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Online hotel booking: The effects of brand image, price, trust and value on purchase intentions

Che-Hui Lien ^a, Miin-Jye Wen ^{b,*}, Li-Ching Huang ^b, Kuo-Lung Wu ^c

^a Department of Marketing, International Business, and Entrepreneurship, Thompson Rivers University, Kamloops, BC, Canada

^b Department of Statistics, National Cheng Kung University, Tainan, Taiwan, ROC

^c Department of Information Management, Kun Shan University, Tainan, Taiwan, ROC

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ABSTRACT

Leisure travelers increasingly prefer to book hotel online when considering the convenience and cost/time saving. This research examines the direct and mediating effects of brand image, perceived price, trust, perceived value on consumers' booking intentions and compares the gender differences in online hotel booking. The outcomes confirm most of the direct and indirect path effects and are consistent with findings from previous studies. Consumers in Taiwan tend to believe the hotel price is affordable, the hotel brand is attractive, the hotel is trustworthy, the hotel will offer good value for the price and the likelihood of their booking intentions is high. Brand image, perceived price, and perceived value are the three critical determinants directly influencing purchase intentions. However, the impact of trust on purchase intentions is not significant. The differences between males and females on purchase intentions are not significant as well. Managerial implications of these results are discussed.

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1. Introduction

Based on 2010 Philips Index for Health and Well-being (<http://www.philips-thecenter.org>), among 23 countries surveyed, Taiwan was ranked as the second highest for people facing life/working pressure, while India was ranked as the highest. To help release stress, the Taiwan government encourages people to travel either domestically or internationally. A two-day weekend policy has inspired people living in Taiwan to travel to suburban areas close to the mountain or the ocean (e.g., Kenting).

According to the 2011 Survey of Travel by R.O.C. (Taiwan) Citizens (<http://admin.taiwan.net.tw>), the proportion of people undertaking domestic tourist travel in 2011 was 95.4%, an increase of 1.5% from 2010 (93.9%). The proportion of people taking domestic tourist travel is defined as the proportion of people who took at least one domestic trip during the year. The total expenditure on domestic travel in 2011 in Taiwan was NT\$ 310.3 billion (US\$ 10.527

billion), an increase of 30.3% from 2010 (US\$ 8.079 billion). Based on this survey, 36.6% of tourists use the Internet to obtain travel information, an increase of 3.7% from 2010 (32.9%). Forty-four percent of overnight tourists stayed in hotels.

The Internet has become an important distribution channel in the hotel industry (Lehto, Kim, & Morrison, 2006). Unlike traditional hotel booking through travel agents, online hotel booking offers benefits to consumers such as accessing more photos and videos, a full description of the hotel property and location, better pricing, and no additional booking fees (O'Connor & Frew, 2004; Sparks & Browning, 2011). Considering the convenience and cost/time saving, leisure travelers in Taiwan increasingly prefer to use the Internet to book hotels and search for information regarding brand, price, and service (2011 Survey of Travel by R.O.C. (Taiwan) Citizens). Many hotels have noted this trend and have provided access to secure online reservation systems.

Several studies have investigated the impact of brand image on consumer behavior in the service sector (Aghhekyan-Simonian, Forsythe, Kwon, & Chattaraman, 2012; Ryu, Han, & Kim, 2008). Due to the intangible elements of the hotel industry, some tangible cues, e.g., hotel brand name and onsite amenities, are important in shaping and influencing customers' behavior. To build a strong brand, a hotel should develop its own distinctive image that

* Corresponding author. Department of Statistics, National Cheng Kung University, No.1, University Road, Tainan 70101, Taiwan, ROC. Tel.: +886 6 2757575x53629.
E-mail address: mjwen@mail.ncku.edu.tw (M.-J. Wen).

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differentiates itself from competitors and communicate the major benefits to its target customers. Consumers are more likely to purchase products/services with well-established brand names (Aghekyan-Simonian et al., 2012). Product price has long been considered a key predictor of consumers' purchase decision-making. Price may convey information to the consumer regarding product/service quality and value (Erickson & Johansson, 1985). Electronic markets allow customers to easily compare prices among vendors and find the affordable one. If a product/service price is perceived as reasonable, consumers may have greater intentions to purchase (Grewal, Krishnan, Baker, & Borin, 1998). Trust facilitates a person's confidence and his/her willingness to have faith in the other party (Moorman, Zaltman, & Deshpande, 1992). Building consumers' trust is one of the factors determining the success of a service provider (Kim, Xu, & Gupta, 2012). Value is an important concept in understanding customers. Past research found that value is positively associated with behavioral intentions in the hospitality industry (Ha & Jang, 2010).

Much of the purchase effort occurs prior to the actual buying decision. Therefore, it is important for hoteliers to analyze the key antecedents and mediators of purchase intentions to know how to favorably influence customers in the pre-purchase stage. Although many studies have examined various factors affecting online purchasing decision (Aghekyan-Simonian et al., 2012; Chen, 2009; Everard & Galletta, 2006; Javadi, Dolatabadi, Nourbakhsh, Poursaedi, & Asadollahi, 2012; Yu & Wu, 2007; Zhou, Dai, & Zhang, 2007), there has been very little research regarding online hotel booking in Taiwan. Chiang and Jang (2007) collected data from students at a major mid-western university in the US and proposed an integrative model to investigate the direct impacts of price and brand image on service quality, trust, value and leisure travelers' purchase intentions for online hotel booking. Their study was conducted solely in the US and their model needs to be further verified in other countries.

Service quality is defined as the consumer's comparison of expected service level with actual service performance (Parasuraman, Zeithaml, & Berry, 1985). Hotel service quality is better measured after consumers actually experience the hotel accommodation, and hence, is not appropriate to use in the case of online booking. Online hotel booking involves interaction with the website. Website quality is an antecedent of trust (Kim, Jin, & Swinney, 2009) and purchase intention (Chen, Hsu, & Lin, 2010), and is analyzed as a multi-dimensional concept (Chen et al., 2010). Adding website quality into this integrative model will make this model complicated as more facets would have to be tested and evaluated. Due to this complexity in measuring the effects of other constructs on purchase intentions, website quality will not be included in the scope of the study. Moreover, in Chiang and Jang's model, the direct effects of brand image on perceived price and purchase intentions and the influence of trust on purchase intentions were not tested. The mediating effects of brand image on purchase intentions through value and trust were also not examined, and gender differences in online hotel booking were not investigated in their integrative model. Brand image was identified as an important antecedent directly influencing price and online purchase intentions (Aghekyan-Simonian et al., 2012; Oh, 2000). Trust is an important determinant directly influencing the user's behavioral intentions to purchase online (Everard & Galletta, 2006; Ling, bin Daud, Piew, Keoy, & Hassan, 2011). Research has shown that although men and women are equally likely to use the Internet for personal or business purposes, more men than women are using the Internet for online business transactions and purchases (Hasan, 2010; Rodgers & Harris, 2003; Van Slyke, Comunale, & Belanger, 2002). To improve Chiang and Jang's integrative model and generate insightful information, our article aims to test the direct

and mediating effects of brand image, price, trust, and value on online hotel booking intentions in Taiwan as well as examine gender differences in online hotel booking.

The article is organized as follows. In the subsequent sessions, we review the literature and develop the hypotheses. We then summarize the research methodology, and report the results. Finally, we conclude with discussions.

2. Literature review and research hypotheses

2.1. Explanation of constructs

2.1.1. Brand image

Brand image is a determinant affecting customers' subjective perceptions and consequent behaviors (Ryu et al., 2008) and is an extrinsic cue when consumers are evaluating a product/service before purchasing (Zeithaml, 1988). According to the theory of reasoned action (TRA, Fishbein & Ajzen, 1975), consumers consider the consequences of alternative behaviors before engaging in them (Bang, Ellinger, Hadjimarcou, & Traichal, 2000). Consumers' behavioral intent is derived from attitude toward the behavior and subjective norms (Bang et al., 2000). Keller (1993, p.3) defined brand image as perceptions about a brand as reflected by the brand associations held in consumer memory. A brand association has a level of strength, and the link to a brand will be stronger when the link is based on consumers' experience or the exposures to communications (Aaker, 1991). Brand associations are classified into three categories including attributes, benefits, and attitudes and these associations can vary based on their favorability, strength, and uniqueness (Keller, 1993). The more favorable the brand image, the more positive the attitude toward the branded product and its attributes (Aghekyan-Simonian et al., 2012). Brand image aids a consumer in recognizing his/her needs and wants regarding the brand and distinguishes the brand from other rivals (Anwar, Gulzar, Sohail, & Akram, 2011).

2.1.2. Price

From the consumer's perspective, price represents the amount of money consumers must give up to get the product/service (Zeithaml, 1988). Many consumers use price as a quality-signaling cue reflecting the conventional wisdom that "you get what you pay for" (Erickson & Johansson, 1985). Consumers do not always remember actual prices of products. Instead, they encode prices in way that are meaningful to them (Zeithaml, 1988). In the online shopping, customers tend to compare the objective prices (price offered by the current vendor) with reference prices (price offered by other vendors) and then form their perceptions of price (Kim et al., 2012). Price, as a heuristic cue, is more readily observable than quality (Yoon, Oh, Song, Kim, & Kim, 2014). Under the competitive environment, low prices (or reasonable price) help hotels achieve a sustainable advantage within their product markets (Bojanic, 1996). Instead of a single price, consumers usually have a range of prices that are acceptable for an intended purchase.

2.1.3. Trust

Trust is one of the central features of buyer-seller relationships. The role of trust in social exchange relations has been the subject of researchers' interests (Wu, Chen, & Chung, 2010). Trust refers to a positive belief about the reliability and dependability of a person or an object (Everard & Galletta, 2006). Trust builds when the customer has confidence in a service provider's reliability and integrity (Kim, Kim, & Kim, 2009). Consumers' trust in the service providers can help reduce their cognitive risk and insecurity and thus enable the maintenance of the long-term relationship (Gefen, 2000). The more a customer trusts a website, the lower the

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