



## Two factor model of consumer satisfaction: International tourism research



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### HIGHLIGHTS

- Theories of behavioral economics were applied in the international tourism study.
- Expectation, reciprocity, and peak-end rule can increase tourism satisfaction.
- The MIMIC model found factors related to current satisfaction and future behavior.
- Two correlated factors were affected by expectation, tour season, and first visit.
- Results can benefit international tourists visiting through guided tour programs.

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### ABSTRACT

We applied theories of behavioral economics and conducted a field research on 881 tourists from China visiting Seoul through guided tour programs. We randomly assigned participants to study conditions based on theories of expectation, reciprocity, and peak-end rule. At the end of the tour, participants evaluated various aspects related to tour satisfaction and general impression of the city. A confirmatory factor analysis supported that these variables can be explained by two correlated factors, identified as the Current Satisfaction Factor (CSF) and the Future Behavior Factor (FBF). The multiple indicator multiple causes (MIMIC) model showed that CSF was impacted by expectation and tour season, and FBF by expectation, tour season, and first visit. Our results suggest that providing additional information before each activity can improve tourism satisfaction and non-manipulated variables such as tour season and first visit can be incorporated to further enhance tourism satisfaction.

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### 1. Introduction

Research has shown that consumers try to retaliate for failed services, regardless of who is directly responsible for the service in question (Ariely, 2007; de Quervain, Fischbacher, Treyer, & Schellhammer, 2004). For example, an unsatisfied restaurant customer may attempt to penalize the wait staff by leaving a smaller tip, even if the wait staff is not responsible for the unsatisfactory food. At other times, a customer may try to punish a higher level of authority, such as a restaurant owner or an entire

city. The same idea can be applied to tourism. When people travel using tour packages, they are under the impression that they are visiting Paris or London, not a package route of a travel company. Tourists can blame the whole city for an unsatisfactory experience. Consequently, it may be useful to implement policy-level controls on tourism management instead of relying on individual companies' service control.

In recent years, policymakers have begun to embrace behavioral economics to make interventions for human behavior and decision-making (Bhargava & Loewenstein, 2015). This approach was popularized as a “nudge” by a best-selling book with the same title (Thaler & Sunstein, 2008). Nudges can alter people's behavior in predictable ways without removing options or significantly changing economic incentives (Thaler & Sunstein, 2008). For example, human behavior can be modified by strategically placing

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fruit in the school lunch line.

In the present study, we hypothesized that tourism satisfaction can be improved without fundamentally changing tour programs or providing economic incentives. We chose theories of behavioral economics that can be seamlessly incorporated into the guided tour programs without interfering with ongoing activities. First, we investigated whether tourism satisfaction can be improved by providing additional information before each activity to build up participants' expectation for the upcoming activities. Second, we investigated whether the sense of reciprocity can increase tourism satisfaction. Third, we examined whether we could increase tourism satisfaction by highlighting the end of the tour program. We also measured effects of non-manipulated variables such as weather and previous visits to the city on tourists' satisfaction and their attitudes toward future visits.

While consumers generally consider the acquisition utility (the value of a good for its price) for most goods, they tend to consider the transaction utility (the difference between the amount paid and the 'reference price' for the goods) when traveling in another country (Thaler, 1985). Since tourists' utility varies depending on the point of consumption, this study focused on accommodation, transportation, food, shopping, and guidance, which are the key points of tourism services for those traveling to Korea. In addition, we measured tourists' attitudes using behavioral variables such as intention to recommend or revisit as well as the amount they are willing to pay (WTP) for the same tour package.

## 2. Literature review

### 2.1. Expectation

Previous research has shown that expectations for upcoming events can change how an individual evaluates the event (Ariely & Norton, 2007). Receiving positive or negative information before experiencing a product can modify the evaluation of the product. For instance, Wilson, Lisle, Kraft, and Wetzel (1989) demonstrated that participants evaluated cartoons to be more interesting when they received positive information about the cartoon in advance. In Lee, Frederick, and Ariely (2006), participants evaluated the beer negatively when they were informed in advance that the beer included balsamic vinegar. While balsamic vinegar can actually enhance the taste of beer, information about the ingredient may reduce the quality of the beer drinking experience.

The effect of expectation can be observed at the perceptual level (Biederman, 1972; Palmer, 1975), assessment of individual abilities (Darley & Gross, 1983), movie evaluation (Klaaren, Hodges, & Wilson, 1994; Geers & Lassiter, 2005), and evaluation of subjective well-being (Brief, Butcher, George, & Link, 1993). Brand names or packaging also have a significant impact on consumer preferences for carbonated beverages (McClure et al., 2004), turkey (Makens, 1965), beer (Allison & Uhl, 1964), power bars (Wansink, Park, Sonka, & Morganosky, 2000), coffee (Olson & Dover, 1978), and dairy products (Wardle & Solomons, 1994).

Researchers have proposed several theoretical frameworks to explain the effects of expectations. Lee et al. (2006) proposed *Direct Effect Hypothesis*, which claims that expectations have a direct impact on perceptual experiences. Another theoretical account for the role of expectation is *Affective Expectation Model* (Wilson & Klaaren, 1992). According to this model, when there is a discrepancy between actual and expected experience, people do not make any additional effort to reduce the gap. Instead,

consumers will rely heavily on their previous expectations when there is not enough information or conflicting information about the product.

### 2.2. Reciprocity

Classical economic theories assume that humans are selfish and willing to maximize capital gains at the expense of others (Williamson, 2007). However, actual human behavior is not always consistent with rational models. One example against rational models of human behavior is the tendency for reciprocity, in which people return favor with favor and hostility with hostility. Reciprocity is not necessarily based on how it affects an individual's future. In fact, people are willing to reward and punish strangers they will never meet again. Classical economic theories predict that if there is an opportunity for a free ride, people will take the opportunity. However, those who are reciprocal are willing to punish free riders at extra cost. As a result of this reciprocity, a more cooperative society can be built.

One study shows that customers tend to feel indebted when they receive a free product at a supermarket, and as a result, try to buy more (Cialdini, 1993). Another shows that employees tend to steal more from their company after pay-cuts (Giacalone & Greenberg, 1997). The tendency for reciprocity is well demonstrated in the ultimatum game. In this game, a proposer suggests how to split the money between two players and a responder can decide whether or not to take the offer. If the respondent declines the offer, neither party will receive the money. Pure rational models would suggest that responders should accept any amount because any money is better than none. However, studies show that responders tend to reject the offer if proposers offer less than 30 percent of the total (Camerer & Thaler, 1995; Güth, Schmittberger, & Schwarze, 1982). This result is consistent with the idea that people value fairness over pure gain.

### 2.3. Peak-end rule

The peak-end rule is that people tend to evaluate their experience based on the best experience and the final experience not based on the whole or average experience. Kahneman, Fredrickson, Schreiber, and Redelmeier (1993) investigated this phenomenon with laboratory experiments. For one condition, participants placed their hands in painfully cold water of 14 degree Celsius for 60 s. For the second condition, participants placed their hands in water of 14 degree Celsius for 60 s, and then placed their hands in water of 15 degree Celsius for additional 30 s. When the participants were asked to choose one of the two conditions, they preferred the second condition even though the second condition led a longer unpleasant experience. This result indicates that participants evaluated the experience based on the end of the experience, which was less unpleasant in the second condition. Similarly, Redelmeier and Kahneman (1996) found that patients evaluated the painful medical procedures based on the end of the experience rather than the overall experience. In other words, patients preferred the procedure with a less painful ending, even if the overall pain was worse.

Researchers argue that people remember the peak and ending experiences as the representative one and predict future events based on this highly available but unrepresentative memory (Morewedge, Gilbert, & Wilson, 2005; Ochsner, 2000). According to the peak-end rule, manipulating the end interaction between the employee and customer can significant change how a consumer remembers the event. For example, if the last experience is positive, such as providing a free sample or opening a door, the whole

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