<td>I valued this hotel as it met my needs at a reasonable price.</td>
<td>.93</td>
<td>.87</td>
</tr>
<tr>
<td>4</td>
<td>I got good value for the money I spent.</td>
<td>.94</td>
<td>.89</td>
</tr>
<tr>
<td>5</td>
<td>Given the features of the room, it was good value for money.</td>
<td>.93</td>
<td>.87</td>
</tr>
<tr>
<td>6</td>
<td>This hotel fulfilled both my high quality and low price requirements.</td>
<td>.90</td>
<td>.82</td>
</tr>
<tr>
<td>7</td>
<td>Compared to what I was willing to pay, the price I actually paid was good value.</td>
<td>.86</td>
<td>.74</td>
</tr>
<tr>
<td>8</td>
<td>This hotel met my specific needs (e.g. comfortable accommodation, convenient location) at a reasonable price.</td>
<td>.93</td>
<td>.86</td>
</tr>
<tr>
<td></td>
<td><strong>Transaction Value</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Reflecting on the price I paid, I feel that I got a good deal.</td>
<td>.96</td>
<td>.92</td>
</tr>
<tr>
<td>2</td>
<td>It added to my pleasure knowing that I got a good deal on the price.</td>
<td>.83</td>
<td>.69</td>
</tr>
<tr>
<td>3</td>
<td>Beyond saving money, there was a good feeling attached to making a good deal – as was the case here.</td>
<td>.80</td>
<td>.65</td>
</tr>
</tbody>
</table>

Eigenvalue 8.68
*Percentage of variance explained 78.9%

* Only one factor was extracted.

According to the latent root criterion technique regarding the number of factors to extract, only factors with eigenvalue greater than 1 are considered significant (Hair, Anderson, Tatham, and Black, 1998). In our case, only one component had an eigenvalue of more than one. This single component explained almost 79% of the total variance which supports that all the eleven items in the perceived value scale are measuring a uni-dimensional construct. This should lead us to questioning the multi-
dimensionality of perceived customer value and whether acquisition value and
transaction value are two distinguished constructs or the same.

The scores for the eight acquisition value statements and the three transaction value
statements were summated to generate the total acquisition value and the total
transaction value scores. For the second level of checking the discriminant validity as
well as other validity types of the perceived value scale, a correlation matrix was
produced for the total acquisition value and total transaction value scores. Table 3-4
shows the relationship between the variables.

<table>
<thead>
<tr>
<th>Variables</th>
<th>TAV</th>
<th>TTV</th>
<th>IRP</th>
<th>MRP</th>
<th>OV</th>
<th>OS</th>
<th>OQ</th>
<th>PI</th>
<th>RI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Acquisition Value (TAV)</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Transaction Value (TTV)</td>
<td>.86</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal Reference Price (IRP)</td>
<td>.54</td>
<td>.51</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Reference Price (MRP)</td>
<td>.48</td>
<td>.43</td>
<td>.56</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall Value (OV)</td>
<td>.91</td>
<td>.82</td>
<td>.61</td>
<td>.49</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall Satisfaction (OS)</td>
<td>.90</td>
<td>.77</td>
<td>.49</td>
<td>.39</td>
<td>.90</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall Quality (OQ)</td>
<td>.78</td>
<td>.70</td>
<td>.45</td>
<td>.25</td>
<td>.80</td>
<td>.81</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repurchase Intention (PI)</td>
<td>.71</td>
<td>.58</td>
<td>.55</td>
<td>.44</td>
<td>.77</td>
<td>.73</td>
<td>.71</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Recommendation Intention (RI)</td>
<td>.83</td>
<td>.77</td>
<td>.60</td>
<td>.41</td>
<td>.88</td>
<td>.85</td>
<td>.78</td>
<td>.84</td>
<td>1.00</td>
</tr>
</tbody>
</table>

From Table 3-4, the following points can be raised: first, the correlation between the
total acquisition value and total transaction value score was .86, which is quite a high
correlation that supports the argument made on the results of the principal
components analysis. Second, the correlation between overall value and both the
perceived acquisition value and perceived transaction value is extremely high (.91 and
.82 respectively). This establishes the concurrent validity of the scale, as both of the
measures seem to measure the same construct. Third, although the correlation between the perceived value scale and the overall quality is acceptably high, the correlation with overall satisfaction is extremely high, which causes some concern about the discriminant validity of the scale. This high correlation between the two constructs is reinvestigated in the Restaurant Study. Finally, as can be seen on Table 3-4, the correlation between both of the perceived value scales on the one side, and repurchase intention and recommendation intention on the other side is, as the literature suggests, strong. This means that behavioural intentions can be predicted by measuring perceived value. This supports the predictive validity of the scale.

Returning to the issue of perceived value dimensionality, if the high correlation between transaction value and acquisition value can be imputed to the boost of customer's perceived acquisition value when s/he gets a deal on price, then it was expected that this would not be the case if a customer had not received any discount on the price paid. In other words, the high correlation between acquisition value and transaction value in the sample might be normal for respondents who received a discounted price, but would be unusual for those who did not have any discount. Surprisingly, this was not the case in our sample. There was almost no difference between the two groups, which sounds inconsistent with the theoretical rationale. The correlation coefficient between acquisition value and transaction value was .89 in the discount case and .85 for the non-discount case. Therefore, modelling perceived value as a multi-dimensional construct does not show any degree of validity using Grewal et al.'s instrument.
Additionally, from the above correlation matrix, it can be seen that the correlation between acquisition value and transaction value on one side and the internal reference price and market reference price on the other side is moderately strong. However, it is not an extremely strong correlation as is the correlation between acquisition value and transaction value. By considering this fact, and recalling the role of the price deal in creating a perception of transaction value, we suggest that comparing actual price to both the internal and external reference prices may be a more appropriate measure for the dimension of transaction value that could not be captured using Grewal et al.'s technique.

3.5.2 Study 2: Restaurants

There was a discrepancy between the hotel study (Study 1) and the conceptual framework. One of the possible reasons why the results of Study 1 did not match the conceptual framework was the different nature of the hotel product (room) compared to the product for which the instrument was originally designed (bicycle). So it was decided to pursue another study using the same instrument with fast food, which is more of a product than it is a service. In addition, fast food was chosen because of its popularity compared with other foodservice operations. It was considered that the frequent promotional activities and the wide variety of deals offered would be helpful in better assessing transaction value.

3.5.2.1 Sample

The study was conducted on fast food customers. The questionnaire was distributed by hand to customers of the food court of a town-centre shopping mall and a
university coffee shop. A total of 130 questionnaires were distributed. Subjects were requested to complete the questionnaire based on their latest in-store fast food experience. A total of 122 questionnaires were received back. Two questionnaires were excluded due to excessive missing values. The demographic profile of the sample is shown in Table 3-5

<table>
<thead>
<tr>
<th>Table 3-5. Demographic Profile of the Sample – Restaurants</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Category</strong></td>
</tr>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Age</td>
</tr>
<tr>
<td>16 to 24</td>
</tr>
<tr>
<td>25 to 34</td>
</tr>
<tr>
<td>35 to 44</td>
</tr>
<tr>
<td>45 to 54</td>
</tr>
<tr>
<td>55 to 64</td>
</tr>
<tr>
<td>Occupation</td>
</tr>
<tr>
<td>Student</td>
</tr>
<tr>
<td>Educational/academic</td>
</tr>
<tr>
<td>Executive/managerial</td>
</tr>
<tr>
<td>Professional</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Meal occasion</td>
</tr>
<tr>
<td>Breakfast</td>
</tr>
<tr>
<td>Lunch</td>
</tr>
<tr>
<td>Dinner</td>
</tr>
<tr>
<td>Snack</td>
</tr>
<tr>
<td>Type of restaurant</td>
</tr>
<tr>
<td>Burger</td>
</tr>
<tr>
<td>Chicken</td>
</tr>
<tr>
<td>Pizza</td>
</tr>
<tr>
<td>Fish and Chips</td>
</tr>
<tr>
<td>Ethnic</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

The respondents were mostly young, aged between 16 and 24 years old (82.5%), students (84%). They were moderately experienced with fast food restaurants, visiting a fast food restaurant 3.2 times (median = 3) a month on average, with a standard deviation of 2.5. They usually dined in groups with a mean of 2.9 (median = 2) persons per group and a standard deviation of 1.5. The meal occasion was mainly
lunch (57%), dinner (27%) and snack (15%). 58% of the total respondents took charge of their meal cost while 28% shared the cost with their partners. Most of the respondents had their last fast food meal experience in a burger, pizza, or chicken restaurant with percentages of 41%, 28%, and 15% respectively. A percentage, 37%, of the respondents had received some kind of discount or took advantage of a promotional offer. The types of promotion included "buy one get one free" (23%), "bigger portion" (21%), and others (36%).

The subjects were asked to evaluate the price they paid based on two criteria; the price they thought would be a fair price for the meal, and their perception of the average price in the market place. While 73% of the respondents thought they were charged a 'fair price', 24% thought the price was higher than that which they considered to be a fair price and 3% thought the price they paid was less than a fair price. Some 78% said that the price they paid was around the average market price, while 11% thought it was higher than the average market price and 10% thought it was lower.

3.5.2.2 Reliability of the Scale

Moving to the perceived customer value scale, the reliability score was calculated for both the acquisition and transaction value scales. Table 3-6 shows the reliability scores of the scales.
### Table 3-6. Acquisition and Transaction Value Scale Reliability – Restaurants

<table>
<thead>
<tr>
<th>No</th>
<th>Perceived Value Scale</th>
<th>Cronbach's Alpha</th>
<th>Item to total correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Acquisition Value</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>I received a good quality service for a reasonable price.</td>
<td>.93</td>
<td>.71</td>
</tr>
<tr>
<td>2</td>
<td>Considering the quality of the physical environment of the restaurant, the price was appropriate.</td>
<td></td>
<td>.75</td>
</tr>
<tr>
<td>3</td>
<td>I valued this restaurant as it met my needs at a reasonable price.</td>
<td></td>
<td>.75</td>
</tr>
<tr>
<td>4</td>
<td>I got good value for the money I spent.</td>
<td></td>
<td>.85</td>
</tr>
<tr>
<td>5</td>
<td>Given the ingredients and appearance of the meal, it was worth the money I spent.</td>
<td></td>
<td>.82</td>
</tr>
<tr>
<td>6</td>
<td>This restaurant fulfilled both my high quality and low price requirements.</td>
<td></td>
<td>.74</td>
</tr>
<tr>
<td>7</td>
<td>Compared to what I was willing to pay, the price I actually paid was good value.</td>
<td></td>
<td>.77</td>
</tr>
<tr>
<td>8</td>
<td>This restaurant met my specific needs (e.g. tasty food, convenient location) at a reasonable price.</td>
<td></td>
<td>.69</td>
</tr>
<tr>
<td></td>
<td><strong>Transaction Value</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Reflecting on the price I paid, I felt that I got a good deal.</td>
<td></td>
<td>.66</td>
</tr>
<tr>
<td>2</td>
<td>It added to my pleasure knowing that I got a good deal on the price.</td>
<td></td>
<td>.76</td>
</tr>
<tr>
<td>3</td>
<td>Beyond saving money, there was a good feeling attached to making a good deal – as was the case here.</td>
<td></td>
<td>.79</td>
</tr>
</tbody>
</table>

Both scales were highly reliable as seen on Table 3-6 (Alpha = .93 and .86 respectively). It is worth mentioning here that the statement that was excluded from the acquisition value scale in the Hotel Study was also excluded from this study for the same reason, that is low correlation with the other statements of the scale. Again, this increased the Alpha score of the scale from .91 to .93.
3.5.2.3 Validity of the Scale

Like the Hotel Study, the multi-dimensionality of perceived value was reinvestigated using principal component analysis. Table 3-7 shows output of the factor analysis.

<table>
<thead>
<tr>
<th>No</th>
<th>Perceived Value Scale</th>
<th>Factor Loading*</th>
<th>Communality</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>I received a good quality service for a reasonable price.</td>
<td>.762</td>
<td>.581</td>
</tr>
<tr>
<td>2</td>
<td>Considering the quality of the physical environment of the restaurant, the price was appropriate.</td>
<td>.784</td>
<td>.614</td>
</tr>
<tr>
<td>3</td>
<td>I valued this restaurant as it met my needs at a reasonable price.</td>
<td>.805</td>
<td>.647</td>
</tr>
<tr>
<td>4</td>
<td>I got good value for the money I spent.</td>
<td>.885</td>
<td>.784</td>
</tr>
<tr>
<td>5</td>
<td>Given the ingredients and appearance of the meal, it was worth the money I spent.</td>
<td>.880</td>
<td>.775</td>
</tr>
<tr>
<td>6</td>
<td>This restaurant fulfilled both my high quality and low price requirements.</td>
<td>.784</td>
<td>.615</td>
</tr>
<tr>
<td>7</td>
<td>Compared to what I was willing to pay, the price I actually paid was good value.</td>
<td>.798</td>
<td>.637</td>
</tr>
<tr>
<td>8</td>
<td>This restaurant met my specific needs (e.g. tasty food, convenient location) at a reasonable price.</td>
<td>.745</td>
<td>.555</td>
</tr>
<tr>
<td></td>
<td><strong>Transaction Value</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Reflecting on the price I paid, I feel that I got a good deal.</td>
<td>.877</td>
<td>.770</td>
</tr>
<tr>
<td>2</td>
<td>It added to my pleasure knowing that I got a good deal on the price.</td>
<td>.795</td>
<td>.632</td>
</tr>
<tr>
<td>3</td>
<td>Beyond saving money, there was a good feeling attached to making a good deal – as was the case here.</td>
<td>.794</td>
<td>.631</td>
</tr>
<tr>
<td></td>
<td><strong>Eigenvalue</strong></td>
<td>7.24</td>
<td></td>
</tr>
<tr>
<td></td>
<td>* Percentage of variance explained</td>
<td>65.8%</td>
<td></td>
</tr>
</tbody>
</table>

* Only one factor was extracted.
Using principal component analysis, again only one component had an eigenvalue of more than one. This single component explained almost 66% of the total variance as shown in Table 3-7 and this supports that all the eleven items in the perceived value scale are measuring one construct.

As in the Hotel Study, the scores of the eight remaining acquisition value statements and the three transaction value statements were summated to generate the total acquisition value and the total transaction value scores. A correlation matrix was then produced for the eight acquisition value statements and the three transaction value statements. Table 3-8 shows the correlation matrix for the total acquisition value and total transaction value scores as well as price perception, overall value, satisfaction, perceived quality and behavioural intentions.

<table>
<thead>
<tr>
<th>Variables</th>
<th>TAV</th>
<th>TTV</th>
<th>IRP</th>
<th>MRP</th>
<th>OV</th>
<th>OS</th>
<th>OQ</th>
<th>PI</th>
<th>RI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Acquisition Value (TAV)</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Transaction Value (TTV)</td>
<td>.87</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal Reference Price (IRP)</td>
<td>.41</td>
<td>.41</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Reference Price (MRP)</td>
<td>.13</td>
<td>.12</td>
<td>.15</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall Value (OV)</td>
<td>.77</td>
<td>.72</td>
<td>.24</td>
<td>.14</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall Satisfaction (OS)</td>
<td>.67</td>
<td>.67</td>
<td>.25</td>
<td>.05</td>
<td>.68</td>
<td>.68</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall Quality (OQ)</td>
<td>.71</td>
<td>.65</td>
<td>.25</td>
<td>.05</td>
<td>.69</td>
<td>.80</td>
<td>.80</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Repurchase Intention (PI)</td>
<td>.54</td>
<td>.40</td>
<td>.22</td>
<td>.25</td>
<td>.61</td>
<td>.50</td>
<td>.50</td>
<td>.50</td>
<td>1.00</td>
</tr>
<tr>
<td>Recommendation Intention (RI)</td>
<td>.63</td>
<td>.64</td>
<td>.15</td>
<td>.15</td>
<td>.72</td>
<td>.64</td>
<td>.73</td>
<td>.54</td>
<td>1.00</td>
</tr>
</tbody>
</table>

As can be observed from the table, the correlation between total acquisition value score and total transaction value score is as high as .87 (almost the same as it was in the Hotel Study). Even when the sample was split into two portions, the first are those who received a discount on price and the second are those who received no
discount on price, the correlation between perceived acquisition value and perceived transaction value was still high in both cases. The correlation coefficient was .84 in the discount case and .88 for the non-discount case. All these results are consistent with the results of the Hotel Study. Furthermore, the moderate to weak correlation between acquisition value and transaction value on one side and internal and external reference prices on the other hand supports our suggestion that the missing dimension of transaction value can possibly be captured by comparing the price paid to the customer reference price.

3.6 Discussion of the Preliminary Study Findings

To summarize, the most significant finding of the two empirical studies is that despite the fact that the refined perceived value measurement scale was found to be reliable, there were some issues surrounding its validity across the two samples. In particular, although the dimension of acquisition value was found to be valid and generic, the validity of the transaction value was very poor. Using principal components analysis, the scale items that were supposed to measure transaction value did not discriminate from those of acquisition value. Additionally, and to reiterate, the relationship detected between the perceived acquisition value and perceived transaction value scales is extremely high. This high correlation sheds doubt on the discriminant validity of the scale, as it was not efficient in discriminating the two dimensions nor did it pose them as clearly distinct components of the overall perceived value concept, assuming there are two dimensions.
One justification for the lack of discrimination between perceived acquisition value and perceived transaction value in the two studies might be the mercurial nature of transaction value. Defining transaction value as "the perception of psychological satisfaction or pleasure obtained from taking advantage of the financial terms of a price deal" makes the concept, to some extent, not very exclusive. Rather, this definition puts transaction value in a position to be confused with acquisition value. Based on that, the statements quoted from Grewal et al.'s (1998) to measure transaction value do not look to be exclusive to transaction value. For instance, the first item on the transaction value scale, "reflecting on the price I paid, I feel that I got a good deal" cannot be seen as limited to those who received a discount on price, which is one of the prerequisites of the transaction value to assume its existence according to the definition. In other words, a customer who did not receive any discount on price may still have the feeling that s/he got a good deal on price if s/he perceives the benefits acquired as being worth, or more than worth, the money paid. In this case the construct validity of the perceived transaction value scale is questionable, as it seems that the scale items' measurement of the construct does not match the conceptualization stated by the operational definition. This might have contributed a great deal to the overlap between transaction and acquisition values.

The technicality of the approach used for measuring transaction value is another concern. It seems that the three items Grewal et al. (1998) used to measure transaction value emphasised only the first part of this definition. That is to say, the scale items were explicitly asking about "the pleasure" the respondents might have felt from taking advantage of a deal rather than asking them about their perception of the price deal and whether they saw it as a "deal" or not. Hence, an indirect, but
probably more efficient, approach of measuring the actuality of transaction value is to assess the customers’ perception of the service price as compared to their reference price at the post-consumption stage. This will sound consistent with the conceptualization of transaction value as “a judgement of the value of the deal” (Urbany, Bearden, Kaicker and Borrero 1997) or, in behavioural context, the consumer’s reaction to a price, relative to the price s/he might expects to pay for the service (Thaler 1985). Following these definitions, one of the acquisition value scale items seems to be more fitting in the transaction value scale (compared to what I was willing to pay, the price I actually paid was good value). However, the reference price still needs to be clarified further. Is it the price that a customer would think of as being a “fair” price? Or is it the price that a customer would think of as being “around the average market price”? A safer approach might be to consider both of them.

A further support to this notion can be seen in our findings. Using the two questions asking about the customers’ judgement of the price as compared to their reference price, some important findings need to be revealed. 83% of the respondents who got a price discount in the Hotel Study think that the price, though discounted, is fair or more than what a fair price should be. Also, 76% of them think that the price, though discounted, is still around or higher than the average market price. In the Restaurants Study, the situation was very similar. All this implies that they do not see the purchase as a “special price deal”. Consequently, the added value (transaction value) cannot be assumed to be there despite the receipt of a price discount.
In addition, in marketing literature, price is defined as "the summation of all sacrifices made by a consumer in order to experience the benefits of a product." (Buttle, 1997, p. 235). Based on this definition, offering a monetary discount to customers does not necessarily mean that customers will perceive it as a good "deal" if they see other sacrifices associated with experiencing the service as being too great.

Another explanation for the lack of validity of transaction value could be that the influence of transaction value on hotel customers might be not as clear as it is with tangible goods. In the latter, one can take a close look, check the ingredients or components of the product, and even sample it before making a mental judgement as to whether or not the product is a "good bargain". While in the hotel case, as well as with other service industries, this process is usually not possible. Also, this study was conducted after the service experience. The pleasure associated with transaction value might be a short-term mental status related to "finding" and taking advantage of a price deal. In turn, it might be more measurable only in the pre-purchase phase rather than the post-purchase one.

Regarding the acquisition value scale, a further look at the definition on which Grewal et al. (1998) based their instrument leads to further questions. Initially, is the trade-off between benefits and cost in the acquisition value concept all about the functional benefits associated with the product or service and "the money given up to acquire the product"? It should be noted here that this assumption ignores the fact that there are other factors that may affect the customers' perceived value of the hotel stay, and therefore should be considered when designing a perceived value measurement scale. Discussion in Chapter 2 showed that the literature suggests that benefits and
sacrifices fall in various categories. It seems that Grewal et al.'s scale ignores this fact. For instance, benefits related to emotional payoff as well as non-monetary sacrifices are not considered in the scale. These are likely to affect the customers' perception of the value of the hotel stay (Zeithaml, 1988; Kotler, 2000).

3.7 Implications for the Research Direction

From the above discussion, two possible interpretations for these two studies' results need further investigation. The first interpretation is that the instrument is appropriate in tracing the concept with relevant scale items, but actually the two concepts that lie beneath it are the same thing. In other words, the model that hypothesises that there are two dimensions of perceived value is not appropriate after the service experience in the hospitality environment, and the instrument used was good enough to prove that. The second interpretation might be that the subjects were not able to discriminate between the two scales, that is, they saw the statements of both scales as the same. This means that the measurement items used to investigate both concepts failed to do the job, probably due to the lack of both exclusiveness of the transaction value items, and inclusiveness of the acquisition value items in addition to the overlap and similarity of the statements. In other words, the model might be right but the instrument was not good enough to extract the empirical evidence that supports the dual dimensions of perceived value after the service encounter. The strong theoretical base, as well as previous efforts in this domain, suggests that this supposition can not be ignored.
To look on it in a different way, Grewal et al.'s claim that the customer's perception of transaction value "influences their perceptions of acquisition value and not vice versa" is a debatable proposition. That is, the customer's perception of acquisition value seems to defuse or neutralize their perception of transaction value. To be precise, if the customer's perception of acquisition value is seen to be average or not more than usual, even in the case of a special price deal, "the greater psychological pleasure associated with obtaining favourable financial terms" cannot be assumed to be there. In this sense, treating acquisition value as a mediator between transaction value and behavioural intentions should be combined with treating the perceived level of acquisition value as a moderator for transaction value to assume its existence.

### 3.8 Qualitative Study: A Follow-up

To preliminarily assert the propositions made in the above discussion, a small qualitative study was conducted. This study involved 14 semi-structured interviews. The purpose of these interviews was to assess the possible explanations for the discrepancies between the theoretical framework and the results of the preliminary study. As the tool was originally developed for products, the qualitative interviews were concerned about exploring whether the argument made about the dimensionality of perceived value of services in the post-consumption level is pertinent for products. It was also our objective to weigh the role of transaction value in the customer post-purchase value judgement. A transcript of two of these interviews can be found in Appendix 3.
The following are some of the findings of these interviews:

- The truthfulness of the amount of discount was suspected more than once by the interviewees. This throws some doubt on the saying that transaction value is always associated with taking advantage of a special price deal.

- Most of the interviewees thought that it is not necessary that the item be bought at a discount in order to consider it a good deal.

- Most of the interviewees stated that they were more pleased with the discounted price at the time of purchase. A majority of them described the feeling they got when they received the "good deal" as "the same sort of feeling, but more so". Some respondents were not planning to buy the product, rather, the product appealed to them due to its unexpected price, which resulted in a "spur of the moment decision" to buy the product.

- The good feeling about taking a good deal generally continued to exist even after the transaction is completed and the product is used. When they were asked if they still consider the item a good deal after they used it, those who were positive justified this by the variety of benefits associated with the product (the pictures were unusual, attractive, handmade, etc.) in addition to recalling the pleasure of the price deal. This suggests that, in the case of a price discount, the credibility of the discount, inferred from weighing the received benefits as compared to price, is an important factor in creating a perception of transaction value after consumption.
- All the respondents who got a discount on their purchased items thought that the price they paid was fair for both sides, the buyer and the seller. Only one respondent noted that the price was "very fair to me, possibly not fair to the seller". On the other hand, some respondents stated that the price they paid was expected, while others said it was unexpected.

- It was also stated that the word 'deal' usually refers to a purchase that is advantageous to the buyer (something that is advantageous to me). However, it was rarely linked to price discount.

So, from all the above, we can comfortably say that a re-conceptualisation of the post-purchase perceived value is needed, and an amended measurement tool is, therefore, required. The perceived added value in this prospective tool should not be regarded as confined to a price discount. Rather, the 'added value' should be regarded as any deal that is "advantageous" from the customer point of view, not necessarily due to a price discount. This added value should be operationalized as resulting of comparing actual price against the customer's expected price, regardless of whether the purchase took place in the context of a discounted offer from the seller's viewpoint.

3.9 Conclusion

Based on all the above, it seems that further effort is needed to develop a better instrument for the measurement of service perceived value. This new instrument should be based on a solid theoretical background. First, regarding the perceived acquisition value, a more inclusive spectrum of possible benefits a customer may seek
in a service should be considered, and so should the whole range of sacrifices that
customer could possibly endure. These benefits and sacrifices should be incorporated
in a new perceived acquisition value scale. These new scale items should be
constituted to reflect a trade-off between the two elements. On the other hand, for a
better measurement of perceived transaction value, a new approach should be used;
this new approach should be based on tracing the customer’s perception of the price
paid compared to his reference price. This way, transaction value will no longer be
limited to, and can no longer be seen as, restricted to price discounts. Then the
validity and reliability of the measurement tool should be reinvestigated.
References


CHAPTER 4
CHAPTER FOUR

METHODOLOGY II: THE MAIN STUDY – NEW PERCEIVED VALUE SCALE AND PERCEIVED VALUE MODEL

4.1 Introduction

This chapter describes the methodology used in the study. It will detail the steps taken to implement the study, collect the data, and analyse the findings. The first section sets out the objectives of the study. The conceptual framework for the study propositions is then described and the definitions of the study’s variables are stated. The propositions that guided this study will be presented and the research design suited to test these propositions will be detailed.

The second section of this chapter describes how the findings of the collected data will be analysed. First, the procedures followed to test the validity of the research
instrument are explained. Then, the different quantitative methods used to verify the study propositions and test the model are presented.

4.2 Research Philosophy and Study Approach

Any research chooses from different methodologies and methods the ones capable to answer the research question. Yet, this choice is also the result of certain assumptions about reality and knowledge. The philosophical stance lying behind a methodology provides a context for the process involved and a basis for its logic and its criteria. “Different ways of viewing the world shape different ways of researching the world” (Crotty, 1998, p. 66). Kuhn (1996) argues that data are theory-led; theory is located in paradigms; and those paradigms are historically and culturally specific. Within the field of social research, two epistemological positions are encountered: objectivism related to the positivist paradigm and constructionism related to the interpretive paradigm (Crotty, 1998).

The positivist paradigm attempts to apply natural science methodology to social science. In positivism, “the behaviour of humans, like the behaviour of matter, can be objectively measured” (Haralambos and Holborn, 1997, p. 14). According to this approach, the social world exists externally and its properties “should be measured through objective methods, rather than being inferred subjectively through sensation, reflection and intuition” (Easterby-Smith, Thorpe, and Lowe, 1991, p. 22). In other words, people are seen to always react to external stimuli and their behaviour can only be explained in terms of their reaction (Haralambos and Holborn 1997). Crotty (1998) indicates that adopting a positivistic stance implies that the results of research will be
presented as objective facts and established truths. Popper (1977), however, suggests that theories cannot be proved to be true – they can only be proved to be false. Hence, theory testing leads either to the falsification and discarding of the theory, or to the creation of, as yet, unfalsified laws (Gray, 2004).

While the positivist researcher stands outside the progress of science as an objective observer, the interpretive researcher acquires a vantage-point from which events can be reconstructed and interpreted. The activity of the interpretive researcher is within the social life, and the interpretations reached become part of an intellectual history (Carr and Kemmis, 1986). In interpretive research, the researcher is the research instrument who sorts and analyses the data and who is constantly, at each stage, making sense of things and decisions about the next steps. The interpretive design is best suited to uncover a multiplicity of individual perceptions about the situation and increase understanding of issues that are present in the situation (Radnor, 2001).

This distinction between paradigms is not that simple in social research practice; it is not always easy to define the paradigmatic nature of a certain research (Carr and Kemmis, 1986; Crotty, 1998; Cohen, Manion, and Morrison, 2000). The rule is that the research should be shaped by the nature of the question, the phenomena being considered, and the sort of answer sought. The focus of social research should be on what one wants to know and why rather on how to apply a particular approach (Singleton, Straits, and Straits, 1993).

Although the current research investigates perceptions of individual experiences – which is in the centre of the interpretive theory – the actual aim of the study is to
initially identify the factors lying beneath these perceptions, and then examine the possible relationships between these factors and other variables. This requires to take into consideration the objectivity of the positivist approach and its scientific methods. However, the data analysis methods used in this study are mainly correlational rather than causal. Therefore, some kind of interpretation was needed for better understanding of the study findings. Therefore, it can be said that this study builds on both the positivist and interpretive approaches simultaneously.

4.3 Objectives of the Study

This study seeks to gain an understanding of the nature of customer perceived value of services after taking the service experience. More specifically, exploring the dimensions of perceived value of services in the post-consumption phase is the primary objective of this study. The study also examines the relationship between perceived value dimensions and other constructs such as price, perceived quality, and customer satisfaction in an attempt to build an integrated model that relates these constructs to post-consumption behavioural intentions.

Taken from the above, the specific methodological objectives of the study are identified as follows:

1. To develop a valid and reliable multi-item multi-dimensional scale for the measurement of perceived value.
2. To capture all the possible post-service-experience perceived value dimensions and ascertain their nature.

3. To examine the antecedents and consequences of each of the found perceived value dimensions.

4. To develop and test an integrated model for perceived value, perceived price, perceived quality, customer satisfaction, and behavioural intentions in the post consumption of services.

4.4 Research Design and Study Setting

Pizam (1994, p. 91) stated that research design should carefully reflect a seven step process:

1. Formulation of research problem.
2. Review of related literature.
3. Definition of concepts, variables, and hypotheses.
4. Selection of research design.
5. Selection of data collection technique.
6. Selection of Subjects
7. Planning of data processing and analysis.

These steps were carefully put together throughout the process of the current study. Figure 4-1 outlines the research process for current study.
Figure 4-1: The Research Process


- Preliminary Study: Application of Grewal et al.'s Scale for Measuring Perceived Value of Hospitality Services
  - Scale Adaptation
  - Scale Application
    - Hotel Customers
    - Restaurant Customers
  - Follow up Study: Personal Interviews

- Research Problem Identification: Are the Two Perceived Value Dimensions Valid to Hotel Customers

- Main Study: Conceptual Framework
  - Conceptual Perceived Value Model
  - Propositions Development
  - Development of a New Multi-dimensional Perceived Value Scale

- Analysis of Findings: Dimensions of Perceived Value, Propositions Testing
This study is a survey research. "Survey research is based on the simple idea that if you want to find out what people think about some topic, just ask them. That is, a survey is a structured set of questions or statements given to a group of people in order to measure their attitudes, beliefs, values, or tendencies to act" (Goodwin, 1995, p. 343). This study aims to explore the number and nature of perceived value dimensions of a service (hotels) in the post-experience phase, and, subsequently, examine the relationships between the found dimensions and other related variables. Therefore, after establishing the number and nature of perceived value dimensions and testing their reliability and validity, variable correlation analysis was the main type of investigation. This correlation analysis aimed to propose a model that would sum up the nature of relationships between the study variables and put them all in a nutshell. Examining relationships between variables is best done using questionnaire (Schweigert, 1994). Therefore, the study was conducted in a non-contrived setting using cross-sectional data that was gathered using a mail questionnaire. The data were collected in one-shot from a sample of UK hotel customers who had recently had a hotel experience. No particular customer segment was targeted.

4.5 The Study Context

The benefits and sacrifices associated with a product or service might only be revealed from the outcomes of the product or service in use situations (Woodruff and Gardial, 1996; Woodruff, 1997). This is especially relevant with hospitality services that are likely to fall in the zone of products that are high in "experience qualities" on Zeithaml’s (1981) continuum of evaluation. Therefore, it is believed that grounding a generic foundation of knowledge about the rising perceived value construct could be
best achieved by examining the construct after undergoing the experience. For that reason, this study will examine the hotel customer perceived value and its potential two dimensions in the post-consumption phase.

In a preliminary study, an attempt was made to capture the dimension of perceived value of hotel customers in the post-experience using an instrument that was previously used in the pre-purchase of products. However, the instrument was not successful in extracting sufficient evidence for the two proposed dimensions that are supported by common sense and previous research in the product and pre-purchase contexts. Therefore, there is a need to develop a new instrument for the detection and measurement of perceived value dimensions of services in the post experience phase (Al-Sabbahy, Ekinci, and Riley, 2002).

4.6 Conceptual Framework

It is widely agreed that the perceived value construct has received insufficient attention in the literature despite its great importance. Particularly, the dimensions of perceived value and their role in the overall behavioural model in the post-experience of services remain uncovered. It is believed that perceived value plays a core role that – if identified – would reform the overall behavioural model and cement its parts together. In order to investigate the role of perceived value, it is essential to develop a valid and reliable tool for the measurement of perceived value and capture of its dimensions.
Yet, operationalisation of perceived value has been problematic since there is no agreement on its definition, either by consumers or by scholars (Zeithaml, 1988; Bojanic, 1996; Woodruff, 1997). Earlier, emphasis was put on the perception of price as the major indicator of the product value (Monroe, 1973). Later, the notion of value judgement resulting from “trading off the utility of the sacrifice against the utility inferred from perception of quality” emerged (Monroe and Krishnan, 1985, p. 210). However, this early conceptualisation of perceived value did not adequately present perceived value as an individual construct that might have several dimensions. In the late eighties, Zeithaml (1988) presented a more generic and elaborate definition of overall perceived value. This widely accepted definition states that perceived value is: “the consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given” (Zeithaml, 1988, p. 14).

There is, therefore, an agreement that perceived value is an outcome in the consumer’s mind that results from comparing the benefits of the product to the sacrifices borne (Monroe and Krishnan, 1985; Hauser and Urban, 1986; Zeithaml, 1988; Dodds, Monroe, and Grewal, 1991; Naumann, 1995; Kotler, Bowen, and Makens, 1999). However, the particulars of the mental process that result in making a perceived value judgement are still open for discussion. The portrayal of the perceived value construct as a straightforward outcome that comes as a result of an arithmetic-type trade-off process in the consumer’s mind sounds naïve and superficial.

The elements that constitute perceived value are debatable. While some researchers equated benefits to perceived quality (Dodds and Monroe, 1985; Monroe and
Krishnan, 1985) others state that benefits refer to all the product and service attributes as well as the consequences of buying and using the product (Woodruff, 1997). In the same way, sacrifices were sometimes limited to monetary price (Dodds et al., 1991; Bojanic, 1996; Jayanti and Ghosh, 1996; Grewal, Monroe, and Krishnan, 1998; Kashyap and Bojanic, 2000), while they were extended to include non-monetary or behavioural price in some other studies (Naumann, 1995; Buttle, 1997; Cronin, Brady, and Hult, 2000; Kotler, 2000). In fact, price was defined as “the summation of all sacrifices made by a consumer in order to experience the benefits of a product.” (Buttle, 1997). Therefore, operationalisation of perceived value should not ignore consequential benefits or non-monetary price. However, these are sometimes difficult to foresee before purchase, especially with services. So, it is believed that investigating perceived value at this stage is best conducted after an experience of the service.

4.6.1 Dimensions of Perceived Value

Although the multi-dimensionality of perceived value has been acknowledged in some previous literature (Thaler, 1985; Monroe and Chapman, 1987; Voss, 1993; Grewal et al., 1998; Parasuraman and Grewal, 2000; Petrick, 2002), the empirical research conducted in this area is still far from sufficient (Grewal et al., 1998). Two dimensions of perceived value have been recognised in the literature: acquisition value and transaction value. The distinction between these two dimensions is particularly important for better measuring and better understanding perceived value.
4.6.1.1 Acquisition Value

Acquisition value is defined as the perceived net gains associated with the products or services acquired (Zeithaml, 1988; Dodds et al., 1991; Grewal et al., 1998). It will be positively influenced by the benefits buyers believe they are getting by acquiring and using the product and negatively influenced by the money given up to acquire the product (i.e. the selling price) as well as any other behavioural price. Any scale measuring acquisition value should measure the process of trade-off between its two constituents.

4.6.1.2 Transaction Value

Transaction value was conceptualised as the difference between consumers’ internal reference price and the price offered within the context of a special price deal (Grewal et al., 1998). From the customer viewpoint, assessing the deal by comparing the selling price to the customer internal reference price may result in a perception of psychological satisfaction or pleasure obtained from taking advantage of the financial terms of the price deal (Thaler, 1985; Lichtenstein, Netemeyer, and Burton, 1990; Grewal et al., 1998). The two constituents of transaction value; perceived price and reference price; are cognitive beliefs about what the current price offering is and what it should be, respectively. Transaction value can be seen as an affective integration of these beliefs. However, it remains unclear how consumers generate reference prices for evaluating transaction value (Voss, 1993).

The distinction between acquisition value and transaction value is particularly important when considering the impact of value perception on willingness to buy. It
has been suggested that the likelihood that the buyer intends to purchase the product is positively related to overall perceptions of acquisition and transaction values (Della Bitta, Monroe, and McGinnis, 1981; Monroe and Chapman, 1987; Zeithaml, 1988).

4.6.2 Perceived Value Measurement

Attempts to operationalize and measure perceived value are still far from adequate (Semon, 1998). Most of these previous attempts measured perceived value using a single-item scale asking subjects to rate their perceived value of the product or service (Jayanti and Ghosh, 1996; Oh, 1999; Kashyap and Bojanic, 2000; Caruana and Money). This approach to measuring customer value does not provide information about the nature and components of perceived value. That is why Grewal et al. (1998) argue that past research has not addressed the conceptual distinction between acquisition and transaction value.

However, a few efforts have been made in the right direction towards measuring the perceived value construct and developing a multi-item scale. Grewal et al. (1998) made an effort to test the validity of the two perceived value dimensions with two empirical studies. Their research was experimental and concerned with perceived product value and customers’ choice behaviour in the pre-purchase phase. They measured perceived value using a twelve-item scale that traced the two dimensions. As a result, these two dimensions were found to be valid and reliable. However, despite of their pioneering effort, the nature of research was experimental and was applied to product evaluation as opposed to services. Additionally, although they highlighted Thaler’s (1985) conceptualisation of transaction value, their transaction
value scale failed to adequately reflect Thaler’s statement that the measurement of transaction (utility) “depends on the price the individual pays compared to some reference price” (Thaler, 1985, p. 205). This might have been the reason why Grewal et al.’s scale failed to capture the dimensions of perceived value of hospitality services in the post-experience as was the case in the preliminary study. Therefore, a new scale needs to be developed for measurement of the perceived value dimensions in this setting.

4.6.3 Perceived Value Modelling and Propositions Development

In the literature, there is sufficient evidence of a significant bivariate relationship between perceived quality, perceived value, and customer satisfaction on one side, and behavioural intentions on the other side (Cronin et al., 2000). However, the direct relationships between these constructs and behavioural intentions cannot be accepted based on bivariate correlations because of the numerous possibilities of intermediate links. Therefore, the interrelationship between these three constructs, and how they interact together to lead at the end to behavioural intentions, remains unresolved. Considering this fact, it is not difficult to envisage the complexity of designing and testing a collective model that considers the relationship not only between the above constructs but also between them and the two dimensions of perceived value. Before detailing the rationale behind the proposed relationships between variables, Figure 4-2 represents the conceptual model that guided this study.
4.6.3.1 Propositions Development

Monroe and Krishnan (1985) presented an early conceptual model for perceived value. In their model, perceived value was modelled as resultant from trading off perceived quality and sacrifice. Built on this model, Dodds and Monroe, (1985) experimentally tested the relationships between price and value and found that the lower the price, the higher the perceived value. Later, Monroe and Chapman, (1987) acknowledged the model presented by Monroe and Krishnan (1985) and offered a more elaborate model that, in an early attempt, put together the two dimensions of
perceived value drawn on the transaction utility theory of Thaler (1985). In their study, perceived value was modelled as a result of two types of evaluations: acquisition value and transaction value. While the first comes from comparing the product benefits to the outlay, the latter is based on evaluating the actual price weighted against the reference price. In their conceptualisation, Monroe and Chapman (1987) suggested that transaction value exists only if the buyer is aware of a reference price that is lower than the actual price. On the other hand, acquisition value is a judgement that is inherent to any purchase situation. *This notion supports the depiction of acquisition value as the core and principal component, and transaction value as the added auxiliary one.* Although Monroe and Chapman did make an effort to synthesise previous research literature to test the relationships suggested in their conceptual model, they did not empirically test that model.

In 1991, Bolton and Drew (1991) presented a paradigm that integrated customer satisfaction along with quality and value in the model. However, their study is criticised as (1) the model was too complicated and did not consider the dimensions of perceived value, (2) they used secondary data that was based on single-item measures (3) the direct relationship between customer satisfaction and perceived value was not tested in the model. In the same year, Dodds et al. (1991) presented an attempt to measure and model perceived price, perceived quality, perceived value, and willingness to buy using experimental design. Although their model was an extension of that of Monroe and Krishnan (1985), the main contribution of their effort was that they presented one of the earliest multi-item perceived value measures. However, this measure did not adequately reflect the trade-off nature of perceived value and was not designed to capture the different dimensions of the construct.
With the existence of several models applied to different types of services, Cronin et al. (2000) made an effort to compare four different models of perceived quality, perceived value, customer satisfaction, and behavioural intentions, to propose a generic model. They ended in favour of the model that depicted a direct relationship between perceived quality and behavioural intentions in addition to the indirect effect through perceived value and satisfaction. In that sense, they concluded that "quality, value, and satisfaction directly influence behavioural intentions, even when the effects of all three constructs are considered simultaneously" (p. 210). In the meantime, the indirect paths from perceived quality to behavioural intentions through customer satisfaction and perceived value, and from perceived value to behavioural intentions through customer satisfaction, were all found to be significant. In other words, their model featured a complete grid that linked together perceived quality, perceived value, customer satisfaction, and behavioural intentions with direct and indirect paths. In their conclusion, Cronin et al., (2000) emphasised "the need for further consideration of similar composite models" (p. 211) to overcome the lack of model uniformity suffered in previous literature. The importance of this study comes from the fact that it was one of a few studies that modelled these constructs in the post experience of services and that it was applied to four different services in real-life context rather than experimental settings. However, perceived value was measured with a two-item scale that did not allow the emergence or modelling of the two perceived value dimensions.

The intricate relationship between perceived value, customer satisfaction, and behavioural intentions was also established in the post consumption of business-to-business services (Patterson and Spreng, 1997). In this study, evidence was found that
perceived value not only affects behavioural intention directly, but also indirectly through customer satisfaction. Therefore, it can be said that this dual path has been tested and established with different service categories in the post-consumption.

Also, McDougall and Levesque (2000) investigated the relationships between service quality, perceived value, customer satisfaction, and behavioural intentions with application in four different services. According to their model, both service quality and perceived value contribute to customer satisfaction, which, in turn, results in behavioural intentions.

Probably, the most advanced perceived value measure was that presented by Grewal et al. (1998). Using a 12-item scale, Grewal et al. were able to capture and measure the two perceived value dimensions: acquisition value and transaction value. Using experimental design, Grewal et al. tested a model that considered the individual antecedents and consequences of the two perceived value dimensions. In this model, evidence was found that the effect of price on acquisition value is mediated by transaction value and that the effect of transaction value on behavioural intentions is mediated by acquisition value.

In hospitality research, an attempt to operationalize the dimensions of perceived value in hotel settings was made by Voss (1993). Using an experimental design, he tried to test a model that relates perceived value dimensions to perceived quality and willingness to buy. However, the overlap in the measures used for different constructs jeopardised the value of the effort. Also, Bojanic (1996) investigated the relationship between hotel customers' perceived price, perceived quality, and
perceived value based on secondary data from Consumer Reports. Perceived value was measured using a single item and, in turn, multiple dimensions were not considered. In this study, perceived value was modelled as mediating the relationship between perceived quality and customer satisfaction. While a strong direct relationship was established between perceived value and customer satisfaction, Bojanic's model suggest that a direct relationship between perceived quality and customer satisfaction does not exist.

Using a single item measure of perceived value Oh (1999) presented a holistic model that depicted the relationship between perceived price, perceived quality, perceived value, customer satisfaction, and behavioural intentions. The model suggested that perceived value was found to be subject of perceived price and perceived quality. In this model, although the path from perceived quality to customer satisfaction was found to be significant, the path from perceived value to customer satisfaction was found to be much stronger, suggesting that "perceived value is an immediate antecedent of customer satisfaction and repurchase intention" of hotel services (Oh, 1999, p. 77). It was also found that the influence of perceived value over behavioural intentions is twofold: directly, and indirectly through customer satisfaction. The contribution of this study comes from the fact that it proposed a complete model of perceived quality, perceived value, and customer satisfaction of hotel services in the post-purchase phase. However, the single-item measures used were not good enough to capture and model the construct dimensions.

Oh (2000) conducted another study to measure perceived value using a multiple-item measure. Using experimental design, he presented a regression-based model of
perceived price, perceived quality, perceived value and behavioural intentions. However, no attempt was made to test the dimensionality of perceived value. In this study, perceived value was shown to be "the only significant positive predictor of purchase intention" (p. 151) when combined in one regression model with price and perceived quality. In other words, perceived value was a complete mediator of perceived price and perceived quality towards behavioural intentions.

Also, Kashyap and Bojanic (2000) modelled the relationships between perceived price, perceived quality, and perceived value in the post-experience of a hotel stay using a single item perceived value measure. Their findings showed that perceived value mediated the effect of perceived quality on behavioural intentions.

Built on the preceding conceptualisation and the empirical findings in previous literature, the model in Figure 4-2 was developed to depict the relationships between different variables. From previous efforts, and as depicted in the model in Figure 4-2, the following propositions were developed to guide the analysis of this study:

P1: There is a direct positive relationship between perceived quality and acquisition value.

P2: There is a direct positive relationship between transaction value and acquisition value.

P3: There is a direct positive relationship between reference price and transaction value.
P4: There is a direct negative relationship between the perceived price and transaction value.

P5: The effect of reference price on acquisition value is mediated by transaction value.

P6: The effect of perceived price on acquisition value is mediated by transaction value.

P7: There is a direct positive relationship between acquisition value and customer satisfaction.

P8: The relationship between perceived quality and customer satisfaction is partially mediated by acquisition value.

P9: There is a direct positive relationship between acquisition value and behavioural intentions.

P10: The effect of transaction value on behavioural intentions is fully mediated by acquisition value.

P11: The effect of acquisition value on behavioural intentions is partially mediated by customer satisfaction.
4.6.4 Operational Definition of Perceived Value:

4.6.4.1 Perceived Value

This is the customer's overall assessment of the utility of a service based on perceptions of what is received and what is given (adapted from Zeithaml, 1988).

4.6.4.2 Acquisition Value

This is a judgement made by customer based on evaluating and comparing the benefits received from staying in a hotel to the outlay endured. It will be positively influenced by the benefits customers believe they obtained by and as a result of receiving the service and negatively influenced by the monetary and behavioural expenses.

4.6.4.3 Transaction Value

This is a judgement made by customer about the excellence of the deal based on evaluating and comparing the actual price paid to the customer reference price. It will be positively influenced by reference price and negatively influenced by the actual price paid (adapted from Thaler, 1985).

4.7 Instrumentation and Data Collection Method

The data required for this study were collected using a mail questionnaire. Questionnaires have the advantage of being cost efficient, time saving, and suitable for collecting data on a large scale in terms of sample size and diversity (Clark et al.,
1998; Saunders, Lewis, and Thornhill, 2000). They are an efficient data collection method when the researcher knows exactly how the variables are going to be measured (Sekaran, 2000). As there were some attempts to conceptualise and measure perceived value in the past, and other related variables were repeatedly measured and investigated in previous research, questionnaires appeared to be the most appropriate data collection method for the study in hand.

4.7.1 Questionnaire Development:

The questionnaire mainly consisted of three major parts (A copy of the questionnaire can be found in Appendix 4):

First part: Respondents' profile and experience characteristics. The questionnaire started with an attempt to draw a profile of the respondents as hotel customers and their latest experience with a hotel and ended with the demographic questions. The benefit of these questions was twofold, first to detect any bias in the sample, and second, to check any possible relationship between the study's variables and the demographic variables. Additionally, analysing both the respondents' demographics and the experience specific characteristics along with study's variable would help in generating further marketing implications. Respondents' demographics included:

- Gender
- Age
- Level of education
- Occupation
- Annual income
- Frequency of hotel stay
Experience characteristics included:

- Purpose of the last hotel stay
- Type of hotel
- Hotel location
- Who paid for the hotel
- Special offer or regular price

Second part: Perceived acquisition value and perceived transaction value. "In developing items for a new measurement scale, the researcher faces a choice between selecting items that are either (a) similar to each other and thus maximize reliability (or fidelity) or (b) different from each other, covering the focal construct broadly and thus maximize validity (or bandwidth)" (Singh, 2003, p. 1).

Perceived acquisition value was measured using eleven Likert statements. Reflecting the operational definition of perceived acquisition value, each of these statements represents a comparison between two elements; a benefit and a sacrifice. The acquisition value scale items are:

1. I received a good quality service for a reasonable price.
2. Considering the quality of the physical environment of the hotel, the price I paid was appropriate.
3. The feeling of well being I got from my stay in this hotel was worthwhile making the effort to get there.
4. Given the features of the room, the price I paid was appropriate.
5. The price I paid was fair compared to the pleasure I experienced during my stay in this hotel.

6. The availability of other facilities in this hotel (e.g. restaurants, bars, recreation facilities, etc.) made the room worth the price I paid.

7. The feeling of relaxation I experienced in this hotel was worthwhile making the effort to get there.

8. Considering the atmosphere of the hotel, it was worthwhile making the effort to get there.

9. This hotel met my specific needs (e.g. comfortable accommodation, convenient location) at a reasonable price.

10. The hospitality I received in this hotel was worthwhile making the effort to get there.

11. Considering the enjoyment I had from my stay in this hotel, it was worthwhile making the effort to get there.

On a 7-point Likert-type scale marked "strongly disagree" (1) and "strongly agree" (7), respondents were asked to circle the number that best shows their agree of agreement or disagreement with each of the eleven statements. When it was first presented, the original Likert scale was intended to be a summated scale and therefore was considered to possess the interval scale properties. It is an attitude measure that asks respondents to indicate their level of agreement or disagreement with a set of statements. While some attitude questions impel the respondent to compute an evaluative judgement, a Likert-type scale simply encourages the respondent to retrieve this judgement, since it requires the person to rate extent of agreement (Albaum, 1997). For that reason, a Likert-type scale was thought to be the most
appropriate for recalling the perceived value judgement of a previous experience, as intended by this study.

Although the statements follow the precedent pattern of Grewal et al. (1998), this study’s scale originality comes from the following sources:

a. This scale is modified to reflect evaluation of service value. So the attributes used as source of benefits / sacrifices in this scale better articulate the experience qualities rather than product qualities (Zeithaml, 1997).

b. Similarly, the scale is tailored to suit the measurement of perceived acquisition value in the post-experience phase as compared to the pre-purchase phase.

c. The scale is designed to extend the benefits side and to give special attention to intangible benefits such as the feeling of well being, relaxation, hospitality, and enjoyment.

d. This instrument is the first attempt to integrate a non-monetary expense (effort) in a perceived acquisition value scale. This aims to take the perceived value research a step beyond the usual simplistic money-benefits value conceptualisation.

*Perceived transaction value* was measured using a similar 7-point Likert scale on four statements. These were:

1. Compared to what I was willing to pay, the price I actually paid was very good.
2. The price I paid for this hotel was unexpectedly low.

3. Compared to the maximum price I was ready to pay for this hotel, the actual room price I paid was a good deal.

4. Compared to the price of other similar alternatives, the price I paid for this hotel was very good.

Although the perceived acquisition value scale virtually followed the prototype of Grewal et al. (1998) in terms of comparing benefits of sacrifices, the perceived transaction value scale was pioneering compared to previous transaction value scales. The scale used in this study is the first to use the technique of comparing perceived actual price to customer reference price for the measurement of perceived transaction value. This way, responding customers are given “reference points” that would alert them to the added value that they might have received instead of asking them about the good feeling of receiving a good deal that they may have never received. Therefore, the four statements asked the respondent to rate his perception of the actual price compared to:

a. The price he was willing to pay.

b. The price he expected to pay.

c. The maximum price he was ready to pay.

d. The estimated price of other similar alternatives in the market place.

Third part: Validation questions and related constructs. Value is a higher order construct (Kashyap and Bojanic, 2000) that is dependent on other lower order constructs (price and quality). Therefore, other variables were measured to establish the validity of the perceived value scale. These variables included:
Price. Monetary price represents a key variable in this study. First, it is the main expense a customer might endure to get the service and, thus, is the primary constituent of the sacrifice side of perceived acquisition value. Furthermore perceived price is one of the two variables that contribute to the creation of perceived transaction value according to its operational definition. Therefore, respondents were asked to report three prices:

1. The actual price paid for room per night.
2. Their estimate of the average market price for this room per night.
3. The price they thought to be a fair price for this room per night.

Evaluation of Price Deal. For validation purposes, respondents were asked to rate their evaluation of the price deal with a single-item measure. A 7-point rating scale marked “extremely bad deal” (1) and “extremely good deal” (7) was offered to the respondent to circle the number that best described their feeling.

Overall value. Asking about overall value aims to check for the perceived value scale convergent validity. Therefore, respondents were asked to rate their evaluation of the overall value of their last hotel stay for the price they paid. A 7-point bipolar rating scale was used ranging from “extremely poor value” (1) to “extremely good value” (7).

Perceived quality. Service quality is the main benefit customers received for the price they pay. It is expected that acquisition value mediates the relationship between perceived quality and customer satisfaction. To test these propositions, a single-item measure asked subjects to rate their
perception of overall perceived quality on a 7-point bipolar rating scale labelled "very poor quality (1) / excellent quality (7)".

**Overall customer satisfaction.** Customer satisfaction is expected to partially mediate acquisition value influence on behavioural intentions. To check for this partial mediation, overall customer satisfaction was measured using a single item scale, asking respondents to rate their level of satisfaction with the hotel stay experience on a 7-point bipolar rating scale marked "very dissatisfied" (1) / "very satisfied" (7).

**Behavioural intentions.** Like most other research in the service evaluation literature, the prime objective of this study is to gain better understanding of the drives of customers' behavioural intention. Towards this end, and for the ultimate reason of developing a post-experience behavioural intentions model, behavioural intentions were measured using two questions asking about the likelihood of choosing the same hotel in case of return to the same area, and the likelihood of recommending this hotel to friends. Subjects were asked to plot their intentions on a 7-point numeric scale marked "extremely unlikely" (1) / "extremely likely" (7).

### 4.7.2 Questionnaire Pre-test

Pre-testing the questionnaire is the most critical stage of its development (Shaughnessy and Zechmeister, 1994). The questionnaire used in this study was tested by applying it to a small sample of respondents. Respondents were then interviewed in depth about their reactions to each single question. As a result, a few potential ambiguous items were identified and refined.
4.8 Sample Design

The need for a representative sample is crucial for a reliable research. A good sample will reflect the characteristics of the population with a minimised and calculable error margin (Sapsford, 1999). This study follows a nonprobability sampling technique. The used technique can be described as purposive in respect of the fact that attention was paid to the sample design to make sure that the questionnaire would go to recent hotel customers. The technique was also convenient with regard to the particulars of how subjects were selected. The hotel customer sample was generated from the customers of a big hotel reservation service company that offers hotel reservation services all over the UK. In the meantime, the way of selecting the sample was convenient to make the study less taxing on the cooperating company and because no population frame could be provided to the researcher due to the customer data protection regulations. Consequently, the questionnaire was sent to the first 1000 customers who contacted the company for a hotel reservation in the last week of November 2002. Details about the sample size requirements for this study is dependent on the data analysis methods and therefore is discussed in the section on analysis approach and methods.
4.9 Analysis Approach and Methods

Two statistical programs would be used for the data analysis, Microsoft Excel (Whigham, 1998), and the Statistical Package for the Social Sciences (SPSS), Release 11.0 (Field, 2000; George and Mallery, 2000; Kinnear and Gray, 2000; Pallant, 2001). Specifically, Microsoft Excel was used in the descriptive and graphical analysis of data because of its powerful tabular and chart capabilities, while SPSS was used for the more advanced analyses including factor analysis, reliability estimation, correlational analysis, and regression analysis. The following are the details of each stage of data analysis.
### Analysis Approach and Methods

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<th>Stage</th>
<th>Analysis</th>
<th>Description</th>
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| 1<sup>st</sup> Stage | Descriptive Analysis | - Sample characteristics  
- Checking overall quality of data. |
| 2<sup>nd</sup> Stage | Exploratory factor analysis | - Checking the dimensionality of perceived value scale  
- Remove items with cross loadings to eliminate multicollinearity and other problems.  
- Checking the perceived value scale discriminant validity. |
| 3<sup>rd</sup> Stage | Reliability of the Scales – Chronbach’s coefficient alpha | - Calculating the scale reliability for:  
⇒ Acquisition Value  
⇒ Transaction Value |
| 4<sup>th</sup> Stage | Calculation of summated scores for the perceived acquisition value, perceived transaction value. | - Creating unified scores for all the multi-item scales to be used in correlation analysis and regression analysis. |
| 5<sup>th</sup> Stage | Correlational Analysis | - Creating a correlation matrix for the study constructs. Checking the nature of relationship and to what extent they initially conform to the conceptual framework. |
| 6<sup>th</sup> Stage | Validity of perceived value scale. | - Based on the findings of the factor analysis, and using the study’s validation questions, different validity aspects would be checked for the perceived value scale. |
| 7<sup>th</sup> Stage | Proposition and Model Testing:  
- Perceived Value Dimensions  
- Relationships Among Constructs | Test  
- Perceived Value Dimensions  
⇒ Principal Components Analysis  
⇒ Regression Analysis  
- Regression Analysis |
4.9.1 1st Stage: Descriptive Analysis

The purpose of this first stage of the data analysis is to get a general sense of the collected data and to check its overall quality. Care is taken to detect any biases in the data. Also the data would tested to check if it adequately meet the general assumptions associated with further analyses. Consequently, the appropriate procedures would followed to deal with any assumption violations, if any.

4.9.2 2nd Stage: Factor Analysis

The purpose of this analysis is to test the underlying dimensions of perceived value and to check if the two proposed components of perceived value of services in the post-consumption phase hold true and whether or not they would be captured by the current scale. Although there are some previous research efforts on the construct of perceived value, it is still considered to be in its relatively early development stage. It was proposed that there are two dimensions for perceived value; perceived acquisition value and perceived transaction value. These two dimensions were measured, tested, and found to be reliable and valid previously, namely by Grewal et al., (1998). However, when the same scale was applied to hotels and restaurants, the two dimensions did not show sufficient validity as revealed in the preliminary study. Hence, the scale used for the measurement of perceived value in the current study holds a great deal of originality. This is due to the following reasons:

1. Grewal et al.'s scale was originally designed for measuring perceived value for products in the pre-purchase phase and tested in experimental
settings. In contrast, this study is applied to hospitality services, and is conducted in the consequence of an actual consumption experience.

2. Grewal et al.'s scale did not show sufficient validity when tested with services in the post consumption phase in the preliminary study.

3. The perceived transaction value scale of Grewal et al. (1998) was criticised for not being reflective enough of the perceived transaction value definition (Al-Sabbahy et al., 2002).

4. A completely new transaction value scale was developed for current study as the scale of Grewal et al. (1998) was criticised for not being reflective enough of the perceived transaction value definition (Al-Sabbahy et al., 2002).

5. For the first time, non-monetary price elements were integrated in the perceived acquisition value scale in the current study.

Therefore it is essential to run factor analysis to test the dimensionality and validity of the new scale. Specifically, principal components analysis would be used to test the underlying dimensions of perceived value and to check if the two hypothesised components of perceived value hold true with services in the post-consumption phase and whether or not they are adequately captured by the current scale. Principal components analysis is also used to screen the scale items for the identification of the "marker" items – items with the highest loadings. These markers are useful because "they define clearly the nature of a factor" (Tabachnick and Fidell, 2001, p. 587). Additionally, after identifying the components and the scale items loaded on them, summated scales for each component is calculated for further analytical purposes.
Compared to factor analysis methods that produces "factors", principal components analysis produces "components", which is more coherent with our purpose to capture the two components of perceived value. It is also consistent in terms of the relationships between the scale items and the conceptualised components. While components are caused -- or produced -- by variables, factors are thought to cause variables (Tabachnick and Fidell, 2001). Thus principal components analysis is more conforming to our purpose.

Principal components analysis (PCA) procedure would be conducted on SPSS. Prior to performing the PCA procedure, and to ensure the appropriateness of running the analysis, the data would be checked for suitability. In order for the data to be suitable for factor analysis, it should meet the following conditions (Hair et al., 1998; Field, 2000; Tabachnick and Fidell, 2001):

1. The items' correlation matrix should show the presence of adequate number of coefficients of more than .3.

2. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy should come with a value of .6 or more is required for a reliable factor analysis.

3. Bartlett's Test of Sphericity should be significant (< .05) to support the factorability of the data.

Figure 4-3 is a representation of the factor analysis procedures that would be literally abided by when factor analysing the perceived value scale used in this study.
Figure 4-3: Factor Analysis Procedures

Data Suitability for Running Factor Analysis Assumptions Met?

- Principal Component Analysis
- Common Factor Analysis

Selecting a Factor Method

Initial Factor Solution: Specify the number of factors to be retained based on Kaiser's Criterion and Cattell Scree Plot

Selecting a Rotation Method

- Orthogonal Method
- Oblique Method

Rotated Factor Matrix: Significant loadings found?
- Can factors be named?
- Are communalities sufficient?
- Any cross-loaded items?
- Any items to be deleted?

Yes

Factor Model Representation
- Any cross-loaded items?
- Any items to be deleted?

Final Rotated Factor Matrix

- Checking each Dimension's Reliability
- Establishing Scale Validity
- Creation of Summated Scales
After checking the data for assumptions, an initial factor analysis solution would be generated to detect the potential number of factors that could be extracted from scale items. Deciding upon the number of factors to be specified for extraction in the rotated solution not only depends on the conceptual background of the study, but also on two criteria: Kaiser' criterion and a Scree Plot. Kaiser (1960) recommended that all factors with eigenvalues greater than 1 should be retained for conducting the rotated factor analysis solution. However, this approach was criticised for its possibility to produce too many factors in some situations. So, a graphical representation of Cattell's (1966) Scree Plot would also checked for the number of sharp descents in the curve.

After deciding upon the number of factors to be retained, a rotated solution would be generated. Critical at this point is the rotation method to be used for producing a more interpretable rotated solution. The purpose of rotating the initial factor matrix is to redistribute the variance between the different factors so as to achieve a “simpler, theoretically more meaningful factor pattern” (Hair et al., 1998 p. 107). Towards this end, there are two main types of rotation; orthogonal rotation and oblique rotation. In orthogonal rotation, the correlation between the extracted factors is determined to be 0; i.e. each factor is independent from the other(s). Although orthogonal rotation is the most common type of rotation amongst researchers, it does not seem to be the ideal method for this study, as we know in advance, from previous research and common sense, that the theorised two perceived value dimensions are expected to be correlated. Therefore, oblique rotation would be used to rotate the factors in the analysis of the current study's scale items. This type of rotation identifies the extent to which each of the factors is correlated.
The size of loadings to be interpreted is debatable. Tabachnick and Fidell (2001) state that "the choice of the cutoff for the size of loading to be interpreted is a matter of researcher preference" (p. 625). However, they give some guidelines. A rule of thumb is that only loadings of more than .32 should be interpreted. However, Hair et al. (1998) argue that although factor loadings greater than ±.30 meet the minimal level, loadings of ±.40 are more important. They also highlight the role of the sample size in deciding the statistical significance of loadings. The following guidelines are recommended by Hair et al. (1998):

<table>
<thead>
<tr>
<th>Factor loading</th>
<th>Sample Size Needed for Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>.30</td>
<td>350</td>
</tr>
<tr>
<td>.35</td>
<td>250</td>
</tr>
<tr>
<td>.40</td>
<td>200</td>
</tr>
<tr>
<td>.45</td>
<td>150</td>
</tr>
<tr>
<td>.50</td>
<td>120</td>
</tr>
<tr>
<td>.55</td>
<td>100</td>
</tr>
</tbody>
</table>

Considering the sample size of this study, it is decided that loading of .40 or more would be treated as significant and interpretable.

After running all the factor analysis procedure, the rotated factor matrix would be investigated. Any items cross-loading on more than one factor would be deleted, and the whole procedure would be conducted and repeated in as many iteration as needed until the matrix is purified and the factors are obtained in the most interpretive form.
4.9.3 3rd Stage: Reliability of the Scale

After factor analysing the perceived value scale, the items of each scale would be tested for reliability. Reliability refers to "the degree to which measures are free from error and therefore yield consistent results" (Peter, 1979, p. 6). The set of items loaded on each dimension should prove to be measuring the same concept (i.e. unidimensional on their own). This would be investigated using inter-item correlation and the item-to-total correlation coefficient. As a general rule, inter-item correlations should exceed .3, while item-to-total correlation should exceed .5 (Hair et al., 1998). Any scale items with coefficient of less than .3 should be dropped from the scale (De Vaus, 2002).

Thereafter, the internal consistency of the entire scale with the remaining items would be tested by calculating each scale's reliability coefficient. The distinction between different reliability estimates cannot be overestimated. It was found that reliability coefficient greatly depends on the technique of reliability estimation used (Parameswaran et al., 1979) and that different reliability tests may generate significantly different results. One way of testing internal consistency is by estimating the split-half reliability of the scale, which is obtainable by splitting the scale in half and correlating the resulting half scores (Peter, 1979). However, this procedure has been criticised for being imprecise as different coefficient could be obtained depending on which scale items are grouped when the scale is split into two halves (Cronbach, 1951). Alternatively, Cronbach (1951) proposed coefficient alpha which can be described as the mean of all possible split-half estimates of the scale (Gregory, 1996). Therefore, in this study's analysis, internal consistency would be
ascertained by estimating Cronbach's coefficient alpha for the perceived acquisition value and the perceived transaction value scales as recommended by Cronbach (1951), Churchill (1979), and Peter (1979). Each scale should only be accepted as reliable if its coefficient alpha is .70 or more (Hair et al., 1998).

4.9.4 4th Stage: Summated Scores Generation

For the purpose of conducting further analyses, the scores of the items composing each of the two scales measuring perceived acquisition value and perceived transaction value would be summated to create a composite score for each construct. This is a common technique when using multi-item measurement scales. This technique is widely used particularly in previous service evaluation literature on perceived quality, customer satisfaction, and even perceived value (Grewal et al., 1998).

4.9.5 5th Stage: Correlational Analysis

Previous research using multivariate data analysis techniques has always been inclined to display correlation matrices. This is particularly important in studies that use regression-based data analysis and modelling techniques. Displaying correlation matrices gives an overall sense of the significance, direction, and strength of relationship between the independent and dependent variables within the study. Therefore, the correlations between this study's variables would be calculated and a correlation matrix would be produced to set the stage for other analyses that will follow.
4.9.6 6th Stage: Validity of the Scale

Validity of the measurement instrument is crucial to the scientific credibility of the study. In general terms, validity refers to the extent to which the measurement tool generates data that constitute an accurate measurement of what is supposed to be measured, and not something else (Sapsford, 1999; Sekaran, 2000). To test the efficiency of the two measures tapping the two perceived value dimensions, the measurement tool would be subject to several types of validity tests:

4.9.6.1 Construct Validity

Construct validity is an assessment of how well the instrument taps the concept as theorised (Sekaran, 2000). A first step towards assuring construct validity is by providing operational definitions that precisely delineate the constructs under investigation in a straightforward manner (Trochim, 2002). Towards this end, the previous operational definitions of perceived value, acquisition value, and transaction value were developed. For further investigation of construct validity, two tests would be undergone; convergent validity and discriminant validity. Convergent validity is established when the scores obtained by two different measures of the same concept are highly correlated (Churchill, 1979). This would be checked by examining the correlation between the acquisition value and transaction value scales on one side, and overall value scale on the other side. On the other hand, discriminant validity is established when, according to theory, two concepts are thought to be distinguishable from one another and, after empirically tested, are found to be so (Churchill, 1979; Sekaran, 2000). In this study, this would be ascertained by running factor analysis on...
the scale items of acquisition value and transaction value all together. In order for discriminant validity to be established, factor analysis should be able to extract two factors. These two factors should fairly reflect the conceptualisations of acquisition value and transaction value. Furthermore, the correlation between these two factors, though expected to be there, should not be too high, as this will question the discriminant validity of the two scales (Churchill, 1979).

4.9.6.2 Content Validity

A scale is said to have content validity if it “includes an adequate and representative set of items that tap the concept... in other words, content validity is a function of how well the dimensions and element of a concept have been delineated” (Sekaran, 2000, p. 207). “Face validity” can be seen as the minimum index of content validity and it is established if the sample of items used in the scale “looked” to be appropriately delineating the construct being measured as theorised (Churchill, 1979). In this study, the scale development procedures adhered to the steps recommended by Churchill (1979) to ensure that the scale was content valid. Additionally, the operational definitions of the constructs under investigation were carefully developed based on previous literature and on the findings of the preliminary study. Thereafter, scale items were picked and tested to ensure that they best represented the universe of the perceived value concept with its theorised two dimensions. All this was done carefully to ensure the highest level of content validity without offending the scale reliability.
4.9.6.3 **Criterion-Related Validity**

Criterion validity refers to how well the scale differentiates groups who are known to be different. To satisfactorily establish criterion validity, two tests should be conducted; concurrent validity and predictive validity. Concurrent validity can be established by collecting data from a sample of respondents on the scale of interest and on criteria, hypothesised to relate to the scale of interest. In this study, this criteria include the overall deal evaluation and perceived price. On one hand, subjects who score high on the perceived acquisition value and perceived transaction value scales are expected to score high on their deal perception and vice versa. On the other hand, subjects who score high on the perceived price should score low on perceived value and vice versa. These possibilities would be checked using Pearson correlation coefficient. While a positive correlation is expected in the first instance, a negative correlation should be obtained in the second.

Predictive validity is "the degree to which a score on a test accurately predicts some future outcome" (Schweigert, 1994, p. 137). This type of validity would be tested in this study by checking the ability of perceived value scale to predict behavioural intentions of customers using regression analysis. Behavioural intentions include return and recommendation intentions.

4.9.7 **7th Stage: Model and Propositions Testing**

The final and most important stage of the analysis is the propositions testing stage. Regression analysis would be used to test the relationships between the different variables. The relative importance of each antecedent variable and the proportion of
variance explained in the outcome variables would be estimated. Also, the mediating roles would be investigated using regression analysis.

Before running every regression analysis and to ensure the quality of the findings, the data should be checked to evaluate the regression analysis assumptions (Tabachnick and Fidell, 2001):

1. All variables to be checked for normality of distribution and transformations will be made if needed.

2. The ratio of cases to independent variables have to be well above the minimum requirement for each regression model. The rule of thumb for minimum ratio of cases to IV is $N \geq 104 + m$ (where $m$ is the number of IVs).

3. Collinearity statistics to be examined for any cause for concern about multicollinearity in the data. To check for multicollinearity, two indicators should be used. First, the Variance Inflation Factor (VIF) will be calculated for each variable. The rule of thumb is that “any VIF of 10 or more provides evidence of serious multicollinearity” (Cohen et al., 2003). The second indicator used to check for multicollinearity is the Tolerance statistic. A tolerance value of .10 or less suggests that there is a problem of multicollinearity (Cohen et al., 2003).

4. The regression model to be checked for normality of dependent variable residuals using the normal probability plot.
5. The homoscedasticity of residuals should be checked by observing the scatter plot of the regression standardised residuals against the regression standardised predicted values. Values have to be evenly dispersed around zero in a roughly rectangular shape (Pallant, 2001).

6. Outlier problems should be checked with the use of two criteria: Mahalanobis' distance and Cook's distance. Additionally, the Cook's distance criterion should be checked. Any significant effect of single cases on the regression model is reflected with a Cook's distance of more than 1 (Field, 2000).

7. The Durbin-Watson statistic should be calculated to check the independence of residuals. Values less than one or greater than 3 are cause for concern. The closer the value to two, the more it will means that residuals are uncorrelated (Field, 2000).

Table 4-1 is a summary of the tests to be run to check the regression assumptions with every regression model.

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Test</th>
<th>Critical Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample adequacy</td>
<td>( N \geq 104 + m )</td>
<td>104 + m</td>
</tr>
<tr>
<td>Multicollinearity</td>
<td>VIF</td>
<td>&gt; 10</td>
</tr>
<tr>
<td></td>
<td>Tolerance</td>
<td>&lt; .10</td>
</tr>
<tr>
<td>Homoscedasticity</td>
<td>ZRESID / ZPRED Plot</td>
<td>-</td>
</tr>
<tr>
<td>Normality of Residuals</td>
<td>Normal P-P Plot</td>
<td>-</td>
</tr>
<tr>
<td>Independence of Residuals</td>
<td>Durbin-Watson</td>
<td>&lt; 1 or &gt; 3</td>
</tr>
<tr>
<td>Outliers Effect</td>
<td>Mahalanobis Distance</td>
<td>&gt; 16.27</td>
</tr>
<tr>
<td></td>
<td>Cook's Distance</td>
<td>&gt; 1</td>
</tr>
</tbody>
</table>
As for the mediator relationships in the model, they will only be accepted if the criteria specified by Baron and Kenny (1986) are met. The mediator relationship can be detected and established if (Baron and Kenny, 1986; Miles and Shevlin, 2001):

1. X is a significant predictor of Y, using regression.

2. X is a significant predictor of M, using regression.

3. M is a significant predictor of Y, when X is controlled for.

4. In case of a complete mediator relationship, the effect of X on Y, when controlling for M, should be zero. In case of partial mediator relationship, this effect will be reduced.

Where X is the predictor variable, Y is the outcome variable, and M is the mediator variable.

After testing and establishing all the proposed relationships between variables, the model would be reproduced to reflect the findings of the study. Any insignificant relationships would dropped from the model. The contribution of each antecedent variable to an outcome variable would be stated on the model along with the associated t-value. Finally, the percentage of variance explained in every variable would also be specified and reflected on the model.
4.10 Summary

This study aims to test the validity and reliability of the two perceived value dimensions for the evaluation of hotels after the service experience. A review of the literature showed that efforts to capture the dimensions of perceived value of a service were limited. The application of Grewal et al.'s (1998) scale, which was designed for tangible goods, showed that the scale was not efficient in measuring perceived value dimensions of hospitality services. Therefore, a new perceived value scale was needed.

The chapter started by presenting the research philosophy and the study design. It was shown that this study would take advantage of both the positivist and interpretive research paradigms. After that, the objectives of the study were stated. The chapter then introduced the conceptual framework from which the study propositions and the conceptual model were developed. The questionnaire development process was detailed. It was shown that the new perceived value scale was developed to reflect the adjusted conceptualisation of the two dimensions as suggested by the Preliminary Study. Then the quantitative methods that would be used to test the validity and reliability of the new perceived value scale and to test the study propositions were specified and detailed.
References


CHAPTER 5
CHAPTER FIVE

FINDINGS OF THE MAIN STUDY

5.1 Introduction

This chapter presents the results of the current study. It starts with the sample characteristics and respondents profile. This is divided into two parts: demographic profile of respondents and customer profile of respondents. The results of the exploratory factor analysis of the perceived value scale are then presented. Based on these results, the scale is revised and items with cross loading dealt with. Then, the scale reliability is calculated, summated scores generated, and different types of validity tested. An initial correlation analysis is then conducted to get an early sense of the relationships between variables. Finally, the propositions that guided this study are tested and the conceptual model is reproduced.
5.2 Sample Characteristics

5.2.1 Demographic Profile of Respondents

A sample of 1000 hotel customers was surveyed in this study. Subjects were contacted through a hotel reservation service company, the AA. The questionnaire was sent by post. Subjects were instructed to answer based on their last hotel stay. A total of 316 questionnaires were received back with a response rate of about 32%. The following is a demonstration of the sample characteristics.

In general, almost all respondents were British (97.5%). They were experienced with hotels with a mean of 8.6 hotel stays per year (median = 4). 94% of them had had their last hotel stay less than three months previously.

5.2.1.1 Gender:

Figure 5-1 shows the distribution of the sample by gender.
Figure 5-1 shows that the number of male subjects (58%) was slightly more than that of females (42%) in the sample.

5.2.1.2 Age:

The sample was varied in terms of age. Figure 5-2 depicts the sample distribution by age group.
As shown on Figure 5-2, there was a fair distribution of the sample over the different age groups with 24.8% of the sample aged between 45 and 54 years of age, 20.3% between 35 and 44, 18.1% between 55 and 64, and 17.1% between 25 and 34 years.

5.2.1.3 Level of Education:

As for the sample level of education, Figure 5-3 highlights the sample distributed by the highest level of education obtained.
Figure 5-3 shows that 29% of the sample had a first university degree, while 17% held a post-graduate degree, 9% obtained an HNC or HND, and 24% had an O level or A level.

### 5.2.1.4 Occupation:

Figure 5-4 depicts the occupation distribution of the sample.
From Figure 5-4 it can be seen that the vast majority of the sample were either retired (22%), or held a professional (20%), managerial (14%), or associate professional (10%) job.

5.2.1.5 Annual Income:

The distribution of the sample annual income is represented in Figure 5-5.
While the biggest portion of the sample (26%) fell in the highest income group of more than £50,000, the rest of the sample is fairly distributed over the other income groups.

5.2.2 Customer Profile of Respondents

5.2.2.1 Purpose of Last Hotel Stay

The purpose of the subjects’ last hotel stay is displayed in Figure 5-6.
As shown on Figure 5-6, a majority of the sample (68%) had their last hotel stay while they were on a leisure holiday. 17% stayed last in a hotel while they were on a business trip.

### 5.2.2.2 Hotel Type

Figures 5-7 and 5-8 display the classification and location of the hotels in which our subjects had their last stay.
Figure 5-7 highlights that majority of the sample had their last hotel stay in either 3-star (49%), or 4-star (28%) hotels.

Figure 5-8 displays the location of the hotels in which our subjects had their last stay.
Figure 5-8 shows that most of these hotels were located in city centre (27%), city suburb (21%), or countryside (19%).

5.2.2.3 Who Paid?

An important factor for this study is who paid the respondent’s hotel bill. Figure 5-9 shows this.

![Figure 5-9: Who Paid the Hotel Bill (n = 315)](image)

From Figure 5-9 it can be seen that the majority of the respondents paid their own bill, while 12% were paid by their companies and 20% shared their hotel bill with either a partner (17%) or their company.

5.2.2.4 Special Price Offer

From Figure 5-10 we can see whether or not the respondents received any kind of special price deal on the room charge they paid.
Figure 5-10: Whether or not Respondents Received a Special Price Deal (n = 313)

Figure 5-10 indicates that 38% of the respondents received some kind of special price deal. The type of the received deal is displayed in Figure 5-11.

Figure 5-11: Type of Special Price Deal (n = 121)

Figure 5-11 highlights that the vast majority of the respondents who received a special price deal paid a price that was discounted from the usual original price (78%), while 16% took advantage of a package price.
5.3 Description of Individual Measurement Items

This section aims to assess the psychometric qualities of the scale. This includes testing the overall performance of each scale item and checking the normality of distribution for each item. All items were measured on a seven-point scale. For all items, 1 denotes the lowest value perception, while 7 denotes the highest value perception. Table 5-1 summarised the mean and standard deviation of each item of the perceived value scale.
Table 5-1: Descriptive Analysis: Perceived Value Scale

<table>
<thead>
<tr>
<th>Factors and Variables</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Perceived Acquisition Value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. I received a good quality service for a reasonable price.</td>
<td>4.92</td>
<td>1.33</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>2. Considering the quality of the physical environment of the hotel, the price I paid was appropriate.</td>
<td>4.98</td>
<td>1.34</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>3. The feeling of well being I got from my stay in this hotel was worthwhile making the effort to get there.</td>
<td>4.63</td>
<td>1.65</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>4. Given the features of the room, the price I paid was appropriate.</td>
<td>4.72</td>
<td>1.53</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>5. The price I paid was fair compared to the pleasure I experienced during my stay in this hotel.</td>
<td>4.66</td>
<td>1.51</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>6. The availability of other facilities in this hotel (e.g. restaurants, bars, recreation facilities, etc.) made the room worth the price I paid.</td>
<td>3.90</td>
<td>1.58</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>7. The feeling of relaxation I experienced in this hotel was worthwhile making the effort to get there.</td>
<td>4.44</td>
<td>1.62</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>8. Considering the atmosphere of the hotel, it was worthwhile making the effort to get there.</td>
<td>4.27</td>
<td>1.61</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>9. This hotel met my specific needs (e.g. comfortable accommodation, convenient location) at a reasonable price.</td>
<td>5.03</td>
<td>1.47</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>10. The hospitality I received in this hotel was worthwhile making the effort to get there.</td>
<td>4.68</td>
<td>1.54</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>11. Considering the enjoyment I had from my stay in this hotel, it was worthwhile making the effort to get there.</td>
<td>4.44</td>
<td>1.60</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td><strong>Perceived Transaction Value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Compared to what I was willing to pay, the price I actually paid was very good.</td>
<td>4.42</td>
<td>1.54</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>13. The price I paid for this hotel was unexpectedly low.</td>
<td>3.06</td>
<td>1.70</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>14. Compared to the maximum price I was ready to pay for this hotel, the actual room price I paid was a good deal.</td>
<td>4.15</td>
<td>1.56</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>15. Compared to the price of other similar alternatives, the price I paid for this hotel was very good.</td>
<td>4.56</td>
<td>1.44</td>
<td>1.00</td>
<td>7.00</td>
</tr>
</tbody>
</table>
The exploration of the scale data showed that the scale items were all normally distributed. None of the skewness and kurtosis statistics for each item fell outside the range of $-1$ to $+1$ indicating an average fairly normal distribution (Hair et al., 1998).

Similarly, the same type of checking of data characteristics was conducted on other variables and validation questions included in the survey. Table 5-2 displays the mean and standard deviation for each of these variables.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Deal Significance</td>
<td>4.68</td>
<td>1.39</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Overall Deal Evaluation</td>
<td>4.44</td>
<td>1.25</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Overall Satisfaction</td>
<td>4.92</td>
<td>1.43</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Overall Quality</td>
<td>5.00</td>
<td>1.34</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Return Intention</td>
<td>4.86</td>
<td>2.02</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Recommendation Intention</td>
<td>4.77</td>
<td>1.96</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Overall Value</td>
<td>4.83</td>
<td>1.51</td>
<td>1.00</td>
<td>7.00</td>
</tr>
</tbody>
</table>

The exploration of the above data revealed that all the variables were normally distributed.

5.4 Standardising Reference Price and Perceived Price Scores

One of the most important constructs for this study is the customers' perception of the actual price paid. It was a primary concern in this study to measure this construct in the most precise way to exactly detect its influential role on both perceived acquisition
value and perceived transaction value. Consequently, in our data collection instrument, subjects were asked to report three prices: 1) the actual price they paid for the room per night, 2) their estimate of the average market price for such a room per night, and 3) their estimation of what would be a fair price for this room per night, all in British Pounds Sterling. Having got this information, a precise calculation of each subject’s perception of the actual price could be generated by comparing the actual price paid to the subject’s reference price (market price estimate and fair price estimate). Also, this system of measurement allowed calculation of each subject’s reference price as compared to the actual price, apart from the actual amount. Asking about the actual price and reference price in this study is only used as a tool to tell the researcher how subjects perceive each of them as compared to the other.

Therefore, it was necessary to transform the amounts specified by the subjects as actual price and reference price to generate a standardised score that represented a “perception” of these prices rather than an amount of money. To do that, a percentage was calculated to represent the actual price as compared to the two reference prices using the following formulae:

\[
\text{Perceived Price (PP1)} = \frac{\text{Actual price paid}}{\text{Estimated market price}} \times 100
\]

\[
\text{Perceived Price (PP2)} = \frac{\text{Actual price paid}}{\text{Estimated fair price}} \times 100
\]
Similarly, standardised scores for the two reference prices were calculated using the following formulae:

\[
\text{Reference Price (RP1)} = \frac{\text{Estimated Market Price}}{\text{Actual Price Paid}} \times 100
\]

\[
\text{Reference Price (RP2)} = \frac{\text{Estimated Fair Price}}{\text{Actual Price Paid}} \times 100
\]

### 5.5 Factor Analysis

Even though there is some previous research effort on perceived value, this construct is still considered in its early development stage. Therefore, to initially ascertain the dimensionality of perceived value of hotel services in the post-experience, factor analysis was conducted. Specifically, this step helps check dimensionality, define dimensions, purify the scale, and establish its construct validity. In Chapter 4 is an explanation of why principal components analysis was chosen over other factorial analysis methods.

Principal components analysis (PCA) procedure was conducted on the fifteen items of the scale. A first step towards running PCA procedure was to check the data for suitability.
- The items' correlation matrix (Table 5-3) revealed the presence of many coefficients of more than .3. Also, apparent from the correlation matrix is the existence of two major clusters of large correlation coefficients.

- The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was calculated. A value of .6 or more is required for a reliable factor analysis (Tabachnick and Fidell, 2001). The KMO value for the data was .95, which considerably exceeds the recommended requirement of .6 for a reliable factor analysis.

- Bartlett's Test of Sphericity was significant (.000) supporting the factorability of the data.

From the above test, it was concluded that the 15-item perceived value scale is suitable for running principal components analysis procedure.
Table 5-3: Perceived Value Scale Items Correlation Matrix

<table>
<thead>
<tr>
<th>Item No</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>0.74</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>0.61</td>
<td>0.57</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>0.69</td>
<td>0.75</td>
<td>0.56</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>0.75</td>
<td>0.68</td>
<td>0.72</td>
<td>0.79</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>0.61</td>
<td>0.54</td>
<td>0.60</td>
<td>0.56</td>
<td>0.66</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>0.62</td>
<td>0.56</td>
<td>0.84</td>
<td>0.58</td>
<td>0.78</td>
<td>0.67</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>0.67</td>
<td>0.60</td>
<td>0.80</td>
<td>0.60</td>
<td>0.74</td>
<td>0.70</td>
<td>0.86</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>0.71</td>
<td>0.56</td>
<td>0.71</td>
<td>0.57</td>
<td>0.71</td>
<td>0.63</td>
<td>0.74</td>
<td>0.74</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>0.66</td>
<td>0.59</td>
<td>0.80</td>
<td>0.59</td>
<td>0.80</td>
<td>0.68</td>
<td>0.85</td>
<td>0.83</td>
<td>0.79</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>0.69</td>
<td>0.68</td>
<td>0.54</td>
<td>0.76</td>
<td>0.71</td>
<td>0.57</td>
<td>0.57</td>
<td>0.62</td>
<td>0.61</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>0.63</td>
<td>0.63</td>
<td>0.57</td>
<td>0.69</td>
<td>0.68</td>
<td>0.52</td>
<td>0.59</td>
<td>0.58</td>
<td>0.62</td>
<td>0.61</td>
<td>0.64</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>0.30</td>
<td>0.22</td>
<td>0.22</td>
<td>0.32</td>
<td>0.32</td>
<td>0.36</td>
<td>0.29</td>
<td>0.30</td>
<td>0.31</td>
<td>0.33</td>
<td>0.34</td>
<td>0.42</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>0.58</td>
<td>0.54</td>
<td>0.51</td>
<td>0.65</td>
<td>0.66</td>
<td>0.58</td>
<td>0.56</td>
<td>0.58</td>
<td>0.61</td>
<td>0.69</td>
<td>0.70</td>
<td>0.50</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>0.63</td>
<td>0.61</td>
<td>0.55</td>
<td>0.65</td>
<td>0.67</td>
<td>0.59</td>
<td>0.61</td>
<td>0.64</td>
<td>0.67</td>
<td>0.65</td>
<td>0.72</td>
<td>0.70</td>
<td>0.41</td>
<td>0.76</td>
<td>1.00</td>
</tr>
</tbody>
</table>
An initial PCA of the scale items produced a solution with two components with an Eigenvalue exceeding 1, explaining 64.7% and 8% of the variance respectively. For further investigation of the number of factors to be extracted, Cattell's scree plot (Figure 5-12) was checked.

![Figure 5-12: Eigenvalues Scree Plot – Perceived Value Scale](image)

Based on both Kaiser's criterion and the scree test, it was decided to retain the two components for the rotated factor solution.

For the rotated solution, orthogonal rotation was ruled out as previous research and common sense suggest that the two conceptualised components cannot be treated as uncorrelated. Therefore, direct oblimin rotation is used (delta = 0). The rotated solution is presented in Table 5-4.
Table 5-4: PCA of Perceived Value Scale – Initial Component Matrix with Oblimin Rotation

<table>
<thead>
<tr>
<th>No</th>
<th>Perceived Value Scale</th>
<th>Components 1</th>
<th>Components 2</th>
<th>Communalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>I received a good quality service for a reasonable price.</td>
<td>0.55</td>
<td>0.37</td>
<td>0.69</td>
</tr>
<tr>
<td>2</td>
<td>Considering the quality of the physical environment of the hotel, the price I paid was appropriate.</td>
<td>0.44</td>
<td>0.44</td>
<td>0.61</td>
</tr>
<tr>
<td>3</td>
<td>The feeling of well being I got from my stay in this hotel was worthwhile making the effort to get there.</td>
<td>0.97</td>
<td></td>
<td>0.82</td>
</tr>
<tr>
<td>4</td>
<td>Given the features of the room, the price I paid was appropriate.</td>
<td>0.34</td>
<td>0.60</td>
<td>0.72</td>
</tr>
<tr>
<td>5</td>
<td>The price I paid was fair compared to the pleasure I experienced during my stay in this hotel.</td>
<td>0.69</td>
<td></td>
<td>0.81</td>
</tr>
<tr>
<td>6</td>
<td>The availability of other facilities in this hotel (e.g. restaurants, bars, recreation facilities, etc.) made the room worth the price I paid.</td>
<td>0.64</td>
<td></td>
<td>0.60</td>
</tr>
<tr>
<td>7</td>
<td>The feeling of relaxation I experienced in this hotel was worthwhile making the effort to get there.</td>
<td>0.97</td>
<td></td>
<td>0.86</td>
</tr>
<tr>
<td>8</td>
<td>Considering the atmosphere of the hotel, it was worthwhile making the effort to get there.</td>
<td>0.94</td>
<td></td>
<td>0.84</td>
</tr>
<tr>
<td>9</td>
<td>This hotel met my specific needs (e.g. comfortable accommodation, convenient location) at a reasonable price.</td>
<td></td>
<td>0.66</td>
<td>0.73</td>
</tr>
<tr>
<td>10</td>
<td>The hospitality I received in this hotel was worthwhile making the effort to get there.</td>
<td></td>
<td>0.77</td>
<td>0.73</td>
</tr>
<tr>
<td>11</td>
<td>Considering the enjoyment I had from my stay in this hotel, it was worthwhile making the effort to get there.</td>
<td></td>
<td>0.91</td>
<td>0.85</td>
</tr>
<tr>
<td>12</td>
<td>Compared to what I was willing to pay, the price I actually paid was very good.</td>
<td></td>
<td>0.64</td>
<td>0.71</td>
</tr>
<tr>
<td>13</td>
<td>The price I paid for this hotel was unexpectedly low.</td>
<td></td>
<td>0.77</td>
<td>0.45</td>
</tr>
<tr>
<td>14</td>
<td>Compared to the maximum price I was ready to pay for this hotel, the actual room price I paid was a good deal.</td>
<td></td>
<td>0.76</td>
<td>0.76</td>
</tr>
<tr>
<td>15</td>
<td>Compared to the price of other similar alternatives, the price I paid for this hotel was very good.</td>
<td></td>
<td>0.32</td>
<td>0.63</td>
</tr>
</tbody>
</table>

Eigenvalue
Total Variance Explained

<table>
<thead>
<tr>
<th>Eigenvalue</th>
<th>Total Variance Explained</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.7</td>
<td>72.7%</td>
</tr>
</tbody>
</table>

Only items with loadings > .30 are displayed. Rotation converged in 10 iterations.
Table 5-4 presents the pattern matrix of the rotated solution output. It is the pattern matrix that is used for interpretation of the rotated component solution when an oblique rotation is used rather than the structure matrix (Hair et al., 1998). The reason for that is that "the difference between high and low loadings is more apparent in the pattern matrix than in the structure matrix" (Tabachnick and Fidell, 2001, p. 625). It should be noticed here that the above loadings are not correlations; rather, they are measures of the unique relationship between the factors and the items (Tabachnick and Fidell, 2001). In that sense, loadings on the above pattern matrix partial out the possible inflation caused by the correlation between the factors (i.e. between the expected two dimensions of perceived acquisition value and perceived transaction value). This is consistent with our purpose here.

The above oblique rotated solution produced two factors. As seen on Table 5-4, some of the scale items, cross-loaded on both components. The aim in running PCA is to: 1) check the scale dimensionality, and 2) identify the items that best represent both dimensions to be summated for further analysis. Therefore, items with the most ambiguous loadings (closely loaded on both components) were dropped one by one in an iterative sequence, re-running the principal components analysis procedure, until the cleanest structure of the two components was obtained. Table 5-5 shows the principal components analysis iterations and their results.
### Table 5-5: Components Analysis Iterations and Results

<table>
<thead>
<tr>
<th>Iteration</th>
<th>Results</th>
<th>% of variance explained</th>
<th>Component Correlation</th>
<th>KMO Measure of Sampling Adequacy</th>
<th>Bartlett’s test of Sphericity</th>
</tr>
</thead>
<tbody>
<tr>
<td>One:</td>
<td>- Two Components, 15 items</td>
<td>72.7%</td>
<td>.59</td>
<td>.95</td>
<td>P = .000 (Chi-square 4344.53, df = 105)</td>
</tr>
<tr>
<td>Two:</td>
<td>- Two Components, 14 items</td>
<td>73.7%</td>
<td>.56</td>
<td>.95</td>
<td>P = .000 (Chi-square 4014.55, df = 91)</td>
</tr>
<tr>
<td>Three:</td>
<td>- Two Components, 13 items</td>
<td>74.4%</td>
<td>.52</td>
<td>.95</td>
<td>P = .000 (Chi-square 3628.83, df = 78)</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Components Analysis.
Rotation Method: Oblimin with Kaiser Normalization.

As shown in Table 5-5, the percentage of variance explained by the two components was increasing after each iteration, indicating the procedure is heading in the right direction. After the three iterations, 13 items remained; composing two components that explained 74.4% of the variance. The component matrix obtained after the final iteration of the PCA procedure is displayed in Table 5-6.
Table 5-6: PCA of Perceived Value Scale – Final Component Matrix with Oblimin Rotation

<table>
<thead>
<tr>
<th>Perceived Value Scale</th>
<th>Components 1</th>
<th>Components 2</th>
<th>Communalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>I received a good quality service for a reasonable price.</td>
<td>0.66</td>
<td>0.24</td>
<td>0.66</td>
</tr>
<tr>
<td>The feeling of well being I got from my stay in this hotel was worthwhile making the effort to get there.</td>
<td>0.98</td>
<td>-0.17</td>
<td>0.81</td>
</tr>
<tr>
<td>The price I paid was fair compared to the pleasure I experienced during my stay in this hotel.</td>
<td>0.79</td>
<td>0.18</td>
<td>0.79</td>
</tr>
<tr>
<td>The availability of other facilities in this hotel (e.g. restaurants, bars, recreation facilities, etc.) made the room worth the price I paid.</td>
<td>0.68</td>
<td>0.18</td>
<td>0.61</td>
</tr>
<tr>
<td>The feeling of relaxation I experienced in this hotel was worthwhile making the effort to get there.</td>
<td>0.98</td>
<td>-0.11</td>
<td>0.86</td>
</tr>
<tr>
<td>Considering the atmosphere of the hotel, it was worthwhile making the effort to get there.</td>
<td>0.95</td>
<td>-0.07</td>
<td>0.84</td>
</tr>
<tr>
<td>The hospitality I received in this hotel was worthwhile making the effort to get there.</td>
<td>0.81</td>
<td>0.09</td>
<td>0.75</td>
</tr>
<tr>
<td>Considering the enjoyment I had from my stay in this hotel, it was worthwhile making the effort to get there.</td>
<td>0.92</td>
<td>0.00</td>
<td>0.85</td>
</tr>
<tr>
<td>This hotel met my specific needs (e.g. comfortable accommodation, convenient location) at a reasonable price.</td>
<td>0.44</td>
<td>0.51</td>
<td>0.68</td>
</tr>
<tr>
<td>Compared to what I was willing to pay, the price I actually paid was very good.</td>
<td>0.41</td>
<td>0.55</td>
<td>0.69</td>
</tr>
<tr>
<td>The price I paid for this hotel was unexpectedly low.</td>
<td>0.15</td>
<td>0.84</td>
<td>0.59</td>
</tr>
<tr>
<td>Compared to the maximum price I was ready to pay for this hotel, the actual room price I paid was a good deal.</td>
<td>0.29</td>
<td>0.70</td>
<td>0.79</td>
</tr>
<tr>
<td>Compared to the price of other similar alternatives, the price I paid for this hotel was very good.</td>
<td>0.45</td>
<td>0.56</td>
<td>0.76</td>
</tr>
<tr>
<td>Eigenvalue</td>
<td>8.5</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td>Total Variance Explained</td>
<td>74.4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Rotation Method: Oblimin with Kaiser Normalization. Rotation converged in 7 iterations.

The final PCA solution (Table 5-6) displays two clearly distinguishable components. The items loaded on each of the two components quite reflect the two proposed dimensions of perceived value. From Table 5-6 it can be seen that items loaded on
the first component clearly represent a trade-off between a sacrifice and a benefit (i.e. acquisition value), while items loaded on the second component represent an evaluation of the price paid as compared to different price reference points (i.e. transaction value). This interpretation is consistent with previous studies that supported the dual dimensions of perceived value (Thaler, 1985; Monroe and Chapman, 1987; Grewal, Monroe and Krishnan, 1998) and support the proposition of dual dimensional perceived value in the post-experience of hotel services. Particularly, this finding supports previous research efforts that highlighted the existence of the added value – dubbed as transaction value or transaction utility (Thaler, 1985; Monroe and Chapman, 1987; Lichtenstein, Netemeyer and Burton, 1990; Grewal et al., 1998).

Noted here is that one of the scale items that were meant to be part of the perceived acquisition value scale – This hotel met my specific needs (e.g. comfortable accommodation, convenient location) at a reasonable price – cross-loaded even higher on the perceived transaction value component. A logical explanation for this is that one of the customers’ “specific needs” – in some instances – might be the good price deal itself. This explanation is particularly viable to price-conscious customers. Also, this item might have added more emphasis on the price and drew the respondent’s attention to evaluating the deal by having a description of price as “reasonable.”

5.6 Reliability of the Perceived Value Scale

Having “cleaned” the scales, and determined what items belong to which dimension, the internal consistency of the perceived acquisition value and perceived transaction
value scales is checked. A first sign of internal consistency was initially shown in inter-item correlations, which are proved to be much higher than the recommended minimum requirement of .3 (Table 5-7). The second step towards checking the reliability of the scale is to check item-to-total correlation coefficients and to calculate Cronbach’s coefficient alpha for the entire scale. Table 5-7 shows the reliability analysis of both scales.
Table 5-7: Perceived Acquisition Value and Perceived Transaction Value Scales Reliability

<table>
<thead>
<tr>
<th>No</th>
<th>Perceived Value Scale</th>
<th>Cronbach's Alpha</th>
<th>Item to total correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>I received a good quality service for a reasonable price.</td>
<td>.96</td>
<td>.75</td>
</tr>
<tr>
<td>2</td>
<td>The feeling of well being I got from my stay in this hotel was worthwhile making the effort to get there.</td>
<td></td>
<td>.84</td>
</tr>
<tr>
<td>3</td>
<td>The price I paid was fair compared to the pleasure I experienced during my stay in this hotel.</td>
<td></td>
<td>.85</td>
</tr>
<tr>
<td>4</td>
<td>The availability of other facilities in this hotel (e.g. restaurants, bars, recreation facilities, etc.) made the room worth the price I paid.</td>
<td></td>
<td>.73</td>
</tr>
<tr>
<td>5</td>
<td>The feeling of relaxation I experienced in this hotel was worthwhile making the effort to get there.</td>
<td></td>
<td>.89</td>
</tr>
<tr>
<td>6</td>
<td>Considering the atmosphere of the hotel, it was worthwhile making the effort to get there.</td>
<td></td>
<td>.88</td>
</tr>
<tr>
<td>7</td>
<td>The hospitality I received in this hotel was worthwhile making the effort to get there.</td>
<td></td>
<td>.82</td>
</tr>
<tr>
<td>8</td>
<td>Considering the enjoyment I had from my stay in this hotel, it was worthwhile making the effort to get there.</td>
<td></td>
<td>.90</td>
</tr>
</tbody>
</table>

Perceived Transaction Value

<table>
<thead>
<tr>
<th>No</th>
<th>Perceived Value Scale</th>
<th>Cronbach's Alpha</th>
<th>Item to total correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>This hotel met my specific needs (e.g. comfortable accommodation, convenient location) at a reasonable price.</td>
<td>.87</td>
<td>.72</td>
</tr>
<tr>
<td>2</td>
<td>Compared to what I was willing to pay, the price I actually paid was very good.</td>
<td></td>
<td>.74</td>
</tr>
<tr>
<td>3</td>
<td>The price I paid for this hotel was unexpectedly low.</td>
<td></td>
<td>.48</td>
</tr>
<tr>
<td>4</td>
<td>Compared to the maximum price I was ready to pay for this hotel, the actual room price I paid was a good deal.</td>
<td></td>
<td>.82</td>
</tr>
<tr>
<td>5</td>
<td>Compared to the price of other similar alternatives, the price I paid for this hotel was very good.</td>
<td></td>
<td>.80</td>
</tr>
</tbody>
</table>

From Table 5-7 it can be seen that all the item-to-total correlation coefficients are more than .7. This is clearly beyond the recommended minimum value of .5. Additionally, the perceived acquisition value scale and perceived transaction value
scale both have good internal consistency. Cronbach alpha coefficient was .96 for the first, and .87 for the latter. These values exceed the recommended .7 value. Therefore, from the inter-item correlation matrix, the item-to-total correlation coefficient, and Cronbach alpha coefficient, it is apparent that both acquisition value and transaction value scales are highly reliable.

From the findings of the principal components analysis, the two proposed perceived value components were found to be reliable. Drawing on that, and for the purpose of conducting validity tests as well as further analyses, the scores of the items composing each of the two scales measuring perceived acquisition value and perceived transaction value were summated to create a composite score for each construct. This is a common technique when using multi-item measurement scales.

5.7 Validity of the Perceived Value Scale

Prior to conducting any further analysis using the scores obtained by the acquisition value and transaction value scales, it was necessary to establish the validity of the scales. The perceived value scale validation strategy involves testing the scale with its two dimensions against a set of criteria. This will start with content validity. Then, in order to establish construct validity, two requirements are needed: convergent validity, discriminant validity. Finally, criterion-related validity would be investigated by checking two criteria: concurrent validity, and predictive validity.
5.7.1 Content Validity

As explained in the last chapter, content validity was considered and sought after from the early stages of the scale adoption procedures. Operational definitions were developed and presented in Chapter 4, and all the scale items seemed to trace the constructs as theorised which means they have face validity. Additionally, the findings of the principal components analysis proved that content of the scale clustered as theoretically intended. Specifically, the items loaded on each of the two components found by factor analysis conform to the theory and “verify that the items empirically form the intended subscales” (Spector, 1992, p. 53).

5.7.2 Construct Validity

In order to establish the construct validity of the scale, two criteria are necessary: convergent validity and discriminant validity.

5.7.2.1 Convergent Validity

Convergent validity refers to the extent the perceived value scale is correlated with another established measure of perceived value. In the literature, perceived value was frequently measured using a single overall value scale. In this survey, the same overall perceived value is used as a tool to check the convergent validity of the new perceived value scale. Regression analysis was employed to check this after data was tested and found not to violate any of the regression analysis assumptions. Table 5-8 is the results of the regression analysis.
Table 5-8: Convergent Validity of the Scale: Predicted Variable: Overall Value

<table>
<thead>
<tr>
<th>Variable</th>
<th>Stdised Beta (/β)</th>
<th>Std Error</th>
<th>df</th>
<th>t</th>
<th>P Value</th>
<th>Semi-Partial η</th>
<th>R²</th>
<th>F Ratio</th>
<th>P Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Value</td>
<td>.52</td>
<td>0.006</td>
<td>2</td>
<td>11.59</td>
<td>.000</td>
<td>.34</td>
<td>.745</td>
<td>425.39</td>
<td>.000</td>
</tr>
<tr>
<td>Transaction Value</td>
<td>.41</td>
<td>0.011</td>
<td>289</td>
<td>9.18</td>
<td>.000</td>
<td>.27</td>
<td>.745</td>
<td>425.39</td>
<td>.000</td>
</tr>
</tbody>
</table>

From the above results, the linear combination of acquisition value and transaction value was significantly related to overall value, F (2, 289) = 425.39, p = .000. The sample multiple correlation coefficient was .86, indicating that approximately 75% of the variance of the overall value in the sample can be accounted for by the linear combination of acquisition value and transaction value. These findings strongly support the convergent validity of the perceived value scale.

Additionally, the correlation between acquisition value and transaction value on one side and overall value on the other side (.82 and .79 respectively) is higher than the inter-correlation between acquisition value and transaction value (.75). Considering the rule that “a scale will correlate more strongly with an other measure of the same construct than it will correlate with measures of different constructs” (Spector, 1992 p. 50), this finding sounds logical as acquisition value and transaction value constitute two components of overall value, while at the same time maintain their distinct identity.

5.7.2.2 Discriminant Validity

Earlier in this chapter, principal components analysis procedure was conducted on the scale items and the two dimensions came up clearly distinctive. The inference that can
be made from this finding is twofold. First, as mentioned earlier, this contributed to the content validity of the scale. Second, discriminant validity is established for the scale as the measures of the assumed two different components of perceived value proved to distinct the two components from one another.

Putting this all together, we find that the scales of the two perceived value dimensions established their convergent, discriminant validity, and, in turn, their construct validity.

5.7.3 Criterion Validity

Two decisive factors are essential for establishing criterion validity: concurrent validity and predictive validity.

5.7.3.1 Concurrent Validity

Concurrent validity of the scale would be ascertained by testing the type and strength of the Pearson’s correlation between acquisition value and transaction value on one side and perceived price (PPI and PP2) and overall deal evaluation on the other side. Table 5-9 represents the correlation matrix for these constructs.
From Table 5-9 we see that all the correlations are in the direction and strength expected. That is, the correlation between the perceived deal significance and the two perceived value dimensions was positively strong (0.69 and 0.78 respectively). Also, the two measures of perceived price correlated negatively to the scores of both acquisition value and transaction value (-0.48 and -0.55 for PP1 and -0.52 and -0.61 for PP2, respectively). Consequently, the concurrent validity of the scale is established.

### 5.7.3.2 Predictive Validity

In order to establish predictive validity, the score of the perceived value scale should be able to predict some future outcome. Previous literature indicates that behavioural consequences are the subject of perceived value perception. Therefore, it is expected that the perceived value scale would be a good predictor of return intention and recommendation intention. This possibility is checked using regression analysis. The findings of the analysis are presented in Table 5-10.
Table 5-10: Predictive Validity of the Scale – Dependent Variable: Return Intention

<table>
<thead>
<tr>
<th>Variable</th>
<th>Stdised Beta ($\beta$)</th>
<th>Std Error</th>
<th>df</th>
<th>t</th>
<th>p Value</th>
<th>Semi-Partial $R^2$</th>
<th>$F$ Ratio</th>
<th>p Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Value</td>
<td>.62</td>
<td>.011</td>
<td>2</td>
<td>10.16</td>
<td>.000</td>
<td>.41</td>
<td>.53</td>
<td>161.1</td>
</tr>
</tbody>
</table>

From the above results, the linear combination of acquisition value and transaction value was significantly related to return intention, $F (2, 286) = 161.1, p = .000). The sample multiple correlation coefficient was .73, indicating that about 53% of the variance in return intention is explained by acquisition value and transaction value both together. This finding lends strong backing to the predictive validity of the scale.

Indices of the relative strength of the two individual predictors in the above regression model (Table 5-10) show that acquisition value accounts for the major part in the model ($\beta = .62, t = 10.16, p = .000$) as compared to transaction value ($\beta = .14, t = 2.26, p = .024$). This raises the question of whether acquisition value mediates the relationship between transaction value and behavioural intention. This possibility will be checked later on.

Similarly, the regression model using recommendation intention as the outcome variable was investigated. After checking that all regression assumptions are met, the regression model statistics (Table 5-11) were examined.
Table 5-11: Predictive Validity of the Scale – Dependent Variable: Recommendation Intention

<table>
<thead>
<tr>
<th>Variable</th>
<th>Stdised Beta (β)</th>
<th>Std Error</th>
<th>df</th>
<th>t</th>
<th>P Value</th>
<th>Semi-Partial E²</th>
<th>R²</th>
<th>F Ratio</th>
<th>P Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Value</td>
<td>.73</td>
<td>.010</td>
<td>2</td>
<td>13.53</td>
<td>.000</td>
<td>.48</td>
<td>.64</td>
<td>249.28</td>
<td>.000</td>
</tr>
<tr>
<td>Transaction Value</td>
<td>.09</td>
<td>.017</td>
<td>286</td>
<td>1.73</td>
<td>.08</td>
<td>.06</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The linear combination of acquisition value and transaction value was significantly related to recommendation intention, F (2, 286) = 249.28, p = .000. The sample multiple correlation coefficient was .80, indicating that about 64% of the variance in recommendation intention, is explained by acquisition value and transaction value both together. This finding supports the previous finding and, combined together, this establishes the predictive validity of the scale.

The above verification of the scale high correlation with another measure of perceived value (concurrent validity) and its predictive ability of behavioural outcomes indicate that the perceived value scale used in this survey behaves as theorised and holds criterion validity.

5.8 Correlations

As mentioned earlier, after perceived acquisition value and perceived transaction value showed to be two distinct dimensions of perceived value (principal components analysis results), and the scales used proved to be highly reliable, the 8 perceived acquisition value items and the 5 perceived transaction value items were summed up. Before going into further advanced analyses, a correlation analysis of the study
variable was vital to get an initial sense of the type of correlation between the study's independent and dependent variables. Table 5-12 shows the correlation matrix for these variables.
Table 5-12: Correlation Analysis

<table>
<thead>
<tr>
<th></th>
<th>Acqis Value</th>
<th>Trans Value</th>
<th>(PP1)</th>
<th>(PP2)</th>
<th>(RP1)</th>
<th>(RP2)</th>
<th>Perceived Deal Significance</th>
<th>Overall Deal Evaluation</th>
<th>Overall Satisfaction</th>
<th>Overall Quality</th>
<th>Overall Intention</th>
<th>Recommendation Intention</th>
<th>Overall Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Total Acquisition Value</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Total Transaction Value</td>
<td>0.75</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Perceived Price (PP1)</td>
<td>-0.48</td>
<td>-0.55</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Perceived Price (PP2)</td>
<td>-0.52</td>
<td>-0.61</td>
<td>0.79</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Reference Price 1 (RP1)</td>
<td>0.38</td>
<td>0.49</td>
<td>-0.77</td>
<td>-0.48</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Reference Price 2 (RP2)</td>
<td>0.52</td>
<td>0.66</td>
<td>-0.62</td>
<td>-0.83</td>
<td>0.63</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Perceived Deal Significance</td>
<td>0.54</td>
<td>0.63</td>
<td>-0.43</td>
<td>-0.27</td>
<td>0.36</td>
<td>0.45</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Overall Deal Evaluation</td>
<td>0.69</td>
<td>0.78</td>
<td>-0.63</td>
<td>-0.57</td>
<td>0.56</td>
<td>0.62</td>
<td>0.57</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Overall Satisfaction</td>
<td>0.84</td>
<td>0.68</td>
<td>-0.55</td>
<td>-0.51</td>
<td>0.47</td>
<td>0.51</td>
<td>0.55</td>
<td>0.72</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Overall Quality</td>
<td>0.79</td>
<td>0.61</td>
<td>-0.44</td>
<td>-0.49</td>
<td>0.41</td>
<td>0.47</td>
<td>0.54</td>
<td>0.59</td>
<td>0.87</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Return Intention</td>
<td>0.72</td>
<td>0.60</td>
<td>-0.47</td>
<td>-0.49</td>
<td>0.39</td>
<td>0.46</td>
<td>0.40</td>
<td>0.57</td>
<td>0.79</td>
<td>0.74</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Recommendation Intention</td>
<td>0.80</td>
<td>0.64</td>
<td>-0.50</td>
<td>-0.52</td>
<td>0.43</td>
<td>0.53</td>
<td>0.50</td>
<td>0.65</td>
<td>0.88</td>
<td>0.82</td>
<td>0.89</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>13. Overall Value</td>
<td>0.82</td>
<td>0.79</td>
<td>-0.59</td>
<td>-0.57</td>
<td>0.49</td>
<td>0.59</td>
<td>0.58</td>
<td>0.76</td>
<td>0.87</td>
<td>0.79</td>
<td>0.79</td>
<td>0.85</td>
<td>1.00</td>
</tr>
</tbody>
</table>
From Table 5-12 it can be seen that the correlation between perceived acquisition value and perceived transaction value was strong (.75). This is not surprising in the light of the conceptual definitions of these variables and considering the possible mediator relationships each one of them has with the others. These mediator relationships will be further explained and examined afterwards. The strong correlation between the two dimensions was considered when conducting the principal components analysis, and this was the reason why oblique rotation was used rather than orthogonal rotation.

The strong correlation between perceived acquisition value and perceived transaction value on one side and the single overall measure of value on the other side (.82 and .79) is consistent with the convergent validity test detailed earlier.

Other correlations are in the expected magnitude and direction. For example, there is a negative correlation between perceived price and acquisition value (r = -.48 and .52). This finding supports the proposition that there is a negative relationship between the two variables even in the post-consumption phase. Also, the correlation between transaction value and perceived price is negative as expected (-.55 and -.61). Therefore, the proposed negative relationship between the two constructs in the post-consumption of services is supported. These two findings conform to the parallel ones in the pre-purchase of products as found by Grewal et. al. (1998).

The influence of perceived price and reference price on acquisition value and transaction value will be further investigated later.
It is also no surprise that the relationship between the customer’s evaluation of the deal as a whole and both perceived acquisition value and perceived transaction value is positively strong (.69 and .78 respectively). In that sense, customer evaluation of the merits of the deal can be viewed on two levels; benefits received for the sacrifices endured (acquisition value), and actual price paid compared with reference price (transaction value).

Regarding the relationship between acquisition value and transaction value on one side and perceived quality on the other side, it is positively high in the case of acquisition value (.79). This is consistent with theorising quality as the main constituent of the “give” component of perceived acquisition value. Due to the lower role perceived quality plays when it comes to transaction value, we find that the correlation is lower than that in the acquisition value case (.61). The influence of perceived quality on perceived value will be further examined later.

As for satisfaction, its correlation with acquisition value is very strong (.84). Although this might be interpreted as undermining discrimination between the two constructs, this notion dissolves in the light of the strong theoretical background and with considering the possibility that the correlation between perceived value and satisfaction might be twofold. First, a direct relationship between perceived value and satisfaction does exist and is expected. Second, the influence of perceived quality over customer satisfaction might be mediated by perceived value as found by Caruana and Money (1997). This will be investigated later. In the transaction value case, the correlation was acceptably high (.68).
As for the correlation between both perceived value dimensions and behavioural intentions, it is as high as expected. Behavioural intentions were measured in terms of return intention and recommendation intention. The correlation between these two measures on one side and perceived acquisition value on the other side was .72 and .80 respectively. This correlation dropped to .60 and .64 in the case of transaction value. There are two possible reasons for that. First, behavioural intentions are primarily driven by acquisition value. Second, the impact of transaction value on behavioural intention might be mediated by acquisition value (Grewal 1998). This possibility will be checked later.

Finally, as expected, in the case of customers receiving a special offer on price, the higher the perceived excellence (or significance) of the deal, the higher the perceived transaction value (.63) and in turn, the higher the perceived acquisition value (.54).

5.9 Propositions Verification and Model Testing

5.9.1 Perceived Value Dimensions

A cornerstone of the conceptual model of this study is the dimensionality of perceived value. To repeat, the findings of the principal components analysis (Table 5-6) and the reliability check (Table 5-7) show that our perceived value scale was successful in capturing and distinguishing the two perceived value dimensions as conceptualised. The scale items loaded on each of the two dimensions clearly reflect the operational definitions of acquisition value and transaction value. That is, items that reflect a trade-off between a benefit and a sacrifice are clustered together, and items that reflect a comparison between actual price and reference price are clustered together.
It was also found that the two perceived value dimensions had high correlation with overall value as explained earlier (.82 and .79). However, the type and degree of the relationship between acquisition value and transaction value as independent variables and overall value as an outcome was assessed using standard multiple regression. Regression analysis also tells us the relative importance of each of these two dimensions in the formation and prediction of perceived value as well as the proportion of variance explained in the outcome variable.

Before running regression analysis, the data were checked to evaluate the regression analysis assumptions (Tabachnick and Fidell, 2001). The same procedures for verifying the regression analysis assumptions will be conducted prior to running any regression model throughout the following analyses. For the current regression model:

1. All variables were checked for normality of distribution and found to be fairly normally distributed. No transformations were needed.

2. The ratio of cases to independent variables was well above the minimum requirement for this regression model with two predictors. The rule of thumb for minimum ratio of cases to IV is \( N \geq 104 + m \) (where \( m \) is the number of IVs). In the current model, \( N = 299 \).

3. Collinearity statistics showed that there is no cause for concern about multicollinearity in the data. To check for multicollinearity, two indicators were used. The Variance Inflation Factor (VIF) was calculated for each variable. The rule of thumb is that “any VIF of 10 or more provides evidence of serious multicollinearity” (Cohen et al., 2003). For the regression model in hand, the
highest VIF statistic was 2.3. The second indicator used to check for multicollinearity was the Tolerance statistic. A tolerance value of .10 or less suggests that there is a problem of multicollinearity (Cohen et al., 2003). The lowest tolerance value for this regression model was .40, indicating that there is no serious multicollinearity problems for the current regression model.

4. The regression model was checked for normality of residuals. Figure 5-13 shows that the residuals of the dependent variable have a reasonably normal distribution. The normal probability plot shows that residual points fairly lie on the normal distribution line.

**Figure 5-13: Normal P-P Plot of Regression Standardised Residuals**

5. The homoscedasticity of residuals was checked and found to be acceptable. Figure 5-14 displays the scatter plot of the regression standardised residuals against the regression standardised predicted values. From the chart, no heteroscedasticity...
problem could be detected as the values seem to be evenly dispersed around zero in a roughly rectangular shape (Pallant, 2001).

Figure 5-14: Standardised Residuals Plot against Standardised Predicted Values

6. Figure 5-14 also shows no outliers problem in the solution. Only one of the standardised residuals exceeds the recommended 3.3 value (Tabachnick and Fidell, 2001). However, this was further checked with the use of a $p < .001$ criterion for Mahalanobis distance which indicated that no outliers among the cases were found as no cases exceeded the critical value for the two independent variables of 13.82 (Tabachnick and Fidell, 2001). Additionally, all cases had a Cook’s distance lower than one, indicating that there is no significant effect of single cases on the regression model (Field, 2000).

7. The Durbin-Watson statistic was calculated to check the independence of residuals. Values less than one or greater than 3 are cause for concern. The closer the value to two, the more it means that residuals are uncorrelated (Field, 2000).
For the current model, the test statistic was 1.96 which is close to 2, indicating that the assumption of independent residuals is met.

From all the above, it is concluded that none of the regression assumptions have been violated. The results of the standard multiple regression are displayed in Table 5-13.

Table 5-13: Predictability of Overall Value with Acquisition Value and Transaction Value

<table>
<thead>
<tr>
<th>Variable</th>
<th>Stdised Beta (β)</th>
<th>Std Error</th>
<th>df</th>
<th>t</th>
<th>P Value</th>
<th>Semi-Partial R²</th>
<th>R²</th>
<th>F Ratio</th>
<th>P Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Value</td>
<td>.52</td>
<td>0.006</td>
<td>2</td>
<td>11.59</td>
<td>.000</td>
<td>.34</td>
<td>.745</td>
<td>425.39</td>
<td>.000</td>
</tr>
<tr>
<td>Transaction Value</td>
<td>.41</td>
<td>0.011</td>
<td>289</td>
<td>9.18</td>
<td>.000</td>
<td>.27</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From the above results, the linear combination of acquisition value and transaction value was significantly related to overall value, F (2, 289) = 425.39, p = .000. The sample multiple correlation coefficient was .86, indicating that approximately 75% of the variance of the overall value in the sample can be accounted for by the linear combination of acquisition value and transaction value.

Table 5-16 presents indices of the relative strength of the two individual predictors. The partial correlation between the two predictors on one side and the overall value on the other side were significant (.56 and .48 respectively). Figures 5-15 and 5-16 show the partial regression plot of acquisition value and transaction value (predictors) with overall value (outcome).
Figure 5-15: Partial Regression Plot
Predictor: Acquisition Value / Outcome: Overall Value

Figure 5-16: Partial Regression Plot
Predictor: Transaction Value / Outcome: Overall Value
Both charts (Figures 5-15 and 5-16) show obvious positive correlation between the two perceived value dimensions and overall perceived value. Although, both dimensions clearly positively contribute to overall value, the contribution of acquisition value is stronger ($\beta = .52$, $t = 11.59$, $p > .001$), as compared to transaction value ($\beta = .41$, $t = 9.18$, $p > .001$). This seems to provide support to depicting acquisition value as the main component of perceived value.

5.9.2 Propositions Testing

**P1:** There is a direct positive relationship between perceived quality and acquisition value.

This proposition will be tested using regression analysis. Prior to investigating the regression statistics, all the regression assumptions were probed for any violations that may affect the quality of the findings. Table 5-14 displays the details of the tests used to verify each assumption and the result of the assumption test for this particular regression model and Table 5-15 displays the regression model statistics.

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Test</th>
<th>Critical Value</th>
<th>Test Statistic</th>
<th>Assumption Met</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample adequacy</td>
<td>$N \geq 104 + m$</td>
<td>105</td>
<td>291</td>
<td>✔</td>
</tr>
<tr>
<td>Homoscedasticity</td>
<td>ZRESID / ZPRED Plot</td>
<td>-</td>
<td>-</td>
<td>✔</td>
</tr>
<tr>
<td>Normality of Residuals</td>
<td>Normal P-P Plot</td>
<td>-</td>
<td>-</td>
<td>✔</td>
</tr>
<tr>
<td>Independence of Residuals</td>
<td>Durbin-Watson</td>
<td>$&lt; 1$ or $&gt; 3$</td>
<td>1.91</td>
<td>✔</td>
</tr>
<tr>
<td>Outliers Effect</td>
<td>Standard Scores</td>
<td>$&gt;</td>
<td>±3</td>
<td>0$ case</td>
</tr>
</tbody>
</table>

Outcome: Acquisition Value, Predictors: Perceived Quality
Using least squares regression analysis, perceived quality was found to be a significant predictor of acquisition value as expected ($R^2 = .63$, $F= 491.01$, $df = 1$, $p < .001$). These findings support Proposition 1 as perceived quality was found to explain a large proportion of the variance in acquisition value (63%).

**P2:** There is a direct positive relationship between transaction value and acquisition value.

The relationship between transaction value and acquisition value was initially investigated using Pearson correlation and found to be positive and strong (.75). As acquisition value was conceptualised as the core component of perceived value, the influence of transaction value on acquisition value will be further investigated using regression analysis. After ascertaining the regression assumption, regression analysis was conducted. The statistics of the regression model is displayed in Table 5-16.

Table 5-16: Regression Model Statistics
Dependent Variable: Acquisition Value

<table>
<thead>
<tr>
<th>Variable</th>
<th>Stdised Beta ($\beta$)</th>
<th>$t$</th>
<th>$p$ Value</th>
<th>$R^2$</th>
<th>$F$ Ratio</th>
<th>$p$ Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction Value</td>
<td>.75</td>
<td>19.01</td>
<td>.000</td>
<td>.56</td>
<td>363.66</td>
<td>.000</td>
</tr>
</tbody>
</table>

228
The findings in Table 5-16 provide further evidence to the relationship between transaction value and acquisition value. The least squares regression model proposed that transaction value was a significant contributor of acquisition value ($R^2 = .56$, $F = 363.66$, df = 1, $p < .001$). This finding supports Proposition 2 as transaction value was able to explain 56% of the variance in acquisition value.

**P3:** There is a direct positive relationship between reference price and transaction value.

According to conceptual model, transaction value is modelled as an outcome of reference price and perceived price. The effect of reference price on transaction value was investigated using regression analysis. Table 5-17 is the finding of the analysis.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Stdised Beta ($\beta$)</th>
<th>t</th>
<th>p Value</th>
<th>$R^2$</th>
<th>F Ratio</th>
<th>p Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reference Price</td>
<td>.54</td>
<td>6.59</td>
<td>.000</td>
<td>.29</td>
<td>43.44</td>
<td>.000</td>
</tr>
</tbody>
</table>

The findings in Table 5-17 show that reference price is a significant predictor of transaction value ($R^2 = .29$, $F = 43.44$, df = 1, $p < .000$). This finding supports Proposition 3.
P4: There is a direct negative relationship between the perceived price and transaction value.

Using Pearson correlation, it was found that there is a negative correlation between transaction value and perceived price. The effect of perceived price on transaction value is checked using regression analysis. Table 5-18 displays the results of the analysis.

Table 5-18: Model Statistics

<table>
<thead>
<tr>
<th>Dependent Variable: Transaction Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
</tr>
<tr>
<td>Perceived Price</td>
</tr>
</tbody>
</table>

Table 5-18 shows that the negative effect of perceived price on transaction value is significant (R² = .32, F = 51.86, df = 1, p < .000). This finding supports Proposition 4.

P5: The effect of reference price on acquisition value is mediated by transaction value.

The mediating role of transaction value is checked by following the procedures specified by Baron and Kenny (1986) and Miles and Shevlin (2001). Following these procedures, a series of analyses were conducted to test if whether or not transaction value mediates the relationship between reference price and acquisition value:
1. Using least squares regression analysis, reference price was found to be a significant predictor of acquisition value \( (R^2 = .16, F= 20.32, df = 1, p < .001) \) (std \( \beta-RP = .40, t= 4.51, p < .001 \)).

2. Using least squares regression analysis, reference price was found to be a significant predictor of transaction value \( (R^2 = .29, F= 43.44, df = 1, p < .001) \).

3. Using multiple regression, transaction value was found to be a significant predictor of acquisition value when reference price is accounted for \( (R^2 = .53, F= 59.19, df = 2, p < .001) \) (std \( \beta\text{-transaction value} = .73, t= 9.07, p < .001 \)).

4. When the influence of transaction value on acquisition value is accounted for, the impact of reference price was found to be insignificant \( (R^2 = .73, F= 59.19, df = 103, p < .001) \) (std \( \beta-RP = .01, t= 0.14, p = .89 \)), indicating a complete mediator role for transaction value between reference price and acquisition value and, therefore, supporting proposition 5.

\textbf{P6:} The effect of perceived price on acquisition value is mediated by transaction value.

Similar to the procedures conducted in the previous case, the mediating role of transaction value between perceived price and acquisition value was investigated following the guidelines of Baron and Kenny (1986) and Miles and Shevlin (2001):
1. Using least squares regression analysis, perceived price was found to be a significant predictor of acquisition value ($R^2 = .22$, $F= 30.05$, df $= 1$, $p < .001$) (std $\beta$-RP $= -.47$, $t= -5.48$, $p < .001$).

2. Using least squares regression analysis, perceived price was found to be a significant predictor of transaction value ($R^2 = .32$, $F= 51.86$, df $= 1$, $p < .001$).

3. Using multiple regression, transaction value was found to be a significant predictor of acquisition value when perceived price is accounted for ($R^2 = .53$, $F= 60.10$, df $= 2$, $p < .001$) (std $\beta$-transaction value $= .69$, $t = 8.40$, $p < .001$).

4. When the influence of transaction value on acquisition value is accounted for, the impact of perceived price was found to be insignificant ($R^2 = .53$, $F= 60.10$, df $= 103$, $p < .001$) (std $\beta$-PP $= .08$, $t = -.93$, $p = .35$), indicating a complete mediator role for transaction value between perceived price and acquisition value and, therefore, supporting proposition 6.

P7: There is a direct positive relationship between acquisition value and customer satisfaction.

Although the correlation between acquisition value and customer satisfaction was found to be very strong, we believe that this does not violate the discriminant validity of the perceived value measure for two reasons: (1) the strong conceptual support that these two constructs are different and (2) the strong correlation is actually expected as
the conceptual background points out the perceived value is an antecedent of customer satisfaction. By applying regression analysis, the influence of acquisition value can be probed. Table 5-19 is the output of the regression analysis:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Stdised Beta (β)</th>
<th>t</th>
<th>P Value</th>
<th>R²</th>
<th>F Ratio</th>
<th>P Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Value</td>
<td>.84</td>
<td>26.34</td>
<td>.000</td>
<td>.70</td>
<td>693.70</td>
<td>.000</td>
</tr>
</tbody>
</table>

The above findings provide strong support to the significant impact of acquisition value over customer satisfaction. Table 5-19 displays the regression model ($R^2 = .7$, $F= 693.70$, df = 1, $p < .001$). Therefore, it is clear that there is a major influence of acquisition value over customer satisfaction, supporting Proposition 7.

P8: The relationship between perceived quality and customer satisfaction is partially mediated by acquisition value.

The mediating role of acquisition value between perceived quality and customer satisfaction was tested using the procedures suggested by Baron and Kenny (1986). The results were as follows:

1. Using least squares regression analysis, perceived quality was found to be a significant predictor of customer satisfaction ($R^2 = .76$, $F= 981.05$, df = 1, $p < .001$) ($\text{std} \beta$-perceived quality $= .87$, $t = 31.32$, $p = .001$).
2. Using least squares regression analysis, perceived quality was found to be a significant predictor of acquisition value ($R^2 = .63, F= 491.01, df = 1, p < .001$).

3. Using multiple regression, acquisition value was found to be a significant predictor of customer satisfaction when the effect of perceived quality is accounted for ($R^2 = .82, F= 681.13, df = 2, p < .00$) (std $\beta$-acquisition value = .39, $t = 9.65, p = .000$).

4. The effect of perceived quality on customer satisfaction was significantly decreased when controlling for acquisition value ($R^2 = .82, F= 681.13, df = 290, p < .00$) (std $\beta$-perceived quality = .57, $t = 14.08, p = .000$). However, the contribution of perceived quality to the model is still significant, meaning that while part of the effect of perceived quality on customer satisfaction is mediated by acquisition value, the direct path from perceived quality to customer satisfaction is still significant; i.e. acquisition value is only a partial mediator between perceived quality and customer satisfaction – Proposition 8 is supported.

P9: There is a direct positive relationship between acquisition value and behavioural intentions.

The impact of acquisition value and transaction value on behavioural intentions was analysed using regression analysis. In this study, behavioural intentions were measured with the use of two questions asking about return intention and
recommendation intention. Each of these two measures was set to be the outcome variable in two separate regression models.

In the first model, return intention was set as an outcome with acquisition value and transaction value as predictors. After checking the regression assumptions, Table 5-20 displays the regression model statistics.

Table 5-20: Regression Model Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>StdBeta(β)</th>
<th>t</th>
<th>p Value</th>
<th>R²</th>
<th>F Ratio</th>
<th>p Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Value</td>
<td>.72</td>
<td>17.82</td>
<td>.000</td>
<td>.52</td>
<td>317.62</td>
<td>.000</td>
</tr>
</tbody>
</table>

The above findings provide support to the significant effect of acquisition value on return intention. Table 23 displays the regression model ($R^2 = .52$, $F= 317.62$, df = 1, $p < .001$) that shows that acquisition value was able to explain 52% of the variance in return intention. Therefore, it is clear that acquisition value has a major impact on return intention, providing support for Proposition 9.

To further support Proposition 9, the regression procedures were conducted again with recommendation intention as the outcome variable. The findings fully matched the results of the above model ($R^2 = .64$, $F= 515.14$, df = 1, $p < .001$), providing a stronger evidence of the effect of acquisition value on behavioural intentions.
P10: The effect of transaction value on behavioural intentions is fully mediated by acquisition value.

The combined impact of acquisition value and transaction value on behavioural intentions was analysed in two separate models. In the first model, return intention was set as an outcome with acquisition value and transaction value as predictors. After checking the regression assumptions (Table 5-21), Table 5-22 displays the regression model statistics.

Table 5-21: Regression Model: Assumptions Checked

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Test</th>
<th>Critical Value</th>
<th>Test Statistic</th>
<th>Assumption Met</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample adequacy</td>
<td>$N \geq 104 + m$</td>
<td>106</td>
<td>289</td>
<td>✔️</td>
</tr>
<tr>
<td>Multicollinearity</td>
<td>VIF</td>
<td>&gt; 10</td>
<td>2.26</td>
<td>☑️</td>
</tr>
<tr>
<td></td>
<td>Tolerance</td>
<td>&lt; .10</td>
<td>.44</td>
<td>☑️</td>
</tr>
<tr>
<td>Homoscedasticity</td>
<td>ZRESID / ZPRED Plot</td>
<td>-</td>
<td>-</td>
<td>☑️</td>
</tr>
<tr>
<td>Normality of Residuals</td>
<td>Normal P-P Plot</td>
<td>-</td>
<td>-</td>
<td>☑️</td>
</tr>
<tr>
<td>Independence of Residuals</td>
<td>Durbin-Watson</td>
<td>&lt; 1 or &gt; 3</td>
<td>2.2</td>
<td>☑️</td>
</tr>
<tr>
<td>Outliers Effect</td>
<td>Mahalanobis Distance</td>
<td>&gt; 13.82</td>
<td>0 case</td>
<td>☑️</td>
</tr>
<tr>
<td></td>
<td>Cook’s Distance</td>
<td>&gt; 1</td>
<td>0 case</td>
<td>☑️</td>
</tr>
</tbody>
</table>

Outcome: Return Intention, Predictors: Acquisition Value, and Transaction Value

Table 5-22: Regression Model Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Stdised Beta ($\beta$)</th>
<th>Std Error</th>
<th>df</th>
<th>t</th>
<th>p Value</th>
<th>Semi-Partial $\gamma$</th>
<th>$R^2$</th>
<th>F Ratio</th>
<th>p Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Value</td>
<td>.62</td>
<td>.011</td>
<td>2</td>
<td>10.16</td>
<td>.000</td>
<td>.41</td>
<td>.53</td>
<td>161.1</td>
<td>.000</td>
</tr>
</tbody>
</table>
From the above results, it is clear that the linear combination of acquisition value and transaction value was significantly related to return intention, $F(2, 286) = 161.1, p = .000)$. The sample multiple correlation coefficient was .73, indicating that about 53% of the variance in return intention is explained by acquisition value and transaction value both together.

Indices of the relative strength of the two individual predictors in the above regression model show that acquisition value accounts for the major part in the model ($\beta = .62, t = 10.16, p < .001$) as compared to transaction value ($\beta = .14, t = 2.26, p < .05$). This opens the question of whether acquisition value mediates the relationship between transaction value and behavioural intention.

Similarly, the regression model using recommendation intention as the outcome variable was investigated. After checking that all assumptions are met (Table 5-23), the regression model statistics (Table 5-24) were examined.

**Table 5-23: Regression Model: Assumptions Checked**

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Test</th>
<th>Critical Value</th>
<th>Test Statistic</th>
<th>Assumption Met</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample adequacy</td>
<td>$N \geq 104 + m$</td>
<td>106</td>
<td>289</td>
<td>✓</td>
</tr>
<tr>
<td>Multicollinearity</td>
<td>VIF</td>
<td>&gt; 10</td>
<td>2.26</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Tolerance</td>
<td>&lt; .10</td>
<td>.44</td>
<td>✓</td>
</tr>
<tr>
<td>Homoscedasticity</td>
<td>ZRESID / ZPRED Plot</td>
<td>-</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>Normality of Residuals</td>
<td>Normal P-P Plot</td>
<td>-</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>Independence of Residuals</td>
<td>Durbin-Watson</td>
<td>&lt; 1 or &gt; 3</td>
<td>2.06</td>
<td>✓</td>
</tr>
<tr>
<td>Outliers Effect</td>
<td>Mahalanobis Distance</td>
<td>&gt; 13.82</td>
<td>0 case</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Cook's Distance</td>
<td>&gt; 1</td>
<td>0 case</td>
<td>✓</td>
</tr>
</tbody>
</table>

Outcome: Recommendation Intention, Predictors: Acquisition Value, and Transaction Value
Table 5-24: Regression Model Statistics

<table>
<thead>
<tr>
<th>Dependent Variable: Recommendation Intention</th>
<th>Variable</th>
<th>Stdised Beta (β)</th>
<th>Std Error</th>
<th>df</th>
<th>t</th>
<th>P Value</th>
<th>Semi-Partial r</th>
<th>R²</th>
<th>F Ratio</th>
<th>P Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Acquisition Value</td>
<td>.73</td>
<td>.010</td>
<td>2</td>
<td>13.53</td>
<td>.000</td>
<td>.48</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transaction Value</td>
<td>.09</td>
<td>.017</td>
<td>286</td>
<td>1.73</td>
<td>.08</td>
<td>.06</td>
<td>.64</td>
<td>249.28</td>
<td>.000</td>
</tr>
</tbody>
</table>

As can be seen in this model, and similar to the return intention model, while acquisition value had a clearly substantial influence on the model (β = .73, t = 13.53, p < .001), the contribution of transaction value to the model was insignificant (β = .09, t = 1.73, p = .08).

From the findings of the above two models, and considering the strong bivariate correlation between transaction value and the two behavioural intentions variables (.60 and .64, Table 5-12), the mediating role of acquisition value is apparent.

Following the procedures recommended by Baron and Kenny (1986), a series of analyses were conducted to test even further if acquisition value mediates the relationship between transaction value and intention to return.

1. Using least squares regression analysis, transaction value was found to be a significant predictor of return intention (R² = .36, F = 164.73, df = 1, p < .001) (std β-transaction value = .60, t = 12.84, p < .001).

2. Using least squares regression analysis, transaction value was found to be a significant predictor of acquisition value (R² = .56, F = 363.66, df = 1, p < .001).
3. Using multiple regression, acquisition value was found to be a significant predictor of return intention when transaction value is accounted for ($R^2 = .53$, $F = 161.1$, $df = 2$, $p < .001$) ($\beta$-acquisition value $= .62$, $t = 10.16$, $p < .001$).

4. The effect of transaction value on return intention when controlling for acquisition value was minor (almost none) and only significant at $p < .05$ level ($R^2 = .53$, $F = 161.1$, $df = 286$, $p < .00$) ($\beta$-transaction value $= .14$, $t = 2.26$, $p = .024$).

Conducting the same procedures with recommendation intention as the outcome variable, the findings were as follows:

1. Transaction value was a significant predictor of intention to recommend ($R^2 = .40$, $F = 199.25$, $df = 1$, $p < .00$) ($\beta$-transaction value $= .64$, $t = 14.12$, $p = .000$).

2. As mentioned previously, transaction value was a significant predictor of acquisition value ($R^2 = .56$, $F = 363.66$, $df = 1$, $p < .00$).

3. Acquisition value was a significant predictor of intention to recommend when transaction value is accounted for ($R^2 = .64$, $F = 249.28$, $df = 2$, $p < .00$) ($\beta$-acquisition value $= .73$, $t = 13.53$, $p = .000$).

4. The effect of transaction value on intention to recommend when controlling for acquisition value was insignificant ($R^2 = .64$, $F = 249.28$, $df = 286$, $p < .00$) ($\beta$-transaction value $= .09$, $t = 1.73$, $p = .08$).
From all the above, we conclude that acquisition value is an almost complete mediator of the relationship between transaction value and behavioural intentions, supporting Proposition 10.

**P11:** The effect of acquisition value on behavioural intentions is partially mediated by customer satisfaction.

It was found before that there is a direct positive relationship between acquisition value and customer satisfaction (Proposition 7) and that there is a direct positive relationship between acquisition value and behavioural intentions (Proposition 9). However, previous literature suggests that part of the influence of perceived value on behavioural intentions is mediated by customer satisfaction. Initially, the strong positive correlation between customer satisfaction on one side and acquisition value and behavioural intentions on the other side give an inkling of this possibility. As the final path to be checked in the conceptual model, the possible partial mediating role of acquisition value between customer satisfaction and behavioural intentions is checked:

1. Using least squares regression analysis, acquisition value was found to be a significant predictor of return intention ($R^2 = .52$, $F = 317.62$, $df = 1$, $p < .001$) ($\beta$-acquisition value = .72, $t = 17.82$, $p < .001$).
2. Using least squares regression analysis, acquisition value was found to be a significant predictor of customer satisfaction ($R^2 = .7$, $F= 693.70$, $df = 1$, $p < .001$).

3. Using multiple regression, customer satisfaction was found to be a significant predictor of return intention when acquisition value is accounted for ($R^2 = .65$, $F= 266.17$, $df = 2$, $p < .001$) ($\text{std } \beta$-customer satisfaction $= .67$, $t= 10.42$, $p < .001$).

4. When controlling for customer satisfaction, the effect of acquisition value on return intention was significantly decreased ($R^2 = .65$, $F= 266.17$, $df = 286$, $p < .001$) ($\text{std } \beta$-acquisition value $= .16$, $t= 2.44$, $p = .015$).

Conducting the same procedures with recommendation intention as the outcome variable, the findings were as follows:

1. Acquisition value was a significant predictor of intention to recommend ($R^2 = .64$, $F= 515.14$, $df = 1$, $p < .001$) ($\text{std } \beta$-acquisition value $= .80$, $t= 22.7$, $p < .001$).

2. As mentioned previously, acquisition value was a significant predictor of customer satisfaction ($R^2 = .7$, $F= 693.70$, $df = 1$, $p < .001$).

3. Customer satisfaction was a significant predictor of intention to recommend when acquisition value is accounted for ($R^2 = .79$, $F= 533.63$, $df = 2$, $p < .001$) ($\text{std } \beta$-customer satisfaction $= .72$, $t= 14.39$, $p < .001$).
4. The effect of acquisition value on intention to recommend when controlling for customer satisfaction decreased significantly ($R^2 = .79$, $F= 533.63$, $df = 286$, $p < .001$) (std $\beta$-acquisition value = .19, $t=3.86$, $p < .001$).

The above results not only provide support to the mediating role of customer satisfaction, but also give statistical evidence that the direct path from acquisition value to behavioural intentions is still significant, even after ruling out the mediated effect.

5.9.3 Perceived Value Model

After ascertaining all the propositions that guided this study, and verifying the all the paths depicted on the conceptual model, below in Figure 5-17 is the supported model of perceived value dimensions in the post-experience of hotel services. Anchored on each path are the standardised regression coefficients and its associated t-value. Also, the percentage of variance explained is attached to each variable in the model.
As can be seen on Figure 5-17, the proposed conceptual model was fully supported. While perceived quality was proved to be a significant antecedent of both acquisition value and customer satisfaction on its own, part of its impact on customer satisfaction and behavioural intentions is mediated by acquisition value. Also, while actual price and reference price are direct antecedents of transaction value, their impact on acquisition value is fully mediated by transaction value. In addition, as can be seen in the figure, the effect of transaction value on behavioural intentions is fully mediated by acquisition value.
References


CHAPTER 6
CHAPTER SIX

CONCLUSIONS AND DISCUSSION

6.1 Introduction

This chapter begins with a review of the research objectives as stated in Chapter 4. This is followed by a discussion of the findings of this study and to what extent they dis/agree with previous research. Then, the contributions of this study are outlined and implications for future research are identified. Finally, the limitations of the study and are presented.

6.2 Objectives of the Study

The broad aim of this study was to gain an insight understanding of the nature of perceived value of hotels as a promising service evaluation tool. To do this, it was necessary to develop a multi-dimensional scale for measuring the concept of
perceived value. This scale was meant to be able to capture the two theorised components of the concept. Designing a successful measurement tool was a preamble for testing the relationship between perceived value dimensions and other concepts after the hotel service encounter.

Therefore, outlined below is the set of interrelated objectives that guided this study:

1. To develop a valid and reliable multi-item multi-dimensional scale for the measurement of perceived value.

2. To capture all the possible post-service-experience perceived value dimensions and ascertain their nature.

3. To examine the antecedents and consequences of each of the found perceived value dimensions.

4. To develop and test an integrated model for perceived value, perceived price, perceived quality, customer satisfaction, and behavioural intentions in the post consumption of services.

The following section will discuss the finding of this study with regard to these objectives.
6.3 Review of Findings

The findings of this study support the notion of multidimensionality of perceived value. The scale developed for measuring perceived value of hotel customers was successful in capturing the theorised dimensions of the concept when measured after the service encounter. Consistent with the conceptual framework, two dimensions were found to be valid and reliable. The first dimension, acquisition value, is the perception formed as a result from the customer trading-off between the benefits acquired from the service against the sacrifices s/he had to bear to acquire the service. The second dimension, transaction value, is the customer perception of a potential added value that comes as a result from the customer comparing the actual price of the hotel room to his reference price.

On one hand, acquisition value relates to the mental trade-off a customer makes between his perceived benefits (including perceived quality), and his perceived sacrifices (including price). Regression analysis results supported the direct positive relationship between perceived quality and acquisition value. However, as proposed, the relationship between perceived price on one side and acquisition value on the other side was found to be mediated by transaction value.

On the other hand, transaction value was found to be subject to reference price and perceived price. The proposition that there is a direct positive relationship between reference price and transaction value was supported. Also, statistical evidence supported the proposition that there is negative relationship between perceived price and transaction value.
Combined together, acquisition value and transaction value were both excellent predictors of overall value. The linear combination of acquisition value and transaction value accounted for 75% of the variance in overall value. However, acquisition value was the stronger predictor ($\beta = .52$, $t = 11.59$, $p > .001$), as compared to transaction value ($\beta = .41$, $t = 9.18$, $p > .001$). This provides support to the suggestion that acquisition value is the main component of perceived value.

As the main component of perceived value, acquisition value plays a core role in the overall perceived value model.

- First, perceived quality was proved to be a significant antecedent of acquisition value ($R^2 = .54$, $t = 14.04$, $p < .001$).

- Second, on its own, acquisition value was found to be a very strong predictor of customer satisfaction ($R^2 = .7$, $F = 693.70$, $df = 1$, $p < .001$).

- Third, acquisition value partially mediated the relationship between perceived quality and customer satisfaction. Combined together, acquisition value and perceived quality account for 82% of the variance in customer satisfaction. Although perceived quality was a stronger predictor of customer satisfaction (std $\beta$-perceived quality = .57, $t = 14.08$, $p = .000$), the contribution of acquisition value to the regression model was also strong (std $\beta$-acquisition value = .39, $t = 9.65$, $p = .000$).
As to how these constructs related to behavioural intentions, some interesting results were found:

- The effect of transaction value on behavioural intentions was proved to be mediated by acquisition value.

- The effect of perceived quality on behavioural intentions is mediated by acquisition value and customer satisfaction.

- The effect of acquisition value on behavioural intentions is partially mediated by customer satisfaction.

- Customer satisfaction is the strongest predictor of behavioural intentions.

Finally, on the whole, the findings provide statistical support to the conceptual perceived value model.

6.4 Discussion of Findings

6.4.1 Perceived Value Dimensions

The standing in this research is that perceived value of hotel customers after the service encounter is multidimensional and that the dimensions can be captured and measured with the use of an appropriate tool. The results of the factor analysis
procedure conducted on the perceived value multi-item scale used in this study show that it was successful in this respect. The results showed two distinguishable factors. The items loaded on each one of them demonstrated that the two factors clearly conform to theory. The items reflect the conceptualisation of each dimension as theorised in the study's conceptual framework. By exposing the two found dimensions to various validity and reliability tests, it was proved that the two dimensions are valid and generic to hotel customers after the service encounter.

Not overlooking the variations in the measurement tool, the two dimensions of perceived value as found in this study are consistent with previous studies that supported the dual dimensions of perceived value (Thaler, 1985; Monroe and Chapman, 1987; Grewal et al., 1998). As previous studies were conducted before the purchase, it can be argued that the two dimensions of perceived value are generic in both the pre- and post-service experience settings.

The findings of the preliminary study showed that Grewal et al.'s tool failed to capture the perceived value dimensions after service experience (Al-Sabbahy, Ekinci, and Riley, 2004). The success of the new scale in capturing the dimensions supports the debate made after the preliminary study that the failure of Grewal et al.'s tool can be put down to the incompetence of the tool itself in capturing the dimensions in the new context rather than the absence of these dimensions. With the use of the new tool, the two dimensions of perceived value were captured and found to be matching those of Grewal et al. (1998) despite the different context.
The two found dimensions of perceived value show the complexity of the value perception. Consistent with Bolton and Drew (1991), this study emphasises that perceived value is not a simple trade-off between a single overall quality construct and price. Rather, value perception is multi-dimensional and it involves the customer's global evaluation of the service based on perceptions of quality and other benefits as well as perceptions of price and other sacrifices within a frame of reference.

The principal role that perceived quality plays in forming a perception of value was affirmed in this study. Specifically, perceived quality was proved to be the chief predictor of acquisition value. This finding is also consistent with Bolton and Drew (1991). It also matches the finding of Dodds and Monroe (1985) and Voss (1993) who found that perceived quality was a better predictor of perceived value than price. However, our findings contradict Broderick, Ennew, and McKechnie (1997) who found that perceived value was driven primarily by perceived price while quality attributes had little influence. However, the importance attached to price in Broderick et al.'s study is unsurprising given the specific characteristics of their target respondents (students) and the relatively simpler service (university catering services).

The second dimension, transaction value, was found to be subject to reference price and perceived price. The direct positive relationship between reference price and transaction value is coherent with the conceptualisation of transaction value and is reflective of Thaler’s (1985) conceptualisation of transaction utility. The same applies to the negative relationship between perceived price and transaction value. These findings are also consistent with that of Grewal, Monroe, and Krishnan (1998).
By conducting this research after the service encounter, the study was able to overcome the problem caused by the potential contradictory role of price if the research was conducted before the service delivery. This responds to the methodological dilemma associated with Thaler's theory of perceived value. This dilemma is created by the price acting as both repelling factor (sacrifice) and attracting factor (quality cue) (Monroe, 1990; Urbany et al., 1997; Oh, 2000). In the context of this study, price perception is not based on a given price to a may-buy service. Rather, it is a perception of the actual room price that had been paid to an actually received service. This way, the effect of price as a quality cue was deactivated. In the post-purchase evaluation of service, quality is evident and price does not play a role as a quality cue anymore. Therefore, the double-acting role of price as a repelling and attracting factor is not an issue in this study as the customer would be certain about the quality he received. This certainty activates the influence of transaction value (Urbany et al., 1997). Therefore, a perception of price as lower than expected can not be seen as anything but a sign of decreased cost from the customer point of view, which signifies a perception of transaction value. The customer's expected price in this case actually represents his estimate of the price that he thinks would have been appropriate and/or maximally acceptable for the level of service quality that he actually received. Additionally, by applying this research after an actual hotel experience, the limitations and the generalisation concerns associated with laboratory settings were avoided.

Drawn from the findings of this study, it is sensible to conclude that the popular conceptualisation of perceived value resulting from the customer comparing the
benefits received from the product / service to the sacrifices borne (Monroe and Krishnan, 1985; Hauser and Urban, 1986; Zeithaml, 1988; Dodds, Monroe, and Grewal, 1991; Naumann, 1995; Kotler, Bowen, and Makens, 1999) is reflective of only one dimension of perceived value – the acquisition dimension. It is clear from the scale items loaded together, composing the acquisition dimension, that they literally reflect this conceptualisation. The transaction dimension effect on the overall value perception is somehow usually overlooked in the conceptualisation of perceived value in previous literature. Even when the transaction dimension was recognised and found to be a valid dimension, no attempt was made to amend or rectify the overall perceived value definition. A suggested improvement for the existing perceived value definition is that perceived value is a composite customer perception that involves his feeling about the product / service purchased based on comparing the benefits received to the sacrifices endured and his feeling about the price paid as compared to his reference price.

### 6.4.2 Interrelationships between Perceived Value Dimensions and Other Variables

It was shown that acquisition value is the main component of perceived value. The effects of transaction value on behavioural intentions are mediated by acquisition value. While this depiction is in harmony with that of Grewal et al. (1998), it contradicts the finding of Jayanti and Ghosh (1996) who found that acquisition “utility” was redundant in the model when it comes to predicting overall value, compared to transaction “utility” and perceived quality. However, this discrepancy might be ascribed to the different conception and the logic that lies beneath. Jayanti
and Ghosh’s proposal was based on the assumption that the influence of acquisition value on the consumer’s overall perceived value is mediated by perceived quality. They argued that the consumer’s evaluation of the product’s overall excellence (i.e., quality) would include the residual pleasure from obtaining the product less the displeasure of paying for it – that is, acquisition value. This clearly diverges from the standing of this research that perceived quality is an antecedent of acquisition value.

The results showed a strong relationship between perceived quality and acquisition value. Despite the strong relationship, acquisition value and perceived quality can not be argued to be the same. It is apparent that customers’ personal characteristics such as personal needs play a much bigger role in acquisition value perception than quality perception. This notion was generally accepted in previous literature (Frondizi, 1971; Holbrook, 1994; Broderick et al., 1997). In fact, this characteristic reassures the superiority of acquisition value over perceived quality as a comprehensive measure of the customers’ overall evaluation of a service, as stated by Bolton and Drew (1991).

On the other hand, although the effects of perceived price on acquisition value is logical and coherent with theory, it was found that these effects are fully mediated by transaction value. This finding is similar to its parallel in the pre-purchase phase as found by Grewal et al. (1998). To some extent, this mediation explains the strong positive relationship between transaction value and acquisition value.

Besides, the strong relationship between transaction value and acquisition value is further justified by the finding that acquisition value fully mediates the relationship between transaction value and behavioural intentions (intention to return to the hotel
and word of mouth). Again this finding is consistent with Grewal et al.'s (1998) finding before the purchase. This complex relationship between the acquisition value and transaction value could be an explanation as to why the two components of perceived value are not usually addressed as independent constructs. The two components interact with one another forming an overall value perception.

Acquisition value was shown to be an important antecedent of customer satisfaction. We do not see the strong relationship between acquisition value and customer satisfaction as a sign of lack of discrimination. Rather, we suggest that the two concepts should be viewed as two phases for the overall service evaluation process, one leads to another. The “which leads to which” question in this case is answered by the rationale that, after the service encounter, the logical sequence is that a customer will not have a feeling of satisfaction if he thinks he might have been overcharged. Therefore the logical direction of this path is from perceived acquisition value to customer satisfaction, not the other way round. Additionally, the notion of customer satisfaction being a consequence of perceived value has been touched previously. For example, Hallowell (1996) argues that customer satisfaction is the result of a customer's perception of the received value. Similar support is also found in Patterson and Spreng (1997), Day and Crask (2000), and Jensen (2001). Also, the findings of this study provide empirical support to the depiction of perceived value as the driver of customer satisfaction, which, in turn, drives the customer's behavioural intentions as portrayed by Heskett et al.'s (1994) service-profit chain.

In that sense, while a perception of transaction value represents the link between perceived price and acquisition value, acquisition value represents the link between
transaction value (including perceived price) and customer satisfaction. This link makes up for the criticism of customer satisfaction because of its focus on service attributes and negligence to the effects of perceived sacrifices (Patterson and Spreng, 1997), solving this service evaluation deficiency. In other words, putting perceived value dimensions in the picture enriches the overall service evaluation model and provides a logical addition that cements its constituents of the model together.

Putting all three concepts together, the results show that the effect of perceived quality on customer satisfaction is not only direct, but also indirect through the intermediate variable of perceived acquisition value. This is matching with the finding of Caruana and Money (1997) and Kashyap and Bojanic (2000), although they dealt with perceived value as an overall concept rather than multi-dimensional. This finding is important as it clarifies the nature of the interrelationships between these three variables in forming the global customer evaluation of the hotel experience. The implication of this finding is that a high perception of quality does not necessarily lead to a high level of customer satisfaction unless this perception of quality, along with the associated cost, result in a high perception of acquisition value.

Finally, the study findings emphasise the important effects of perceived value on the hotel customer's return intentions and good word of mouth. This finding is consistent with that of Bojanic (1996), Oh (2000), and Kashyap and Bojanic (2000). Based on the suggested model, the effects of perceived value on behavioural intentions take two paths, directly and indirectly through customer satisfaction. This explains why the influence of customer satisfaction on behavioural intentions was much stronger than the influence of perceived value. In fact, this finding does not jeopardise the
importance of perceived value, considering that perceived value is a major predictor of customer satisfaction.

6.5 Contribution of the Study and Implications for Future Research

Although research into service evaluation has been so popular amongst marketing researchers and consumer analysts, research on perceived value has been relatively limited. The dynamics that lead to an overall value perception has received little research attention. This is remarkably the case with services in general and hotel services in particular. This research is a contribution in that domain. The current study attempted to ascertain the dimensions of perceived value and scrutinise their impact on the behavioural intentions of hotel customers after the service encounter.

6.5.1 Theoretical Contributions

This study aimed to investigate the dimensionality of perceived value of hotel customers after the service encounter. Due to the results of the preliminary study, the existing measures of perceived value were proved to be inadequate when applied to hospitality services' customers after the service encounter. A follow up study showed that a refined conceptualisation of perceived value dimensions was needed and a new perceived value measurement tool was required to capture these dimensions. Therefore, this study presented a new measurement scale for perceived value. The new scale used for measuring perceived acquisition value in this study was
innnovative. That is, the scale incorporated a wider spectrum of benefits from different levels of abstraction to its benefits side than any previous measure. Built on Young and Feigin (1975), Lewis (1982), and Zeithaml (1988) the new scale incorporated functional benefits (physical environment, room features, availability of other facilities in the hotel), practical benefits (good quality, atmosphere, hospitality), and emotional payoff (feeling of well being, pleasure, relaxation, enjoyment). The scale also incorporated different types of sacrifices (monetary and non-monetary) for the first time in a perceived value scale (Naumann, 1995; Buttle, 1997; Kotler, 2000).

Factor analysis results showed that the items of the new scale clustered together as one component, and achieved a high reliability score. This demonstrates that the new considerations taken when building the new scale did not alienate the scale items from one another. Rather, the results suggest that the new acquisition value scale is an addition to the literature in this domain. However, it was not possible to assess the relative importance of each single element (different types of benefits and different types of sacrifices) as this requires a different research design. Therefore, it is suggested that future research should address this issue. A related issue would be to identify the elements that, if put together, would form the ideal value package to each market segment using a suitable research design such as conjoint analysis.

Similarly, the scale for measuring the proposed transaction value was pioneering. The new scale offered a better representation of the conceptualisation of transaction value as the customer's perception of the actual price relative to the price expected for the service. As revealed from the results, the scale was a good measure of customers' perception of transaction value.
The measures used for perceived price and reference price in this study were also innovative. The measures were designed to represent these two variables in what is thought to be the most precise manner. The measurement approach was inspired by acknowledging that perceived actual price and reference price are two sides of the same coin and that they affect one another. Therefore, the traditional way of measuring price perception by asking respondents to rate their perception on a high-low scale did not seem to be effective when measuring these variables after the transaction was completed. Thus, it was decided that respondents would be asked to specify the actual price and the reference price. Then a simple equation was used to standardise the actual price of each respondent as related to his reference price and vice versa. We are aware that it can be argued that this way does not reflect the respondent subjective assessment of the significance of the difference between actual price and reference price. However, the response to this argument is that this assessment is actually part and parcel of the value perception itself. It was clarified earlier that transaction value reflects the customer’s comparing the actual price to a reference price. Additionally, the value scale required respondents to recall an experience from the past that might be hazy in their memory. Asking the respondents to specify the actual price paid as well as what they think would be fair and/or right price for the service received was necessary not only to investigate the relationship between price and perceived value but also to use this data for testing the validity of the value scale itself.

One of the strengths of this study is that it was conducted in natural settings as opposed to experimental settings that are widely used in this kind of study (Grewal et
al., 1998; Voss, 1993). Despite the limitations imposed by that, it is believed that the benefit of conducting the study in ‘real life’ provides a more important support to the accuracy and possibility of generalising the study results.

Previous perceived value models in the literature were mainly concerned with modelling perceived value of tangible goods. Additionally, most of the previous effort modelled perceived value as a one overall uni-dimensional concept. One of the significant theoretical contributions of this study is the service evaluation model that it offered. For the first time in the service evaluation research stream, the two perceived value dimensions could be captured after the service experience, and modelled in an overall service evaluation model along with perceived quality and customer satisfaction. Not only does the model offers a global understanding of the dynamics of interaction between these variables, but also how they work together and lead to behavioural consequences.

Another contribution of the study is that it offered a more comprehensive definition of perceived value as a composite perception that involves the customer’s feeling about the product / service purchased based on comparing the benefits received to the sacrifices endured and his feeling about the price paid as compared to his reference price. The study suggests that this generic definition should be used for future research on perceived value.

Furthermore, the found dimension of transaction dimension as a valid component of the overall value perception emphasises the interactive, relativistic, and comparative nature of this concept (Holbrook and Corfman, 1985; Hallowell, 1996). This
relativity is fundamental for understanding perceived value. As clarified earlier, transaction value is closely related to price perception and price perceptions are relative not only to the product and its features but also to other prices in the market (Monroe, 1990). Buyers do not judge each price singly; rather, each price is compared to a reference price and other prices within a price range (Monroe, 1990, p. 63). If this is the case when making a purchase decision, the equivalent to this in post experience would be a perception of transaction value. To restate, perceived value is relative. A service would be perceived to be of high value not only if it is good value for money, but also if it comparatively excels over other rival deals in the customer's mind.

However, price comparison is only possible if the characteristics of two (or more) products are identical or, at least, comparable and if there is enough information about the competing products. This is hardly the case, especially with services like hotels. In this situation, when comparing prices, the customer is likely to compare acquisition value of each option and make his perception of overall value based on the merits of the product package as a whole. This suggestion leads to questioning whether transaction value in such a case could be resultant from comparing the acquisition value of two (or more) offerings. This is a particularisation for Hallowell's (1996) view that "value equals perceived service quality relative to price and customer acquisition costs relative to the value expected from transactions or relationships with competing vendors" (p. 28). This possibility needs to be investigated in a future research.
6.5.2 Practical and Managerial Implications

Most of the practical implications of this study originate from findings regarding the dimensionality of perceived value and the role of the dimensions in the overall service evaluation model. The importance of the amendment to the perceived value definition cannot be overestimated from the practical point of view, considering the potential numerous value-boosting tools it offers to marketers. Amending the definition to reflect the dimension of transaction value not only offers a quick-acting strategic tool to boost the customer value perception, but also, more importantly, it boosts this perception relative to the competitors (or any other reference point). This is an important implication that can help practitioners hone their strategies and achieve a competitive edge.

Hospitality marketers need to remind themselves that customers, very frequently, are not in a position to objectively judge the true worth of a service. Consequently, a hospitality marketer should attempt to positively influence customers' perception of the value of the service. The focus of marketing activities must be the 'perception' of the customer. Hotel firms need to reconsider their price structures to create ways to lift perceived value of customers. Given the finding that perceived value is dual-dimensional, boosting perceived value does not necessarily mean offering price discount. Rather, perceived value could be increased by manipulating the customer's frame of reference. Even if a hotel customer is unaware of prices of comparable hotels in the area, the customer's reference price can still be increased internally with the use of some media. Informing the customer about the room rack rate before giving the price of a hotel stay package is an example. In harmony with Schindler
(1989), starting with the customer from the full rack rate while dangling promotional offers in front of him gives him the chance to develop the 'smart-shopper feeling' by taking one of the offers. Another way to boost perceived value is by means of decoy pricing. Making the customer aware of the prices of significantly higher-priced rooms in the hotel can, by itself, increase his appreciation of his room price.

Additionally, the finding that the effects of transaction value on behavioural intentions is mediated by acquisition value highlights to managers the importance of promotional price plausibility. A discounted price is not likely to have the effect of boosting perceived value if it is not associated with some cues that relate the level of service received to the higher original price. In other words, transaction value is only important to the extent it conveys a realistic increase in the value of the related acquisition. In the case of sales promotions, care must be taken so that the service ultimately remains the reinforcing stimulus for purchase and not the sales promotion. Advertising must take care to emphasise the service and not just the accompanying promotion. Despite the potential short term benefit of boosting the customer's perception of transaction value, placing the emphasis on the discounted price can not only shed doubts on the plausibility of the promotion, but also may cause damage to the customer perception of acquisition value on the long run. This could happen if the customer attaches the temporarily discounted price to the value of the service.

Despite the importance of price as a quick tool to boost value offering, unnecessary price cuts should be avoided. Hoteliers practices should reflect the fact that price is not the only player. Customer desires regarding service characteristics is also an important factor affecting perceived value. It is not uncommon, for example, to find
customers who are happy to pay a significant extra for a room with a king-size bed, even though they can get a standard room for a lower rate. Additionally, situational factors can affect the value perception and hoteliers should be aware of that to avoid unnecessary price cuts. For example, most people attending a conference stay at a hotel where the conference is held due to convenience, unfamiliarity with the city, and other situational reasons.

What is more, following the amendment of perceived value definition, another suggestion could be made. That is, post-service-experience perceived value could be altered or improved after the service encounter. This could happen if the customer comes across, is exposed to, or is notified about further price reference information after the experience. This suggestion gives perceived value a tremendous edge over perceived quality and customer satisfaction which cannot be made up for once the service encounter is over. A 'look what you’ve saved' letter can play the role of post-service encounter perceived value booster, which is likely to positively influence the customer’s intention to return. However, this theoretical suggestion needs to be empirically investigated.

Overall, this study calls on hotel operators to shift their managerial emphasis from managing quality to managing perceived value. The central role that perceived value plays in forming customer’s perceptions and evaluation is obvious. Focusing on quality only does not seem to be a sufficient strategy with the current value-conscious customers. This is particularly important with the existence of apparently over-supplied markets in different parts of the world.
6.6 Limitations of the Study

This study used convenient sampling procedures. Respondents were contacted via a hotel reservation company. Due to customer data protection regulations, the company was not able to provide the researcher with a mailing list for the customers to be contacted to use a sampling frame.

This research follows Grewal, Monroe, and Krishnan's (1998) theory of perceived acquisition value and perceived transaction value, which is the most widely accepted conceptualization. However, there are quite a few other different conceptualizations. It might be worthwhile to further empirically investigate them as well.

In terms of statistical analysis, this study is a correlational study. By means of multiple regression analysis, the independent variables are used to predict the outcome variables. Therefore, a causal relationship can not be claimed to have been established between the different variables in the service evaluation model. Although the theory and logic support the notion of causality between the different variables, statistical evidence requires controlled experiment settings (Hair et al., 1998; Field, 2000), which was not the case in this study.

As this study also identified some mediating relationship, it should be pointed out that mediation suffers if there is reverse causal effect between variables (Kenny, Kashy, and Bolger, 1998). However, this effect is difficult to measure and, therefore, logical theoretical discussion is usually used to establish the rationale for the proposed direction of relationships.
Another limitation is that the two variables of perceived quality and customer satisfaction were measured with single-item measures. It was necessary to make the questionnaire as less taxing as possible to gain the support of the cooperating company and to encourage participation. Therefore, it was decided to measure these two variables with a single-item overall measure, while measuring perceived value dimensions with a multi-item scale as these are fundamental to this study.

In the context of hotels, variables like perceived price are difficult to operationalize as there are a number of assorted services and products. Therefore, this study was mainly concerned with the guestroom since this is the most salient among these products and because the guestroom usually comprises the single largest item on the hotel bill.

Furthermore, this study was applied to hospitality services only, specifically hotel rooms. Although the conceptual background for the study was based on a wide variety of literature that was applied in different contexts, it is thought that re-testing the findings of this study in different contexts would be valuable for their generalisation.

Finally, the study aimed to explore the generic nature of the variables and their inter-relationships. Therefore, the study was not limited to a particular type of customer (e.g. business travellers, vacationers, etc.). Although the possibility for differences between these groups was checked in the data, it is believed that re-applying the study results to specific market segment(s) will help probe the nature of perceived value.
References


APPENDIX 1

Preliminary Study
Hotel Questionnaire
Customer Value Survey

1) On how many occasions do you usually stay in a hotel during a typical year? Please give a number

2) When was the last time you stayed in a hotel?

☐ Less than 6 months ago  ☐ 6 to 12 months ago  ☐ More than a year ago

3) Please tick the classification of this hotel:

☐ 1 star  ☐ 2 star  ☐ 3 star  ☐ 4 star  ☐ 5 star

4) How many nights did you spend in this hotel? Please specify

5) Which one of the following alternatives best describes the location of the hotel? Please tick only one

☐ City Centre  ☐ Small Town  ☐ Countryside
☐ City Suburb  ☐ Large Town  ☐ Coastal and Mountain Resort

6) How many people were with you during this hotel stay? Please specify the number including yourself

7) Which one of the following alternatives best describes the purpose of your stay in this hotel? Please tick one

☐ Business  ☐ Leisure
☐ Business and Leisure  ☐ Other

8) Who took charge of your hotel bill?

☐ Myself  ☐ Shared between myself and my partner
☐ My company  ☐ Shared between myself and my company

9) Did you get any discount on the room price you paid?

☐ Yes  ☐ No
**Question 10:**

We want to know how you feel about the value of the last hotel you stayed in. Next to each statement, there is a scale ranging from (1) to (7). We would like you to think and circle the number that best shows your feelings about the hotel price. *Circling (1) means you strongly disagree and circling (7) means you strongly agree. Please answer all questions.*

<table>
<thead>
<tr>
<th>HOTEL VALUE STATEMENTS</th>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
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<tbody>
<tr>
<td>I received a good quality service for a reasonable price.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Considering the quality of the physical environment of the hotel, the price was</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>appropriate.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>If I had stayed in this hotel at a price lower than the price I paid, I would have</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>got my money’s worth.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I valued this hotel as it met my needs at a reasonable price.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>I got good value for the money I spent.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Given the features of the room, it was good value for money.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Reflecting on the price I paid, I feel that I got a good deal.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>This hotel fulfilled both my high quality and low price requirements.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Compared to what I was willing to pay, the price I actually paid was good value.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
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</table>
HOTEL VALUE STATEMENTS

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
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<tr>
<td>1  2  3  4  5  6  7</td>
<td></td>
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</tbody>
</table>

This hotel met my specific needs (e.g. comfortable accommodation, convenient location) at a reasonable price.

1  2  3  4  5  6  7

It added to my pleasure knowing that I got a good deal on the price.

1  2  3  4  5  6  7

Beyond saving money, there was a good feeling attached to making a good deal – as was the case here.

1  2  3  4  5  6  7

11) Overall, how do you feel about this hotel? Please circle the appropriate number.

Very Dissatisfied  1  2  3  4  5  6  7  Very Satisfied

12) Considering your experience with this hotel, please tick the statement that best describes your feeling towards the price you paid.

- I paid what I think to be a fair price.
- I paid more than what I think to be a fair price.
- I paid less than what I think to be a fair price.

13) Compared to other alternatives in the market place, and as far as you know, what is your assessment of the price you paid for this hotel?

- Around the average market price.
- Higher than the average market price.
- Lower than the average market price.

14) In General, how do you feel about the overall quality of the hotel? Please circle the appropriate number.

Very Poor Quality  1  2  3  4  5  6  7  Excellent Quality
15) If you are returning to this locality, how likely is it that you would return to this hotel? Please circle the appropriate number

Extremely Unlikely 1 2 3 4 5 6 7 Extremely Likely

16) How likely is it that you would recommend this hotel? Please circle the appropriate number

Extremely Unlikely 1 2 3 4 5 6 7 Extremely Likely

17) In General, How would you evaluate the value of your stay in this hotel for the price you paid? Please circle the appropriate number

Extremely Bad Value 1 2 3 4 5 6 7 Extremely Good Value

18) About Yourself, Please tick as appropriate

- Gender:  □ Female  □ Male

- Age group:  □ 16 to 24  □ 25 to 34  □ 35 to 44
  □ 45 to 54  □ 55 to 64  □ 65 and over

- Nationality: -------------------------------------------

- What best describes your occupation? Please tick only one

  □ Executive / Managerial  □ Professional (e.g. doctor, Engineer, lawyer, ...etc.)
  □ Administrative / Clerical  □ Educational / Academic  □ Government / Military
  □ Self Employed  □ Student  □ Home Maker

- Income Group:  □ Up to £10,000
  □ £10,001 to £20,000
  □ £20,001 to £30,000
  □ £30,001 to £40,000
  □ £40,001 and over

THANK YOU FOR COMPLETING THE QUESTIONNAIRE
Please put it in the enclosed FREEPOST envelope and send it to us

£ 279
APPENDIX 2

Preliminary Study
Restaurant Questionnaire
Dear Madam / Sir

The attached questionnaire is not a commercial survey. I am undertaking research into how customers evaluate the value of fast food restaurants. This research would be used for academic purposes only. The results are strictly confidential.

I would be grateful if you would complete this questionnaire and hand it back to me.

Yours sincerely,

Hesham AL-SABBAHY
Ph.D. Researcher
**Customer Value Survey**

1) On average, how often do you eat in a fast food restaurant (e.g. McDonalds, Burger King, KFC, Taco Bell, etc.) in a typical month? Please give a number

2) Which one of the following alternatives best describes the *last* fast food restaurant you dined at (NOT take away) in the last three months?
   - Burger
   - Chicken
   - Pizza
   - Fish and Chips
   - Ethnic (e.g. Mexican, etc)
   - Other

3) What best describes the visit occasion of this meal experience?
   - Breakfast
   - Lunch
   - Dinner
   - Snack

4) How many people were with you during this meal? Please specify the number including yourself

5) Who took charge of this meal cost?
   - Myself
   - Shared between myself and my partner
   - My partner
   - Someone else

6) In this specific meal experience, did you take advantage of any promotion or discount on price?
   - Yes
   - No

7) If yes, what kind of promotion was that?
   - Discounted item
   - Buy one & get one free
   - Free side item
   - Discount coupon
   - A bigger portion for the same price
   - Other
Question 8:

Now, we would like to know how you feel about the value of your meal experience in this fast food restaurant. Next to each of the following statements, there is a scale ranging from (1) to (7). We would like you to think and circle the number that best shows your feeling. Circling (1) means you strongly disagree and circling (7) means you strongly agree with the statement. Please answer all questions.

<table>
<thead>
<tr>
<th>RESTAURANT VALUE STATEMENTS</th>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I received a good quality service for a reasonable price.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Considering the quality of the physical environment of the restaurant, the price was appropriate.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>If I had eaten in this restaurant at a price lower than the price I paid, I would have got my money's worth.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>I valued this restaurant as it met my needs at a reasonable price.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>I got good value for the money I spent.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Given the ingredients and appearance of the meal, it was worth the money I spent.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Reflecting on the price I paid, I felt that I got a good deal.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>This restaurant fulfilled both my high quality and low price requirements.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Compared to what I was willing to pay, the price I actually paid was good value.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>This restaurant met my specific needs (e.g. tasty food, convenient location) at a reasonable price.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>It added to my pleasure knowing that I got a good deal on the price.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Beyond saving money, there was a good feeling attached to making a good deal - as was the case here.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Considering the quality of food in this restaurant, the price I paid was fair.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Regarding the atmosphere of this restaurant, it was worth going there.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Considering the variety of the menu, it was worth spending time to visit this restaurant.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>This restaurant met my needs of convenient location at a reasonable distance.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>
9) Overall, how do you feel about this restaurant? Please circle the appropriate number

<table>
<thead>
<tr>
<th>Worse than my Expectation</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Better than my Expectation</th>
</tr>
</thead>
</table>

10) Considering your experience with this restaurant, please tick the statement that best describes your feeling towards the price you paid

- \( \square \) I paid what I think to be a fair price.
- \( \square \) I paid more than what I think to be a fair price.
- \( \square \) I paid less than what I think to be a fair price.

11) Compared to other alternatives in the market place, and as far as you know, what is your assessment of the price you paid for this restaurant?

- \( \square \) Around the average market price.
- \( \square \) Higher than the average market price.
- \( \square \) Lower than the average market price.

12) In general, how do you feel about the overall quality of the restaurant? Please circle the appropriate number

<table>
<thead>
<tr>
<th>Very Poor Quality</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Excellent Quality</th>
</tr>
</thead>
</table>

13) How likely is it that you will visit this restaurant again? Please circle the appropriate number

<table>
<thead>
<tr>
<th>Extremely Unlikely</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Extremely Likely</th>
</tr>
</thead>
</table>

14) How likely is it that you would recommend this restaurant? Please circle the appropriate number

<table>
<thead>
<tr>
<th>Extremely Unlikely</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Extremely Likely</th>
</tr>
</thead>
</table>

15) Overall, how would you evaluate the value of your meal experience in this restaurant for the price you paid? Please circle the appropriate number

<table>
<thead>
<tr>
<th>Extremely Bad Value</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Extremely Good Value</th>
</tr>
</thead>
</table>
16) **About Yourself**, Please tick as appropriate

- Gender:  
  - [ ] Female  
  - [ ] Male

- Age group:  
  - [ ] 16 to 24  
  - [ ] 25 to 34  
  - [ ] 35 to 44  
  - [ ] 45 to 54  
  - [ ] 55 to 64  
  - [ ] 65 and over

- Nationality: ____________________________

- What best describes your occupation? Please tick only one  
  - [ ] Executive / Managerial  
  - [ ] Government / Military  
  - [ ] Self Employed  
  - [ ] Administrative / Clerical  
  - [ ] Educational / Academic  
  - [ ] Retired  
  - [ ] Professional (e.g. doctor, engineer, lawyer, ...etc.)  
  - [ ] Student  
  - [ ] Home Maker

- Income Group:  
  - [ ] Up to £10,000  
  - [ ] £10,001 to £20,000  
  - [ ] £20,001 to £30,000  
  - [ ] £30,001 to £40,000  
  - [ ] £40,001 and over

**THANK YOU FOR COMPLETING THE QUESTIONNAIRE**
Appendix 3

Follow-up Study
Sample Personal Interviews
Transcript
INTERVIEW I

Gender: Female
Age Group: 65 and over
Nationality: British
Occupation: Retired

This interview is about how you value some of the products that you bought lately. So firstly thing I would like you to think about the last three products you bought recently excluding food items. Take your time er to remember the products and recall the circumstances associated with this price.

Erm, well this is exceptional weekend, this is an exceptional time for me because last weekend I went up to Newcastle for the weekend and on the Sunday morning my niece took me down to a Sunday market along the quayside on the river Tyne and at that market I had a moment [?] I had a moment of impulse buy I bought those four cushion covers which are silk cushion covers with Japanese characters which I rather liked but I didn't need them. It was an extravagance. And I also bought two wooden pictures. One of a dinosaur and one of an eagle for my great nephews who are four years old and two years old and each one interested in dinosaurs and animals. That is going to be a Christmas present. I buy Christmas presents in advance if I can and I don't approve of buying toys for them myself because they get so many toys from their parents and grandparents. Erm, other than that...

How about a piece of cloth?

Oh yes. I bought myself a sweater for the winter. Erm, it's quite nice. It's got like a collar and gold buttons on it but I'm not going to keep it, I think it's going to be too warm and I usually wear... in winter I usually wear a long sleeved blouse and a waistcoat and this I think is too warm so I shall probably send it back and change it for something else. I buy clothes by mail order quite a lot.

So did you get any kind of discount on the price you paid for any of these items?

The pictures yes. They were marked... I mean I don't know what the real price was because this was a market stall and they were selling off but they had been marked down to £5 and they had been £12 each. So it was quite a big mark down and then on the ticket on one of them it said the original price was £30 but to come down from £30 to £5 seems to me a big jump even for a market stall. But from £12 to £5 I think is reasonable.

So actually you paid £5...

For each picture.

For each and the original selling price on the price label was £30?

Er, yes but...
And er what about this £12 what was it?

One of them was £12 and the other one was thirty but erm I think they both looked the same.

And you got them for £5 each?

Yes.

Erm, tell me why you bought these pictures.

I liked...I liked them. I thought they were unusual, they certainly looked as if they were hand made, erm slightly oriental looking and in erm raised...raised wood. You know you could feel them. It wasn’t a flat picture. It was pieces of wood carved out and stuck on I suppose. Er...I thought they were different. I thought they were interesting and I hoped they’d appeal to the children and not be too babyish at the moment that they’re babies, four and two, but I thought you know that they’d like them when they were older.

So actually you bought them as presents for Christmas time for your...

Mm.

Before you went shopping for these pictures [?]

I didn’t go shopping for them.

Ok. So...

I didn’t go shopping.

So actually you didn’t have...you didn’t have in mind that you were going to buy them?

No. No no no. Not at all. Not at all. I went to the market with my niece because she said that it was an interesting market and I like markets, I go round markets, but I had no intention of buying anything at all really. I was surprised. And erm similarly those cushion covers they were four for £5. I don’t know whether that was a reduced price but that wasn’t too expensive either but I didn’t intend...I didn’t go out with the intention of buying anything. I didn’t know what sort of stalls were going to be at the market and most of the stools were clothes stalls. Ooh I did buy three pairs of socks for £2 so yes I did buy that so I thought that was good. Good value.

So how do you feel about the fact that you paid £5 for an item...by the way this picture how much would you normally expect to pay for it?

I would have thought £10-£15 would be quite reasonable.
Ok. So how do you feel about the fact that you paid £5...

Very pleased.

...For an item that you expected to pay around £15 for?

Very pleased.

Ok.

Very pleased. But when I go shopping normally even for food shopping which I know you don’t want to include, I am very often tempted by two for the price of one or you know or buy one get second one free that kind of thing.

You get tempted with that?

Mm? Oh yes I get tempted with that.

You feel excitement that you are going to take advantage of such a deal?

Yes. Provided that they are things that I need. Yes I don’t buy...I try not to buy things I don’t need and similarly I would say I very often if I buy clothes in shops I buy them in sales for the same reason because they do come down in price and it pleases me to buy something at 10% or 20% less than original price.

So these pictures being discounted is that what urged you to buy them?

No. No. What urged me to buy them was that I liked them and I thought they would make a suitable and unusual present for my great nephews.

So were you going to buy them anyway if they were not discounted? For example if they were offered for usual price of...

No if they were offered for £12 each I wouldn’t have bought them. I would have thought that’s too expensive.

Ok. So actually the discounted price encouraged you to take the decision to buy them?

Yes. Yes. But I wouldn’t have bought them if I hadn’t liked them and I didn’t go out to buy them I just happened to see them as I went past. They had quite a big stall with a lot of these carved wooden pictures on them.

So how much is the maximum price you would you be willing to pay for these pictures?

I certainly wouldn’t have paid...I might have bought...I might have paid £10 each but I don’t think so. I...and yet you see that’s silly because I would probably give the children or give their parents £10 for a present but I’m not sure that I would hope they
would like the pictures enough to like them for £10 each. But for £5 each I don’t
mind if they don’t like them too much.

So tell me how this discounted price affected your feeling towards these pictures.
I mean how different is that feeling from the feeling you get when you buy an
item on it’s original selling price?

Erm...

I mean is the feeling you get...There’s a feeling that anyone gets when he get a
new thing. Is it different the feeling you get when you get something that you
consider a deal or a good bargain from the feeling you get when you buy
something on it’s usual selling price?

I think it’s probably the same sort of feeling but more so. You know it’s...it’s
increased by getting it as a good deal. I...I do...I don’t often buy things that I don’t
like or don’t want. See what I mean? And I will occasionally be extravagant and buy
things that I don’t need but then I enjoy them so I excuse myself on those grounds
because it gives me pleasure to have the thing but...

So when you first saw these pictures what was your reaction?

I quite liked...as we came past we sort of saw the stall and they had pictures hanging
up all over. Different...all sorts of different pictures and I looked round...I did stop
and so did my niece and we looked at them and said ‘ooh well I like that’ you know
and ‘I don’t like that one so much’ and then I happened to look round the corner
where there were some more pictures and they had them...had a whole lot for sale. I
think they said all at £5 or something so I looked at those and I saw the dinosaurs,
they had several dinosaurs, different dinosaurs, and Cameron, my great nephew, likes
dinosaurs and I thought that will make a jolly good present for him.

And you can see it being good value for money?

Yes. Yes I did. I bought him one and then we came back and I bought another
picture for the other child and I thought...having looked through the market I thought
I might as well get one of those, but not a dinosaur, for the other child.

So after you went back home and had a close look on them do you still consider
them value for money?

Yes I do. Yes I do.

Why?

I think they’re a bit...they’re original, they’re...yes they’re unusual, I think they are
attractive, they are in different coloured woods not all the same and I think they’re
hand made.
Did you find about...did you find out about any of these things er when...after you went back home? Did you find out about something that you didn’t think about...?

No. Except that I wish I had asked at the time where they were made. I have a feeling that the girl who served me looked Indonesian or Thai. You know she was certainly far eastern and I think they came from the far east somewhere.

Ok. Erm, so you think they are a good deal?

Yes. Yes I do.

So if you are to select one of these words that best describes your feeling about the price you paid for these pictures what would you choose? Expected or unexpected?

Unexpected definitely.

Fair or unfair.

Well very fair to me possible unfair to the seller.

So if you were to choose only one word from these four words expected, unexpected, fair or unfair what would you choose?

Unexpected. It was quite unplanned. I didn’t even know the store was there. So...

So you just thought about taking advantage of the deal?

Yes.

So for you when I say deal what bell does this word ring in your mind?

Well usually a deal in that sense means a good deal. You know something that is advantageous to me.

So actually when I say deal you take it as a good deal?

Yes.

And when you talk about the product value what does value here mean to you?

Erm, well it’s got...I think there’s sort of different levels. There’s the intrinsic value of the picture which probably is not great it’s bits of wood stuck on. There’s the value that I hope the pleasure that it will...that I hope it will give the person who receives it you know I...so that’s a value and is a value to me because I hope that I’ve bought an original present that will please the youngsters that it was intended for.

So what is the rule that applies [?] in your value judgement?
Not a lot there. No. Not much no. There's not much importance for that. I mean if I paid 5p or 50p or £5, doesn't affect the value that I hope it will have for the children.

[?] What you call the intrinsic value of the...

No. I don't think it does. No. I mean I sometimes buy things in charity shops. If I like it... if it's 50p and I like it it's good value. You know but I don't nor... I don't go looking for these things they just happen.

Let's go back to this sweater that you bought.

Sweater?

Yes. The sweater... You told me that you bought it by mail order?

Yes.

You chose it from a catalogue?

Yes.

Er, so did you get any discount on this sweater?

Erm, no but I believe there was a free scarf as a sort of offer. No no discount but a... but they're reasonably priced.

So er why you bought this sweater?

I thought I liked it for the winter and er having got it and having tried it on I don't like it. I'm not going to keep it and it's not often that I send things back.

So before you chose this sweater from the catalogue have you had in mind that you need to buy such an item and that's why you bought the catalogue and started looking for it?

I didn't buy the catalogue. I have them... they come to me automatically and I suppose really I was feeling extravagant, I didn't really need it so that's partly why I'm sending it back.

So actually... I mean sometimes you know when just er one get catalogue and take a look on some of the pages you may find something that momentary appeals to you.

Yes. I think this was it. This was a moment's appeal, I liked it, I ordered it and now I wish I hadn't.

So actually erm you didn't think that you needed sweater so you brought the catalogue and started looking for a sweater from the catalogue?
No the catalogue came automatically. I have three catalogues, [?] [?] and [?] and I think this was a [?] one and I looked through it and thought 'ooh that looks quite nice'.

So when you first saw it what was your reaction?

I didn’t like it.

I mean on the catalogue.

Oh on the catalogue I did like it. Yes I thought it looked quite nice. Yes I did like it.

And after it came, when you first tried it out...?

I didn’t like it.

You didn’t like it?

No. There’s nothing wrong with it, it’s just like the catalogue showed it, I just don’t like it on me and I think it’s going to be too warm. It’s got long woolly sleeves and [?]

So what’s the price that you normally expect to pay for this sweater?

[?] It was about £20.

Is that actual price?

Yes. I shall think it will be about that but I don’t know. Probably more. In shops it will probably be more expensive. I really don’t know.

So you would normally expect to pay a bit more?

Yes I would think in shops.

How much?

I don’t know. I really don’t know.

And you told me that there was kind of offer, you got discount along with it?

Yes.

So when you first saw this offer on this catalogue how did you feel about the fact that you are getting free scarf with an item that you think or it’s price on £20 is less than what you would normally expect to pay for such an item?

It didn’t really affect me very much at all. In fact I’m not sure that I realised that I was getting a free scarf. All of these firms quite often make special offers or sometimes they’re good and sometimes they’re not very useful.
So actually the fact that you were getting a free item along with the main item...

It didn’t affect me.

It didn’t affect your decision to buy?

No. No. I mean I’d have bought it any way even if I hadn’t had a free scarf. I didn’t buy it for the free scarf.

Later on when you found out that there was a free scarf with the...

That’s a bonus. That’s a bonus but erm I didn’t buy it because of that.

And this didn’t make you think about keeping this item in order to take advantage of this deal?

No.

So do you consider it a good deal? Do you consider it a good value for money?

Yes I do.

You consider it a good value for money although you are not satisfied by it?

I just don’t like it now that I’ve got it. No but it’s a good value for money. Yes.

So it is a good value for money but you still don’t like it? Maybe you were looking for some [?] or some benefits that you were seeking from this sweater and this sweater actually didn’t fulfil this?

Erm, I think that I made a mistake in judgement in choosing this particular style of sweater because I think it’s going to be too warm. I don’t like...In winter I don’t often wear a long sleeve woolly sweater and it’s a bit woolly.

So it was actually something that you didn’t expect when you chose this item?

No. No. I think I made...I didn’t expect it to be as thick and woolly as it is.

So did this affect about the value of the product?

No. No there’s nothing wrong with the value of the product at all. It’s just for the fact that I didn’t like it.

Ok. About the price that you paid for this item. How would you describe it? Was it expected or unexpected?

Expected.
Was it fair or unfair?

Fair.

And to choose one word please.

Fair perhaps. Very fair price.

So again what is your definition of a good deal?

Well I think it's something that you buy that pleases you and for preference something that you want but I thought I wanted this but it doesn't please me. The pictures I didn't want but when I did buy them it pleases me. Do you see the difference? I didn't plan to...I didn't plan...it's a good example. I didn't plan to buy those wooden pictures because I didn't know about them. They were a spur of the moment decision but I'm pleased with them, I think it's a good value for money they were a good deal. The sweater I did plan to buy because I ordered it. I still think it's a good deal, it's value for money but I don't actually like it and as I have the opportunity of being able to send it back I shall do so. I shall get the money back. But the sweater is a good deal because it's good value for money.

So actually do you think a deal...[?] like as a deal, should it be associated with a discount [?]?

No not necessarily I think as long as it's value for money. I don't think it has to have a discount. No.

So you think that a deal is something that is value for money [?]?

Yes. Whatever it costs. Yes. It think a bad deal is something that you buy which is too highly priced. Yes definitely. Yes. So I think a deal does depend on price. Yes.

Thank you very much you have been a great help. Just a few demographic data if you don't mind.

Yes.

Er, nationality?

British.

Occupation?

Retired.

Age?

Seventy-two.

Thank you very much you have been a great help.

Well I hope so.
INTERVIEW II

Gender: Female
Age Group: 55 to 64
Nationality: British
Occupation: Clerical

So... actually this interview is about how you value some of the products that you bought lately. So first of all I would like you to think about the last three products you bought recently excluding food items and take your time to remember the products and record all circumstances associated with this price.

Ok. Erm, last weekend I bought a birthday card. Would that count?

Ok.

And...I don’t buy very many products. Erm I bought a little chair. Do gifts count because I haven’t kept them?

Yeah.

A little chair, a summer chair and I have recently bought a trouser suit.

Trouser suit?

Yes.

For yourself?

Yes.

Did you get any discount on the price you paid for these items?

No but the trouser suit was in a sale.

Ok. Lets start with the trouser suit. Tell me why you bought the trouser suit.

Because I was going on holiday and I wanted something new to wear.

So before you went shopping for this suit did you have in mind that you were going to buy this specific one?

I knew that I wanted a dark trouser suit which would not crease, which would wash and I knew that Marks and Spencer had that sought of thing or would have this sort of thing and I just went down in the lunch hour and quickly chose one.
Ok. So actually you chose the er...you had in mind that you were going to buy from this particular store?

Yes.

But not this specific suit?

No I just knew that they would have trouser suits and I knew I that I would be satisfied there.

Er, when you first tried it out in the store what was your reaction?

Well I thought it was very smart.

So what was the price that you would normally expect to pay for this suit?

Oh I don't buy clothes very often. I think erm...oh another reason I went there...I beg your pardon to go back, the reason I went there was because I had vouchers from my credit card people who had given me £40 in vouchers last Christmas and I hadn't spent them. So I went to Marks, I knew I would get something from there and also I had £40 in vouchers. So therefore it...it was cheap to me because I only had to pay the balance. I suppose for a suit like that I would normally pay maximum of £80 because I don't spend money on clothes. Absolute maximum and because it was one off, it was special for a holiday and I was going to do something special on my holiday and wanted something smart and I had discount...not the discount the vouchers then £40...I didn't spend £40 I spent £25...I was thrilled to bits. I thought it was very good value.

Ok. So you used the voucher in addition to an existing sale in the store?

I think there was a little de...yes I think there was a little sale. I can't really remember. I think so.

Can't you remember the original selling price of this suit?

No sorry.

That's alright. So what you actually paid for this item is £25 in addition to the voucher?

Yes.

Ok. So how do you feel about the fact that you paid £25 for an item that you expected to pay £80 for?

Fantastic. Couldn't take the smile off my face all day.

Ok. So this item being discounted or...yeah, this item being discounted was that what urged you to buy it?
No because I would have bought it anyway because I needed one and it was only about a week before my holiday and I wanted something smart and I wanted something that would last and I know that Marks and Spencer stuff usually is good and lasts.

**So were you going to buy this suit anyway?**

I would have bought a black trouser suit in Marks anyway yes. Yes.

**Even if it is...if it wasn’t on sale?**

Yes.

**And even if you didn’t have these vouchers?**

I might have shopped further afield and gone to other stores if I hadn’t had the vouchers.

**So...**

As it ha...I might have gone somewhere else first on my way between the bus or the university wherever I went from and Marks and Spencer. Erm but as I had the vouchers that was obviously the first place I went. If I hadn’t got it there and been satisfied I would have been prepared to go somewhere else and be prepared to pay up to £80 yes.

So tell me how this discounted price you paid affected your feeling towards this suit. I mean how different is that feeling from the feeling you get when er you normally buy an item on it’s original selling price?

Ooh I was delighted. I was delighted with the fact that I had bought something really good with the voucher and it was even reduced on top of that. That’s terrific and I love the suit. Very pleased.

**How would you describe this er...I mean exciting er...how would you describe this?**

Exceptionally pleasing. Really pleasing. Yes. No it wasn’t exciting it was...I don’t know it’s a bit excited waiting to wear it because it’s a very nice suit. I was thrilled.

Now I’m not actually talking about wearing this suit I’m talking about the buying.

Buying? Oh I was thrilled. I came back with a smile on my face and my bags. Yes I really was pleased.

**Erm, so how long after you bought this suit did you put it on?**
Put it...put it back on? That evening I put it on again at home. I tried it on in the store, looked good, took it home to check that it still looked good with different shoes and it still looked good and then I wore it out for the first time about two weeks later.

So after you wore it do you still consider it a good value for money?

Definitely.

For the price you paid or for its original price?

For its original price it would have been ok for the price I paid and the dis...and the voucher it was absolutely marvellous.

So did you get what you expected out of this suit?

Definitely.

Did you receive any extra benefits er from this suit that you didn’t think about when you first bought it?

No I knew that a black trouser suit would give me a lot of wear if it didn’t crease and it was washable and I got what I wanted.

So you still think about it as being a good deal?

Definitely.

How would you describe the price you paid for this item? Erm, if you are to choose one of these two words what would you choose? Expected/unexpected

Unexpected.

Fair/unfair?

Very fair.

It can be unfair in terms of that you paid much less that what the item is worth.

No no no. It wouldn’t be unfair.

So when I say deal, what bell does this word ring in your mind?

A deal is usually erm...er...it’s good for the purchaser. Well I don’t know. A deal usually has benefits for both sides I imagine. Usually has benefits of some sorts for both sides but usually for the purchaser it’s a good deal. Yes mostly for the person who is receiving the product or is getting more benefit than the person who’s selling the product if it’s a good deal.

Yeah. I’m talking for you as the buyer what would you consider to be a deal.
A deal once I have paid over some money to receive an article. That’s a deal isn’t it.

There is no wrong or right answer.

I think so. If I would be paying for something and receiving an article or services is exchange that would be a deal. Pay the money, get the article and a receipt.

What is a good deal?

A good deal is when pleased...when you’re satisfied or pleased with what you’ve got that’s a good deal. To you. To the purchaser.

Should a good deal be associated with discount in price?

Not necessarily but it usually is.

So can you buy a product or item on it’s original selling price and still consider it a good deal?

Yes. There’s no reason why I should know if the seller has put the price down. As it happens in a sale er they usually advertise that it’s reduced and therefore you feel better about it. But erm I would still consider I had a good deal if something were cheap and good quality in my eyes even if it hadn’t had an original higher price. For instance if you go abroad to a country like Malaysia you can buy lots of things on holiday which you think are terrific deals because they are cheaper than you would pay at home, but they’re not cheaper to the vendor if he’s selling them at a price he wants for them and in those countries if he gets the full price, he’s got and good deal and you’ve also got a good deal. It isn’t always one sided but that’s because of currency and I suppose that’s more complicated. Isn’t it? Or Egypt for that matter.

Ok. So erm when we talk about the value of a product or the product value, what does value here mean to you?

Well I have got something that is going to last me, last for a long time, several years and be very useful on lots of occasions and in lots of circumstances. I’m going to get a lot of wear out of it and I only paid £65 for it. That’s good value. If it had been something like an evening dress that I was going to wear once I think ‘oh that’s not such good value although evening dresses are much more expensive but if I was only going to wear it once for instance and not get any more wear out of it that wouldn’t have been good value really.

So you make your judgement based on the price you paid and...

Against the...

...long term usage of the product?

Yes. Yes. Yes I would think. Yes.
That's almost it. Just a few demographic data. Nationality?

British.

Occupation?

Clerical.

Thank you very much you have been a great help.

Is that all?

That's it.

I thought you were going to ask me about all three.
APPENDIX 4

Main Study Questionnaire
Hotel Customer Value Survey

1) On average, on how many occasions do you stay in a hotel in a typical year? Please give a number ....................

2) When was the last time you stayed in a hotel?
   - Less than 3 months ago
   - 3 to 6 months ago
   - 6 to 12 months ago
   - More than 1 year ago

3) Which one of the following alternatives best describes the purpose of your last stay in this hotel?
   - Business
   - Leisure
   - Business and Leisure
   - Other

Please answer all the following questions based on your last hotel stay

4) Please tick the classification of this hotel:
   - 1 Star
   - 2 Star
   - 3 Star
   - 4 Star
   - 5 Star

5) How many nights did you spend in this hotel? Please specify ....................

6) Which one of the following alternatives best describes the location of the hotel? Please tick one
   - City Centre
   - Small Town
   - Countryside
   - City Suburb
   - Large Town
   - Coastal and Mountain Resort

7) How many people were with you during this hotel stay? Please specify the number including yourself ....................

8) Who took charge of your hotel bill?
   - Myself
   - My company
   - Shared between myself and my partner
   - Shared between myself and my company

9) Did you take advantage of any special offer on the room price?
   - Yes
   - No

10) If yes,
    A) What kind of special offer did you get?
        - Discounted price
        - Package price
        - Free night(s)
        - Other
    
    B) In your opinion, how substantial was the special offer? Please circle the appropriate number on the following scale

<table>
<thead>
<tr>
<th>Extremely Unsubstantial</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Extremely Substantial</th>
</tr>
</thead>
</table>

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About your Last Hotel Stay

1) We would like to know how you feel about the value of your last hotel stay. Next to each of the following statements, there is a scale ranging from (1) to (7). We would like you to think and circle the number that best shows your feeling. Circling (1) means you strongly disagree and circling (7) means you strongly agree with the statement. Please answer all questions.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I received a good quality service for a reasonable price.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Considering the quality of the physical environment of the hotel, the price I paid was appropriate.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>The feeling of well being I got from my stay in this hotel was worthwhile making the effort to get there.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Compared to what I was willing to pay, the price I actually paid was very good.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Given the features of the room, the price I paid was appropriate.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>The price I paid was fair compared to the pleasure I experienced during my stay in this hotel.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>The price I paid for this hotel was unexpectedly low.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>The availability of other facilities in this hotel (e.g. restaurants, bars, recreation facilities, etc.) made the room worth the price I paid.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>The feeling of relaxation I experienced in this hotel was worthwhile making the effort to get there.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Considering the atmosphere of the hotel, it was worthwhile making the effort to get there.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Compared to the maximum price I was ready to pay for this hotel, the actual room price I paid was a good deal.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>This hotel met my specific needs (e.g. comfortable accommodation, convenient location) at a reasonable price.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>The hospitality I received in this hotel was worthwhile making the effort to get there.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Compared to the price of other similar alternatives, the price I paid for this hotel was very good.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Considering the enjoyment I had from my stay in this hotel, it was worthwhile making the effort to get there.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>
2) How much did you pay per night for your room in this hotel in this particular stay? Please specify the approximate amount in UK Pounds £.............

3) What is your estimate of the average market price of this room per night? Please specify the amount in UK Pounds £.............

4) What do you think would be a fair price for this room per night? Please specify the amount in UK Pounds £.............

5) How would you describe the room price you paid? Please circle the appropriate number on both of the following scales

<table>
<thead>
<tr>
<th>Much more than</th>
<th>Much less than</th>
</tr>
</thead>
<tbody>
<tr>
<td>what I expected</td>
<td>what I expected</td>
</tr>
<tr>
<td>1 2 3 4 5 6 7</td>
<td>1 2 3 4 5 6 7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Extremely Bad Deal</th>
<th>Extremely Good Deal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7</td>
<td>1 2 3 4 5 6 7</td>
</tr>
</tbody>
</table>

6) Overall, how do you feel about this hotel? Please circle the appropriate number

<table>
<thead>
<tr>
<th>Extremely Dissatisfied</th>
<th>Extremely Satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7</td>
<td>1 2 3 4 5 6 7</td>
</tr>
</tbody>
</table>

7) In General, how do you feel about the overall quality of the hotel? Please circle the appropriate number

<table>
<thead>
<tr>
<th>Very Poor Quality</th>
<th>Excellent Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7</td>
<td>1 2 3 4 5 6 7</td>
</tr>
</tbody>
</table>

8) If you visit this locality again, how likely is it that you would stay in this hotel? Please circle the appropriate number

<table>
<thead>
<tr>
<th>Extremely Unlikely</th>
<th>Extremely Likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7</td>
<td>1 2 3 4 5 6 7</td>
</tr>
</tbody>
</table>

9) How likely is it that you would recommend this hotel? Please circle the appropriate number

<table>
<thead>
<tr>
<th>Extremely Unlikely</th>
<th>Extremely Likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7</td>
<td>1 2 3 4 5 6 7</td>
</tr>
</tbody>
</table>

10) Overall, how would you evaluate the value of your stay in this hotel for the price you paid? Please circle the appropriate number

<table>
<thead>
<tr>
<th>Extremely Poor Value</th>
<th>Extremely Good Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7</td>
<td>1 2 3 4 5 6 7</td>
</tr>
</tbody>
</table>
About Yourself

Please tick as appropriate

- **Gender:**
  - [ ] Female
  - [ ] Male

- **Age group:**
  - [ ] 16 to 22
  - [ ] 23 to 24
  - [ ] 25 to 34
  - [ ] 35 to 44
  - [ ] 45 to 54
  - [ ] 55 to 64
  - [ ] 65 and over

- **Nationality:** ……………………………

- **Highest Level of Education:**
  - [ ] O levels / GCSE
  - [ ] A levels / GNVQ
  - [ ] HNC / HND
  - [ ] First Degree (e.g. BA, BSc)
  - [ ] Master Degree
  - [ ] PhD/Post Doctoral
  - [ ] Other ………………
  - [ ] No Qualifications

- **Occupation:**
  - [ ] Administrative / Secretarial
  - [ ] Associate Professional / Technical
  - [ ] Educational / Academic
  - [ ] Government / Military
  - [ ] Home Maker
  - [ ] Manager / Senior Official
  - [ ] Personal Services
  - [ ] Process, Plant, and Machine operatives
  - [ ] Professional (doctor, Engineer, lawyer, etc.)
  - [ ] Retired
  - [ ] Sales / Customer services
  - [ ] Skilled Trades
  - [ ] Student
  - [ ] Other ………………

- **What was your approximate annual income from employment and all other sources before taxes last year in 2001? Was it …**
  - [ ] Up to £10,000
  - [ ] £10,001 to £15,000
  - [ ] £15,001 to £20,000
  - [ ] £20,001 to £25,000
  - [ ] £25,001 to £30,000
  - [ ] £30,001 to £35,000
  - [ ] £35,001 to £40,000
  - [ ] £40,001 to £45,000
  - [ ] £45,001 to £50,000
  - [ ] £50,001 and over

THANK YOU FOR COMPLETING THE QUESTIONNAIRE

*Please put it in the enclosed FREEPOST envelope and send it to us*
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