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Nath, P., Devlin, J., and Reid, V. (2014), "Expectations formation in case of newer hotels: The role of advertising, price and culture," *Journal of Travel Research* (available online).

## **Expectation formation in case of newer hotels: The role of advertising, price, and culture**

### **Abstract**

Advertisement and price cues are important sources of information, which influence tourists when forming service expectations, particularly in the case of newer hotels. However, it is not clear if such hotels need to promise more or less through their advertisement; or price high or low through their price cues. Extant research is also uncertain about the role of culture (uncertainty avoidance and power distance) in moderating the impact of advertisement and price cues on expectations. Using an experimental setup with 218 tourists from three different countries, this study finds that a newer hotel is likely to be better off by offering more service promises through its advertising and high price cues to its prospective visitors. The results suggest that culture influences how tourists process advertising cues but has no influence on price cues. The study provides insights for managers on how to develop a segmentation strategy using the cultural profiles of tourists.

Keywords: Advertisement, culture, hotel service, power distance, price, uncertainty avoidance.

## **Introduction**

Imagine for a moment that you are planning to book a hotel for your next holiday. It will be your first visit to the destination in question and you decide to search the internet to find a hotel for your vacation. You come across websites of various hotels with which you are not familiar. Some hotels are offering many service promises such as facilities for scuba diving activities, hot water spas, state-of-the-art rock climbing, with high prices to match. On the other hand, you find some hotels are offering few and basic service promises such as cleanliness, safety, security, and significantly lower prices. As you know nothing about these hotels apart from the service promises they make through their websites, you are wondering how to make a decision about where to stay.

Researchers recognise such dilemmas of prospective visitors. Therefore, information search and its impact on decision-making is a frequently examined topic in tourism research (Fodness and Murray, 1999; Chen and Gursoy, 2000; Jacobsen and Munar, 2012). It is widely recognised that advertising and price signals influence tourists' service expectations and their decisions regarding travel choices (Chen and Tsai, 2007; Forgas-Coll, Saumell, Garcia and Fiol, 2012; Lepp, Gibson and Lane, 2011; Money and Crotts, 2003; Xu, 2010). However, the role of such marketing signals on expectation formation depend on characteristics such as need, and motives of individual tourist (Gnoth, 1997). For example, some tourists might prefer to experience luxury facilities such as facilities to go for scuba diving or having jacuzzis in their hotel room and are willing to pay significantly higher prices for such services. On the other hand, some tourists might prefer to have few and basic

services at an affordable price. As a result, finding out the optimal mix of service promises which a hotel needs to offer through its advertising and price signals is a difficult process. It becomes more critical for newer hotels with no established familiarity to decide on this mix. Therefore, the first objective of this study is to understand how newer hotels should design their advertising (many or few promises) and price (high or low) signals to influence the service expectations of their prospective visitors in the pre-purchase decision-making stage.

Cultural values of individual tourists play a significant role in the way they process information from marketing signals and make travel decisions (Crotts and Erdmann, 2000; Forgas-Coll et al., 2012; Hsu et al., 2013; Money and Crotts, 2003; Watkins and Gnoth, 2011; Weiermair, 2000). For example, studies find that German travellers utilize neutral public information sources such as tourist offices to get information about an unknown destination or a tourism firm, while British tourists prefer to use proprietary marketer-generated information sources such as corporate travel departments as reliable sources of information (Chen and Gursoy, 2000). Therefore, although other factors such as past knowledge are important determinants, cultural values play a major role in the way tourists' process advertising information or its sources (marketer led or third party). In addition, the influence of price as a predictor of service quality and expectations also depends on the individual cultural value orientations. For instance, Japanese consumers equate higher price signals as symbols of higher quality, whereas American consumers believe higher price does not guarantee better quality (McGowan and Sternquist, 1998). Research shows that higher price even have a strong negative perception from Chinese consumers (Sternquist, Byun and Jin, 2004). Hence, it is crucial to design the optimal mix of marketing signals based on the cultural values of individual tourists. This becomes more difficult when a hotel intends to attract tourists from a variety of cultures. Therefore, the second objective of this study is to understand how newer hotels should manipulate their advertising (many or few promises) and

price (high or low) signals to influence the service expectations of their prospective visitors based on their cultural values in the pre-purchase decision making stage.

In order to achieve these research objectives outlined, this study adopts an experimental approach with 218 subjects from three different countries by exposing them to varying levels of advertising and price promises in the context of a fictitious hotel.

## **Theoretical background**

### *Service expectations and information sources in Tourism Research*

Understanding the role of information sources on tourist's service expectations is a crucial area to investigate. Information sources available become more important when tourists do not have enough knowledge or past experiences about particular tourism entities. Extant research highlights that tourists use various types of information sources in order to reduce the uncertainties associated with the travel purchases (Jacobsen and Munar, 2012; Money and Crotts, 2003). Some of the commonly used information sources are marketer led communication materials (like hotel websites), advice from friends and family in the form of word-of-mouth, their own experiences from earlier visits, and the third party sources like travel guidebooks or travel related websites such as tripadvisor.com. These information sources are classified as internal sources (such as past experiences with a specific hotel), and external sources (such as advertisements and price cues used by the hotel on its website). Together, the internal and external sources employed make up the spacial element of information search discussed by Fodness and Murray (1998). Research suggests that the use of internal and external information sources differ between the tourists based on their previous visit experiences (Chen and Gursoy, 2000; Gursoy and McCleary, 2004) and travel related experiences (Fodness and Murray, 1999). For example, repeat visitors depend primarily on the internal sources of information to generate expectations about their

subsequent visits. On the other hand, first-time visitors tend to use external sources of information to generate their service expectations. Snepenger et al., (1990) termed such tourists as “*destination-naïve*” and showed that the external source of the travel agent played a major role in the search strategies of such individuals. As this study aims to understand the role of information sources for newer hotels with no established familiarity, it focuses on the first-time, or naïve, visitors and their use of external sources of information. Zeithaml, Bitner and Gremler (2006) propose that external sources of information can be further categorized as explicit promises (such as advertisement carried out by the hotel) and implicit promises (such as price signals used by the hotel). They highlight that such service promises influence consumers’ predicted service expectations, which is defined as “the level of service customers believe they are likely to get.” Hence, this study investigates the role of advertising and price promises on tourists’ predicted service expectations in the pre-purchase decision making stage.

Figure 1 explains the conceptual framework of this study.

FIGURE 1 HERE

#### *Impact of advertising and price promises on tourists’ predicted service expectations*

There is a wide body of research documenting the impact of marketer-generated advertising promises on tourist’s service expectations (e.g. Forgas-Coll et al., 2012; Jacobsen and Munar, 2012; Hsu, et al., 2010; Lepp et al., 2011; Money and Crofts, 2003). However, the findings are mixed. For instance, one stream of research posits that marketers can positively influence the expectations of tourists by offering more service promises through their advertising campaign (Jacobsen and Munar, 2012; Forgas-Coll et al., 2012; Lepp et al., 2011). They argue that hotel services being intangible in nature pose significant purchase risk. Therefore, tourists, in the pre-purchase decision-making stage, use marketer-led

communication materials such as websites and brochures of the hotels to gather information about them in order to reduce the uncertainty and the purchase risk. In their Evaluating Destination Advertising model, Stienmetz et al., (2013) noted that such service promises may include information about various facets of the destination, such as dining, shopping, events etc. Further, Walters, et al., (2007) detail a scenario where a destination-naïve consumer scans the text and images of the information available through advertisements etc. when forming expectations of the destination. On the other hand, a second stream of research argues that tourists are sceptical when they encounter many service promises from unknown entities such as hotels or destinations, particularly new ones (Gursoy and McCleary, 2004; Money and Crofts, 2003). Tourists perceive that the information provided by the unfamiliar hotels through their websites and brochures lacks credibility and is risky to rely upon. This perception of riskiness diminishes the service expectations of tourists and reduces the likelihood of visitations. Therefore, instead of using hotel-led advertising promises, tourists are more likely to use neutral sources such as travel guides or third party travel websites to base their expectations. As establishing credibility is crucial to the success of newer hotels, such arguments suggest that they are better off by making few service promises through their advertising campaign. In spite of this incongruence in findings, past evidence suggests that the marketer-led advertising promises can positively influence the service expectations of tourists. For example, studies find that tourists place greater emphasis on the official tourism websites and brochures in comparison to those of the third party travel guides in destination choice (Choi, Lehto and Morrison, 2007). In case of absence of internal sources of information (such as familiarity), Lepp et al., (2011) observe that tourists use information provided by the websites of hotels or airlines to make their destination choice. Consumer marketing literature posits that increase of advertising often leads to improved brand differentiation, loyalty, reduce uncertainty in consumers' minds, and improve shareholder's

wealth (Vakratsas, 2008; Rao and Bharadwaj, 2008). Based on such arguments, this study hypothesizes that:

**H1:** Expectations of service quality will be higher when newer hotels expose their prospective visitors to advertising with many service promises than when they expose them to advertising with few service promises.

Implicit service promises in the form of price cues are amongst the most salient criteria that influence pre-purchase service expectations and consumers perceptions of value subsequent to use (Tanford, et al., 2012). Although there is substantial research on the effect of price promises on service expectations, the findings are mixed. For example, one stream of research posits that individuals develop higher expectations when they encounter products or services with high price (Dawar and Parker, 1994; McGowan and Sternquist, 1998). Such studies suggest that price is an indicator of quality, prestige and individuals develop higher expectations when purchasing a high price product or service. On the other hand, another stream of research posits that price is a negative cue (Sternquist et al., 2004; Meng and Nasco, 2009). They argue that individuals are less inclined to equate high price with quality for unknown or less prestigious brands. Therefore, higher price does not lead to higher quality expectations when the brand is unfamiliar. In spite of this discrepancy, tourism research suggests that higher price signals higher quality and superior expectations. Equally, hedonic pricing research in tourism confirms that there is a positive relationship between price and quality, as signalled by the “star rating” and other attributes of a hotel (Monty and Skidmore, 2003; Thrane, 2005). Also, Crotts and Erdmann (2000) observe that the service expectations of airlines passengers is dictated by the price they pay. They find that the

business and first class passengers have higher service expectations as compared to the economy class passengers. Therefore, tourists generate higher service expectations when they are exposed to higher price signals. Studies on destination tourism highlight that the overall monetary costs (such as the price of accommodation, eating-out, travel) play a significant role in shaping tourists' perceptions. For instance, Forgas-Coll et al. (2012) find that the travelers compare the possible price to be paid for holidays among destinations and the perceived value towards a destination is driven by their price perception. Keane (1997) observe that higher price signals superior quality of tourism destinations. He suggests that tourism entities need to position themselves with a premium pricing strategy as this minimizes the likelihood of quality deterioration in tourists' minds. Therefore, this study argues that as newer hotels lack familiarity and credibility among the prospective visitors, positioning themselves as a premium service provider with higher price signals will result in enhanced service quality expectations. Hence, this study hypothesizes that:

**H2:** Expectations of service quality will be higher when newer hotels expose their prospective visitors to higher price signals than when they expose them to lower price signals.

#### *Individual level cultural value orientation*

Hofstede, Hofstede, and Minkov (2010) define culture as “the collective programming of the mind that distinguishes the members of one group or category of people from others.” Examining the role of culture in tourism is a critical issue and culture has been the subject of empirical and conceptual investigation (Hsu, et al., 2013; Landauer, et al., 2014; Lin, et al., 2013; Reisinger and Crotts, 2010). The task of understanding the influence of culture on how tourists interpret marketing signals to develop expectations towards an unfamiliar hotel is

even more important when the guests come from different cultural value orientations. For example, research suggests that Japanese tourists rely heavily on advice from friends and relatives to decide on their travel purchase, while Australian tourists prefer to use firm-led information sources such as advertising in decision-making (Chen, 2000; Money and Crofts, 2003). More generally, cultural factors have been shown to impact on tourism related matters ranging from climate change adoption strategies (Landauer, et al., 2014) to the meanings attached to tourism related images (Lin, et al., 2013). As a result, the influence of service promises made by newer hotels through their advertising and price signals will vary depending on the cultural values of the prospective visitors. However, stereotyping tourists' behaviour based on their nationality is debateable as culture is more of an individual trait rather than country specific characteristics (Crofts and Erdmann, 2000; Pizam and Sussman, 1995). Hence, instead of equating country with culture, this study uses individual cultural value orientations as the focus of analysis and explores its impact on tourists' service quality expectations.

In the travel and tourism domain, the question of which is the most appropriate schema for modelling cultural values has been the subject of some debate (see for instance Hsu, et al., 2013). However, it has been argued that Hofstede's approach is the most accepted methodology (Reisinger and Crofts, 2010) and this approach has been used with success in tourism research (Tsang and Ap, 2007; Reisinger and Malvondo, 2005). Hofstede et al. (2010) classify individual cultural values into five dimensions: uncertainty avoidance, power distance, masculinity/ femininity, long-term orientation, and individualism/ collectivism. Dawar, Parker, and Price (1996) in their cross-cultural study on interpersonal information exchange find that uncertainty avoidance and power distance are the two most dominant cultural values that influence individual's external search behaviour that includes advertising and price signals. Therefore, this study focuses on the first two dimensions of culture:

uncertainty avoidance and power distance. Uncertainty avoidance reflects how comfortable members of a society are with uncertainty and ambiguity (Hofstede et al. 2010). Dawar et al. (1996) express that high uncertainty avoidance individuals accord a high level of authority to rules. Such individuals have low tolerance for behaviours and ideas that are outside the norm. Power distance reflects the extent to which individual members of society accept unequal distribution of power (Hofstede et al. 2010). Individuals in high power distance cultures expect differences in wealth, social status and prestige (Schumann et al., 2010).

*Moderating effect of culture on the impact of advertising promises and price cues on predicted expectations*

*Uncertainty avoidance*

High uncertainty avoidance individuals try to reduce the uncertainties of the future, whereas the low uncertainty avoidance individuals are risk takers (Hofstede et al., 2010). Past research suggests that risk is a major concern in tourism decision-making, particularly when the firm concerned or the destination is relatively unknown (Yavas, 1990). Money and Crofts (2003) posit that the high risk tolerance (low uncertainty avoidance) tourists prefer marketer dominated information sources such as advertising through mass media than those with a low risk tolerance (high uncertainty avoidance). Therefore, high uncertainty avoidance tourists are likely to rely more on personal information sources such as advice from friends and family instead of the hotel-led advertising campaigns to make judgment about the offerings of an unknown hotel. Tourism literature that explores the relative effects of information sources among the first-time visitors find that such destination naïve travellers (facing more uncertainty about the unknown hotel or destination) tend to use more non-marketer dominated information sources such as travel agents instead of relying solely on the firm-led

information source such as advertising (Chen and Gursoy, 2000; Snepenger, Meged, Snelling and Worrall, 1990). Therefore, this study argues that the hotel led advertising campaign with more service promises is less likely to create an impact on service expectations for tourists dominated by high uncertainty avoidance culture. This argument is consistent with studies in non-tourism context as well which find Japanese firms (characterised by high uncertainty avoidance culture) refer to more number of information sources instead of relying on marketer-dominated sources as opposed to American firms (characterised by low uncertainty avoidance culture) (Money, Gilly and Graham, 1998).

The perception towards service expectations also differs between cultures. Extant research suggests that the high uncertainty avoidance cultures demand more from the service provider and has lower perceived service quality as compared to the low uncertainty avoidance cultures (Donthu and Yoo, 1998). This finding is replicated in tourism studies exploring the role of complaint behaviour and satisfaction among the hotel guests. For example, Ngai, Heung, Wong and Chan (2007) find Asian hotel guests (characterised by high uncertainty avoidance culture) are less satisfied with the hotel services and tend to spread a negative feedback among their friends and relatives, as compared to non-Asian guests (characterised by low uncertainty avoidance culture). Therefore, this research argues that the high uncertainty avoidance tourists generate less service expectations when they are exposed to more service promises. Based on these reasonings, this study hypothesizes that:

**H3a:** The increase in expectations of service quality for advertising with many service promises versus advertising with few service promises towards newer hotels will be higher for the low uncertainty avoidance tourists than for the high uncertainty avoidance tourists.

Consumer behaviour research indicates that price plays both an allocative (constraint) role and an informational (signal) role in the consumer decision-making process (Völckner,

2008). In its informational role, price acts as a cue to consumers. If consumers are uncertain about the quality of the service then they are more likely to rely on the implicit cues contained in price with higher price signalling better quality. Making travel purchase decisions from an unknown or unfamiliar hotel poses significant risk to the tourists. Past research suggests that tourists use price signals such as prices of accommodation, food, and other touristic activities as important indicators of prospective trip quality and such signals influence the image of an unknown destination (Chen and Tsai, 2007). Therefore, use of price signals as indicators of expected service quality and as a source of risk reduction mechanism is well established. However, the impact of price signals on expected service quality differs between cultures. For example, Jin and Sternquist (2003) find that the effects of price on the perceptions towards quality differs between US (low uncertainty avoidance: Hofstede score- 46) and Korean (high uncertainty avoidance: Hofstede score- 85) consumers. They obtain that the US consumers are more value conscious than the Korean consumers are. Sternquist, Byun and Jin (2004) when comparing the price perceptions of consumers from various Asian nations obtain that Chinese consumers (low uncertainty avoidance: Hofstede score- 30) are extremely value and price conscious as compared to Korean consumers (high uncertainty avoidance) and often have a negative perception towards high priced items involving unfamiliar brands. This suggests that the low uncertainty avoidance consumers are more concerned about the appropriateness and fairness of the perceived quality received and compares it with the price paid (Meng and Nasco, 2009). As past tourism literature argues a positive influence of higher price signals on service expectations, therefore newer hotel can use higher price signals to influence the service expectations of low uncertainty avoidance tourists. However, such higher price signals needs to be supplemented with other positive marketing signals such as many service promises so that the whole offering satisfies the value

equation of the prospective low uncertainty avoidance tourists. Based on these arguments, this study hypothesizes that:

**H3b:** The increase in expectations of service quality for higher price signals versus lower price signals towards newer hotels will be higher for the low uncertainty avoidance tourists than for the high uncertainty avoidance tourists.

#### *Power distance*

High power distance individuals accept inequality in the society (Hofstede et al., 2010). Consumer behaviour research suggests that the high power distance individuals manifest this inequality through the acceptance of hierarchical structures in society, as well as differential prestige, power, social acceptability, and wealth among its members (Lam, Lee and Mizerski., 2009; Schumann et al., 2010). Therefore, any marketing signal that indicates such differences conforms to the beliefs of high power distance individuals. Tourism research suggests that there is a difference between high and low power distance tourists in the way they use information sources for travel purchase decision making. For example, Chen and Gursoy (2000) find that the French tourists (high power distance individuals) utilize proprietary communication channels such as promotional materials (brochures) of hotels or airlines as principal sources of information as compared to the German tourists (low power distance individuals based on Hofstede's scores) who uses third party communication channels such as independent travel guides. This indicates that the effects of advertisements carried out by newer hotels are likely to create a higher impact among their prospective high power distance tourists in developing service expectations. Research suggests that any advertising that uses expensive symbols, promotes higher social status are likely to influence power, wealth, and elitism aspirations of high power distance individuals (Albers-Miller and Gelb, 1996). Therefore, when an unfamiliar hotel uses many service promises through its advertising such as availability of spas, golden beaches for its customers, rock-climbing

facilities within the hotel premises, then such signals promote the sense of exclusivity, elitism, and higher place in the society among the high power distance tourists as compared to the low power distance tourists. On the other hand, when hotels uses few service promises indicating only the must-have elements such as safety and security, then such advertisements is less appealing to high power distance tourists in terms of offering them exclusivity. Based on these arguments, this study hypothesizes that:

**H4a:** The increase in expectations of service quality for advertising with many service promises versus advertising with few service promises towards newer hotels will be higher for high power distance tourists than for the low power distance tourists.

High power distance individuals emphasize on differences in social class, distribution of power, wealth, and prestige (Hofstede et al., 2010). Therefore, such individuals consume services that indicate their social elitism. Tourism research exploring the role of culture in choosing travel services suggests that the high power distance tourists as compared to the low power distance tourists prefer to choose destinations and services that enhance their credibility of belonging to a superior social class, higher prestige and wealth (Crotts and Erdmann, 2000; Weiermair, 2000). Price is also a key factor that influences the satisfaction and loyalty of tourists when they choose a destination (Forgas-Coll et al., 2012; Money and Crotts, 2003). As higher price indicates superior service quality, therefore high power distance consumers will be happier with the notion of unequal delivery of service contingent on price paid, as this is merely a further manifestation of the inequality with which they are generally more comfortable. Therefore, the study hypothesizes that:

**H4b:** The increase in expectations of service quality for higher price signals versus lower price signals towards newer hotels will be higher for the high power distance tourists than for the low power distance tourists.

To summarize, this study hypothesizes that the influence of advertising (many service promises) and price signals (high) on predicted service expectations will be higher for low uncertainty avoidance and high power distance tourists. On the other hand, the influence of such marketing signals will be lower for high uncertainty avoidance and low power distance tourists. Therefore, this study proposes similarities between high power distance and low uncertainty avoidance tourists in the way they interpret such marketing signals to generate expected levels of service. Past research suggests that there are commonalities between these cultural dimensions. For example, Hofstede (1985) in his study on the inter-relationship between national and organizational value systems argues that countries can be grouped based on their scores on uncertainty avoidance and power distance, and people in such groups' exhibit similarities in their value system. He suggests that people from low uncertainty avoidance and high power distance cultures view an organization as a "family." Therefore, this study argues that such individuals tend to integrate with the organization more and rely on the marketing signals offered by such organizations largely in their decision-making. On the other hand, Hofstede suggests that people from high uncertainty avoidance and low power distance cultures view an organization as a "well-oiled machine." Therefore, this study argues that such individuals tend to believe that an organization is an "impersonal bureaucracy" and feel distant from it. This leads to a nonchalance attitude towards the marketing signals offered by such organizations.

## **Method**

### *Study design and context*

As the research aimed to explore the effects of varying service promises on tourists' expectations, it was necessary to use an experimental approach that manipulated such promises. Experimental approaches are useful in drawing conclusions about the effects of independent manipulated variables on a study group rather than generalising the results for a

wider population (Sparks and Browning, 2011). Two experiments were designed for data collection. The first experiment manipulated the effects of advertising (with many versus few service promises), and the second experiment manipulated the effects of price (with high versus low price cues) to understand how they influence service expectations of tourists in the pre-purchase decision making stage. Extant research shows that factors such as past experience and brand recognition/ familiarity influence the expectations of tourists towards hotels (Forgas-Coll et al., 2012). Hence, to eliminate the effects of such extraneous factors, this study chose a fictitious hotel (called Hamilton Beach Hotel) as the context to conduct the experiment. The research also aimed to explore the effects of cultural values on tourists' perception of service promises. However, as cultural values of individual tourists develop over a period, therefore the study did not manipulate it in the experiment. Cultural value was measured using established scale.

### *Sample*

Experimental approach requires that the participants should have sufficient knowledge about the task involved in the experiment (Sparks and Browning, 2011). Therefore, this study required participants to have extensive knowledge about using information sources such as advertisements and price cues obtained through the hotel websites in making their choice. This research decided to select participants from a sample comprising of undergraduate and postgraduate tourism and business programme students of a large British university from its three campuses in UK, China, and Malaysia. Tourism research often use student sample to represent general tourists in case of experiment-based studies. For example, Lepp et al. (2011) used a sample of students to represent wider tourists in an experiment to test the effectiveness of a tourism related website. Student sample is also widely used in areas of cross-cultural research. For example, Schumann et al. (2010) used students of Business Schools in 11 countries as representatives of bank customers to

understand the role of cross-cultural differences in the effects of word of mouth on customers' service quality perceptions. In addition, tourism studies often advocate the use of student sample to maintain homogeneity and remove the effects of extraneous factors such as age, education that might overshadow the desired effects of experimental manipulations (e.g. Lee and Crompton, 1992; Xu, 2010). To test the required knowledge of the participants, this study asked two filter questions at the beginning of the survey: their experience of booking a hotel online in the last six months, and the importance of the hotel's website as an information source when they made the booking (5= very important, 1= not at all important). These filter questions ensured that the students selected to participate have sufficient touristic knowledge required in this study. The students who answered in affirmative to the first filter question and scored 4 or more to the second filter question were selected in the final sample. The students in the sample were also acquainted with the theories of consumer behaviour and tourism acquired through their university curriculum. This ensured that they have relevant background knowledge about the study context. The study comprised of 218 respondents- 104 participated in the first experiment and 114 participated in the second experiment. Past tourism studies, using student sample had sample sizes between 92 and 255 (Lee and Crompton, 1992). The sample consisted of 48.6% male, largely under the age of 25 years (67.1% between 18-21 years, 26% between 22-25 years), and 77% were undergraduate students. As the study explored the role of culture so it was necessary to adopt a multi-country data collection approach. In terms of nationalities, the sample consisted of 26% British, 18% Chinese, 17% Malaysian and the remaining from the other Asian and European countries. The study used median split of the cultural orientation variable to separate participants into high and low cultural value groups (following Mantel and Kardes, 1999). Table 1 provides the demographic profile for various cultural groups.

TABLE 1 HERE

### *Service promise manipulation*

The research used four printed advertisements to manipulate the service promises. The study developed the manipulated scenarios in two stages. First, by consulting tourism literature, the researchers collected a pool of key elements, which a tourist might expect, from a hotel. The list comprised of some “must have” elements such as safety and security, cleanliness, warm welcome, good selection of menu; and some “surprise” elements such as sports facilities (like rock-climbing, scuba diving) and leisure facilities (like spas) (Callan and Bowman, 2000; Shanahan and Hyman, 2007). Second, to enhance the pictorial representation of the manipulated advertisements, the researchers consulted the advertisements and price features from a sample of real-life beach hotels in the premium and economy categories. Based on these, the researchers provided brief to a professional graphic agency to develop the four printed advertisements.

The first experiment tested the influence of advertising (many versus few service promises) on service expectations of tourists. It used two printed advertisements. The first advertisement presented advertising with few service promises. It depicted only the essential and must-have elements like safety, security, cleanliness, and warm welcome. The second advertisement presented advertising with many service promises. It illustrated the essential elements such as safety, security, cleanliness, warm welcome, and additional surprise elements such as mouth-watering international cooking, scuba diving, state-of-the-art rock climbing facilities, and spas.

The second experiment tested the influence of price (high versus low cues) on service expectations of tourists. It used the remaining two printed advertisements. However, both the

advertisements used here were replicas of the second advertisement (with many service promises) used in the first experiment but with different price tags in the top corner. One had a high price tag to represent high price cues and the other one had a low price tag to denote low price cues. The researchers adopted the price figures (both high and low) from real-life hotels in the premium and economy categories.

### *Experimental procedure*

This study conducted the experiments and data collection online. Using the database at the university, the researchers sent invitation emails to the students to participate in the experiments. A prize draw was announced to increase participation. All members of the sample were randomly assigned to one of the experimental scenarios using an online software programme. Participants were given detailed background information about the experiment. They were asked to review the printed advertisements used in that particular scenario, imagine that they were potential holidaymakers at this hotel, and complete the questionnaire about their expectations from this hotel, cultural orientations, and demographic details. All responses were anonymous.

### *Manipulation check*

The manipulation check involved two stages. First, to improve the face validity of the manipulated instruments, the study took opinion from two tourism experts. Based on their feedback, the researchers incorporated few changes in the advertisements such as shortening the lengths and rewording the service promises. Second, the researchers presented the advertisements to a sample of 60 students across the three country campuses (with similar demographic and cultural profile as intended in the final sample) and asked a series of

questions. 30 subjects were exposed to the advertisements with many service promises and 30 were exposed to the advertisement with few service promises. Subjects were asked, “Compared to most online hotel advertisements you see, did you find this advertisement to be (1) appealing (2) informative on a 7 point scale (1= strongly disagree, 7= strongly agree). T-tests revealed significant differences between the two manipulations (appealing: mean value with more promises= 5.71, less promises= 3.42, t-value= 4.35,  $p < 0.05$ ; informative: more promises= 6.36, less promises= 3.84, t-value= 5.31,  $p < 0.05$ ). Following Voss, Parasuraman and Grewal (1998), questions were asked on the believability (1= not at all believable, 7= very believable) and realism checks (1= not at all realistic, 7= very realistic). The study also asked the sample about their predicted service expectations (1= low quality, 7= high quality). T-tests revealed significant differences between the stimuli (believability: more promises= 6.51, less promises= 4.87, t-value= 8.71,  $p < 0.05$ ; realism: more promises= 6.21, less promises= 4.21, t-value= 12.06,  $p < 0.05$ ; service expectations: more promises= 6.26, less promises= 4.87, t-value= 8.13,  $p < 0.05$ ). Therefore, the manipulations were successful and suitable for use in the final study.

### *Measures*

The study used established scales from literature to measure the relevant constructs. It measured the dependent construct predicted service expectations, by using 21 items from the SERVQUAL scale comprising of five dimensions namely, tangibles, reliability, responsiveness, assurance, and empathy (Zeithaml et al., 2006). The study used 10 items from the CVSCALE (Donthu and Yoo, 1988) to measure the moderating role of uncertainty avoidance and power distance. Both the dependent and the moderator constructs were measured on a 7 point scale (1= strongly disagree, 7= strongly agree). The experimental design manipulated the effects of the independent constructs (advertising and price promises)

and therefore did not measure them. The study also collected demographic variables such as age, gender, nationality, and education levels of the participants. See Table 2 for the full list of items.

TABLE 2 HERE

## **Analyses and results**

### *Validation of scale*

The data analysis involved two stages. In the first stage, the study tests the validity of the 31 items measurement scale using confirmatory factor analysis. The results validate the seven factor structure. Table 2 shows the items and their corresponding standardized loadings. Data collected across the three campuses and individual cultural values was pooled to ensure homogeneity of the structural model. The model was tested on the criteria of overall fit, reliability, convergent and discriminant validity. CFA results shows overall goodness of fit for the model. The chi square  $\chi^2$  (384)= 1918.32,  $p < 0.01$ , with  $\chi^2/df = 4.99$  which is within the acceptable range of 2 and 5 (Marsh and Hovecar, 1985). The values of CFI= 0.90, IFI= 0.90, TLI= 0.89, RMSEA= 0.07 (low: 0.06, high: 0.08 with 90% confidence level) are all within acceptable range. The value of GFI= 0.83 borders the acceptable limit for good fit. Reliability of the constructs are tested by using Cronbach's alpha (all values exceeds 0.7 with the minimum as 0.74) and composite reliability (all values exceeds 0.7 with the minimum as 0.83). The study tests convergent validity of the measurement model in two ways. First, the standardized loadings of all the items are significant on their intended latent construct ( $p < 0.05$ ). Second, the values of squared multiple correlations (SMC) of all latent constructs exceed 0.5 (with the minimum as 0.51). To test the discriminant validity of the model, the study uses the average variance extracted (AVE). All the AVE values exceed 0.5 (with the minimum as 0.51) with squared correlation between any two constructs is less than the AVE

extracted by the constructs. This indicates that the model is reasonably specified and suitable for use in further analysis.

*Differences in predicted service expectations for varying levels of service promises*

Table 3 shows the results of the descriptive statistics of service expectations of the various cultural groups of tourists when exposed to the experimental manipulations. The study uses the composite of the five SERVQUAL dimensions to calculate predicted expectations. The table shows that the participants who experienced many advertising promises reported higher predicted service expectations (mean= 4.93) than the participants who experienced few advertising promises (mean= 4.27) ( $F= 2.77, p<0.10$ ). This supports H1. Participants who experienced high price signals reported higher predicted expectations (mean= 5.61) than the participants who experienced low price signals (mean= 4.99) ( $F= 9.11, p<0.05$ ). This supports H2.

TABLE 3 HERE

*Relationships between service promises, predicted expectations, and moderating effects of culture*

The second stage of data analysis involved testing of the moderated hypotheses (H3a, H3b, H4a, and H4b) using analysis of covariance (ANCOVA). Here, predicted expectation is the dependent variable, two service promises (advertising and price manipulations) are the independent variables, culture dimensions (uncertainty avoidance and power distance) are the moderators, and demographic variables (age in years and gender of the tourists) are the covariates. The independent variables in the four manipulated scenarios (with many versus few advertising promises in the first experiment; and with high versus low price cues in the second experiment) are represented with +1 and -1 respectively. Four separate models are run

to test the effects of the two culture dimensions. Model 1 and 2 test the moderating effect of uncertainty avoidance, whereas model 3 and 4 explore the moderating effect of power distance on the dependent variable. Table 4 illustrates the results.

TABLE 4 HERE

H3a predicted that the low uncertainty avoidance tourists develop higher predicted service expectations when newer hotels make many service promises through their advertisements compared to the high uncertainty avoidance tourists. The product term in Model 1 shows that there is a significant interaction between advertising promises and uncertainty avoidance ( $F= 4.14, p<0.05$ ). As shown in Figure 3, uncertainty avoidance moderates the effect of advertising promises on predicted service expectations. The figure shows that for low uncertainty avoidance tourists, there is an increase in predicted service expectations when they are exposed to many advertising promises as compared to few advertising promises, whereas for the high uncertainty avoidance tourists it decrease. The descriptive values from Table 3 supports the findings as well. For low uncertainty avoidance tourists, the predicted service expectations increased from 4.45 in the few advertising promises condition to 5.02 in the many advertising promises condition ( $p<0.05$ ). For high uncertainty avoidance tourists, the predicted service expectations decreased between the two conditions. Therefore, the results support H3a.

FIGURE 3 HERE

H3b predicted that the low uncertainty avoidance tourists develop higher predicted service expectations when newer hotels expose them to higher price signals compared to the high uncertainty avoidance tourists. The product term in Model 2 shows that the effect of price on predicted expectations does not differ between high and low uncertainty avoidance tourists ( $F= 2.48, \text{not significant}$ ). Therefore there is no interaction effect between

uncertainty avoidance and implicit promises in the form of price and, as a result H3b is not supported.

H4a predicted that the high power distance tourists develop higher predicted service expectations when newer hotels make many service promises through their advertisements compared to the low power distance tourists. The product term in Model 3 shows that there is a significant interaction between advertising promises and power distance ( $F= 9.78, p<0.01$ ).

As shown in Figure 4, power distance moderates the effect of advertising promises on predicted service expectations. It shows that for high power distance tourists, there is an increase in predicted service expectations when they are exposed to many advertising promises as compared to few advertising promises, whereas for the low power distance tourists it decrease. The descriptive values from Table 3 supports the findings as well. For high power distance tourists, the predicted service expectations increased from 4.32 in the few advertising promises condition to 5.19 in the many advertising promises condition ( $p<0.10$ ). For low power distance tourists, the predicted service expectations decreased from 5.07 in the few advertising promises condition to 4.72 in the many advertising promises condition ( $p<0.05$ ). Therefore, the results support H4a.

FIGURE 4 HERE

H4b predicted that the high power distance tourists develop higher predicted service expectations when newer hotels expose them to higher price signals compared to the low power distance tourists. The product term in Model 4 shows that the effect of price on predicted expectations does not differ between high and low power distance tourists ( $F= 0.29$ , not significant). Therefore there is no interaction effect between power distance and implicit promises in the form of price and, as a result H4b is not supported.

## **Discussions and Contributions**

This research aimed to explain the role of explicit advertising promises (many versus few) and implicit price signals (high versus low) in influencing tourists' service expectations in case of hotels with no established familiarity. This study finds that such a hotel can increase the service expectations of prospective tourists by offering many service promises through its advertising campaign and projecting a superior image through higher price signals. In absence of more personal information sources such as past experience with the hotel or word-of-mouth from existing customers, marketer-led information sources such as advertising and price cues are crucial to influence tourist's decision-making process. It also shows that the findings are true even in case of relatively unknown or new-to-market hotels. As choice uncertainty and purchase risks are crucial for tourists when the hotel is unfamiliar, therefore understanding how the hotel can make optimal use of service promises through its advertising (many or few promises) and price cues (high or low) is critical to influence tourists' pre-purchase service expectations.

In addition, this research also aimed to explore the role of culture on how tourists process such service promises through advertising and price signals. This study finds that uncertainty avoidance and power distance moderates the effects of advertising promises on predicted service expectations for tourists in the pre-purchase decision making stage. Low uncertainty avoidance and high power distance tourists develop higher predicted service expectations when newer hotels expose them to many advertising promises, whereas high uncertainty avoidance and low power distance tourists develop lower predicted service expectations under similar conditions. High uncertainty avoidance tourists, in order to reduce risk and seek absolute truth, develop a strong inclination to use all possible information sources about the hotel before decision- making. On the other hand, low uncertainty avoidance tourists prefer service promises that depict superior image of the hotel and create a halo about the possible

touristic experience. Therefore, they are likely to take at face value such explicit service promises made by hotels through their advertisements.

For high power distance tourists, many explicit service promises made by hotels through their advertisements, enhance their sense of trustworthiness and augment their perception of superior image of the hotel. On the other hand, low power distance tourists are more amenable to fewer explicit service promises while generating their service expectations. Consequently, the study suggests hotels, which caters to tourists from various cultural backgrounds should use advertising in a discreet, customized fashion depending on the cultural norm of their targeted tourists.

Therefore, the findings suggest that low uncertainty avoidance and high power distance tourists categorised as groups of individuals who view an organization as a family (Hofstede, 1985) have a higher propensity to rely on the advertising signals communicated by the organizations. On the other hand, high uncertainty avoidance and low power distance tourists categorised as groups of individuals who view an organization as a well-oiled machine (Hofstede, 1985) experience a sense of apathy to the advertising signals used by such organizations. Past research shows that the firms which use advertising appeals such as ornamental and status are more likely to be effective with high power distance societies, and firms which use advertising appeals such as magic and untamed are more likely to be effective with high uncertainty avoidance societies (Albers-Miller and Gelb, 1996). This study extends this literature by identifying the optimal levels of advertising promises (many or few) according to the individuals' cultural value orientations and commonalities in their interpretations of advertising promises.

However, the study does not find support for the moderating role of cultural value orientations on the implicit service promise (price)-predicted expectation relationships. The results indicate there is a convergence of cultural norms when tourists evaluate price promises

made by hotels. This implies that irrespective of cultural orientations, individuals' process price cues in the same way. Hotels use price cues to emphasize their brand positioning either as an economy or as a premium category hotel (Xu, 2010). The findings of the study suggest that the use of price cues to signal quality perceptions and the way price impacts tourists' value judgment is a global phenomenon. Price does impact on consumers' expectations, but it does so in a similar fashion regardless of individual cultural values. Extant literature suggests that the way consumers use price signals is mixed. One stream of research posits that price is marketing universal (Dawar and Parker, 1994; Dawar et al., 1996). Hence, individuals from various cultures have similar interpretation of price signals. On the other hand, another stream of research suggests that individuals from different cultures have different understanding of price signals (Meng and Nasco, 2009; Sternquist et al., 2004). The findings of this study conforms to the proposition of universality of price signals and suggests that manipulation of it across cultures is not necessary.

### *Practical implications*

The findings of this study imply that the managers of hotels, which are new-to-market, unfamiliar, or relatively unknown should develop differentiated advertising strategies but standardized pricing strategies depending on the cultural value orientations of tourists. The hotels must expose tourists to many explicit service promises through their advertising campaign that come from low uncertainty avoidance and high power distance cultures. Such an outcome may well increase the likelihood of choice/purchase, but will also require excellent service delivery in order to ensure that such inflated expectations are met ! On the other hand, the hotels must expose tourists to fewer service promises through their advertising campaign that come from high uncertainty avoidance and low power distance cultures. This implies that the hotels will need other methods such as highlighting the room facilities or customer satisfaction scores to impart the absolute truth sought by such customers. The findings suggest

the hotels need to identify two clusters of tourists (high, low; and low, high) based on their uncertainty avoidance and power distance scores (using measures like CVSCALE) and manipulate the levels of service promises through their advertising campaign accordingly. The absence of the moderating role of culture on the relationship between implicit service promise of price and predicted expectation relationships show that there is no need for hotels to manipulate their price cues to target various consumer segments based on their cultural orientation. Price is an indicator of predicted expectations across all cultures. Therefore, tourists perception of “If I buy cheap, I will get worse” is very similar across cultures.

### **Limitations, future research and conclusion**

This research contributes to the understanding of the role of culture on the relationship between service promises and tourists’ predicted service expectations. However, certain potential limitations exist.

First, this study manipulated the effects of only two independent information sources (advertising and price promises) in the experiments. Therefore, future research could investigate the effects of other information sources, such as word-of-mouth on tourists’ service expectations, or could explore the effects of other cultural value orientations such as long-term orientations to provide further insights. Sparks and Browning (2011) argue that the use of experiments in tourism research is a balancing act between statistical and practical significance of the results. Future research could use an alternative approach such as field study with real life new-to-market hotels for better generalizability. Second, the study used a specific student sample with specialized knowledge in tourism and consumer behaviour theories. Their response may be inherently different from other students or tourists in general. This study used appropriate filter tests to check the suitability of the sample. However, future research could take a sample to represent wider tourist community to improve the generalizability of the results. Finally, the study used the context of a fictitious hotel, which

could be viewed as lacking legitimacy. However, there is a strong tradition of using fictitious brands in experimental designs. Indeed, fictitious brands are normally seen as advantageous to avoid contamination of result by actual real world prior experience or knowledge, when what is of primary interest is reaction to the manipulations used.

In conclusion, this study identified interactions between advertising promises and individual cultural variables in a tourism context that add to knowledge and lead to important implications for practitioners. Implicit service promises, in the form of price, have the same impact in expectations regardless of individual cultural variables.

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Table 1: Demographic profile for various cultural groups of tourists

	Age	Gender	Nationality
High power distance	18-21 years: 67% 21-25 years: 26% More than 25 years: 7%	Male: 50% Female: 50%	British: 29% Chinese: 12% Malaysian: 19% Other European and Asian countries: 40%
Low power distance	18-21 years: 67% 21-25 years: 18% More than 25 years: 15%	Male: 47% Female: 53%	British: 25% Chinese: 23% Malaysian: 15% Other European and Asian countries: 37%
High uncertainty avoidance	18-21 years: 66% 21-25 years: 25% More than 25 years: 9%	Male: 53% Female: 47%	British: 29% Chinese: 15% Malaysian: 15% Other European and Asian countries: 41%
Low uncertainty avoidance	18-21 years: 67% 21-25 years: 28% More than 25 years: 5%	Male: 42% Female: 58%	British: 23% Chinese: 22% Malaysian: 20% Other European and Asian countries: 35%

Table 2: Measurement scale used in the study

Items	loading	Mean (SD)
<b>Predicted service expectations</b>		
<i>Tangibles</i>		
Hamilton Beach Hotel (HBH) will have modern equipment and technology	0.81	4.69 (1.58)
HBH's physical facilities will be physically appealing	0.91	4.95 (1.60)
HBH's employees will be neat and professional	0.93	4.99 (1.54)
The appearance of the material associated with HBH will be visually appealing	0.91	5.00 (1.56)
<i>Reliability</i>		
When HBH promises to do something by a certain time, they will do so	0.91	4.79 (1.63)
When you have a problem, HBH will have a sincere interest in dealing with it	0.91	4.86 (1.64)
HBH will get things right the first time	0.84	4.69 (1.64)
HBH will provide its services at the time it promises to do so	0.94	4.78 (1.70)
HBH will ensure its records are accurate	0.87	4.81 (1.61)
<i>Responsiveness</i>		
HBH's employees will be able to tell you exactly when services will be performed	0.85	4.73 (1.60)
You will be able to expect prompt service from HBH	0.91	4.83 (1.63)
HBH's staff will always be willing to help you	0.91	4.95 (1.69)
HBH's staff will never be too busy to respond to your requests	0.86	4.69 (1.66)
<i>Assurance</i>		
The behaviour of HBH's staff will instil confidence in you	0.90	4.67 (1.68)
You will feel safe in your dealings with HBH	0.91	4.93 (1.62)
HBH's will always be polite to you	0.92	4.98 (1.77)
HBH's staff will have enough knowledge to answer your questions	0.82	4.69 (1.62)
<i>Empathy</i>		
HBH's staff will always give you individual attention	0.95	4.45 (1.55)
HBH's staff will always give you personal attention	0.95	4.47 (1.56)
HBH's staff will understand your specific needs	0.86	4.60 (1.55)
HBH will have your best interests at heart	0.71	4.64 (1.70)
<b>Cultural value orientation</b>		
<i>Power distance</i>		
People in higher positions should make most decisions without consulting people in lower positions	0.55	3.09 (1.67)
People in higher positions should not ask the opinions of people in lower positions too frequently	0.61	3.37 (1.63)
People in higher positions should avoid social interaction with people in lower positions	0.81	2.11 (1.53)
People in lower positions should not disagree with decisions by people in higher positions	0.77	2.70 (1.57)
People in higher positions should not delegate important tasks to people in lower positions	0.77	2.92 (1.51)
<i>Uncertainty avoidance</i>		
It is important to have instructions spelled out in detail so that I always know what I'm expected to do	0.76	4.73 (1.66)
It is important to closely follow instructions and procedures	0.79	4.94 (1.52)
Rules and regulations are important because they inform me of what is expected of me	0.86	5.06 (1.41)
Standardized work procedures are helpful	0.76	4.92 (1.35)
Instructions for operations are important	0.83	5.25 (1.28)

Note: all loadings are significant at  $p < 0.05$ ; loadings: standardized, SD: standard deviation; all items scored on a 7 point scale where 7= strongly agree and 1= strongly disagree

Table 3: Differences in predicted service expectations among various cultural groups of tourists

Predicted service expectations (PE)	Power distance		Uncertainty avoidance		Total
	High (mean, SD, n)	Low (mean, SD, n)	High (mean, SD, n)	Low (mean, SD, n)	
<b>Explicit information (n= 104)</b>					
Many advertising promises (n= 52)	(5.19, 1.05, 30)	(4.72, 0.70, 22)*	(4.86, 0.81, 26)	(5.02, 1.02, 26)	(4.93, 0.89)
Few advertising promises (n= 52)	(4.32, 1.05, 26)	(5.07, 1.05, 26)**	(5.16, 0.81, 25)	(4.45, 1.06, 27)**	(4.27, 1.10)
					F (1, 102)= 2.77*
<b>Implicit information (n= 114)</b>					
High price cues (n= 64)	(5.46, 0.73, 28)	(5.68, 0.96, 36)	(5.89, 0.77, 30)	(5.13, 0.85, 34)***	(5.61, 0.88)
Low price cues (n= 50)	(4.76, 1.32, 26)	(5.42, 1.06, 24)*	(5.18, 1.19, 25)	(4.91, 1.30, 25)	(4.99, 1.26)
					F (1, 112)= 9.11**

Note: 1. PE scores are on a 7 point scale where 7= strongly agree and 1= strongly disagree; SD= standard deviation; n= sample size

\* differences in mean expectations between high versus low cultural value groups are significant at the 0.10 level

\*\* differences in mean expectations between high versus low cultural value groups are significant at the 0.05 level

\*\*\* differences in mean expectations between high versus low cultural value groups are significant at the 0.01 level

Table 4: Results of hypotheses testing: ANCOVA analysis

	Model 1 DV: PE, IV: ADV Moderator: CVO (UA)	Model 2 DV: PE, IV: PR Moderator: CVO (UA)	Model 3 DV: PE, IV: ADV Moderator: CVO (PD)	Model 4 DV: PE, IV: PR Moderator: CVO (PD)
	F- value	F- value	F- value	F- value
<i>Covariates</i>				
Age	0.03	4.95**	0.03	4.60**
Gender	0.01	6.46**	0.53	2.73
<i>Main effects</i>				
IV	0.37	4.98**	1.72	5.23**
CVO	1.61	8.53**	0.52	5.46**
<i>Interaction effects</i>				
IV X CVO	4.14**	2.48	9.78***	0.29

Note: 1. DV: dependent variable (predicted expectation PE), IV= independent variables (advertising ADV and price PR), Moderator variable: cultural value orientation CVO (uncertainty avoidance UA and power distance PD). 2. PE scored on a 7 point scale where 7= strongly agree and 1= strongly disagree, IV is manipulated in the experiment with ADV (many versus few) and PR (high versus low) coded as +1 and -1 respectively, CVO groups of high and low are obtained using median split. 3. \*p<0.10, \*\*p<0.05, \*\*\*p<0.01



Figure 1: Research model

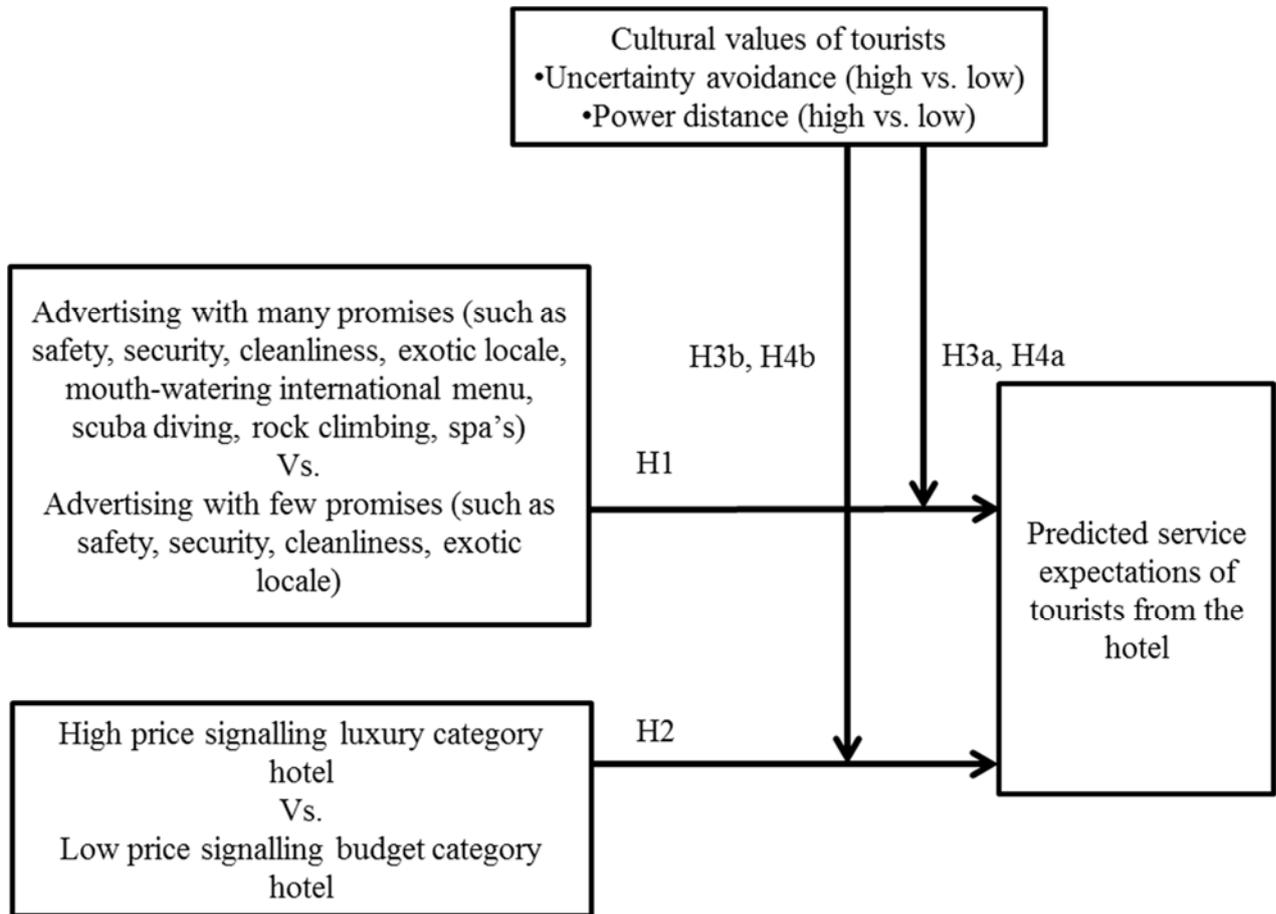


Figure 2: Sample of the manipulated material (many service promises and high price)

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Figure 3: Interaction between advertising promises and uncertainty avoidance on service expectations

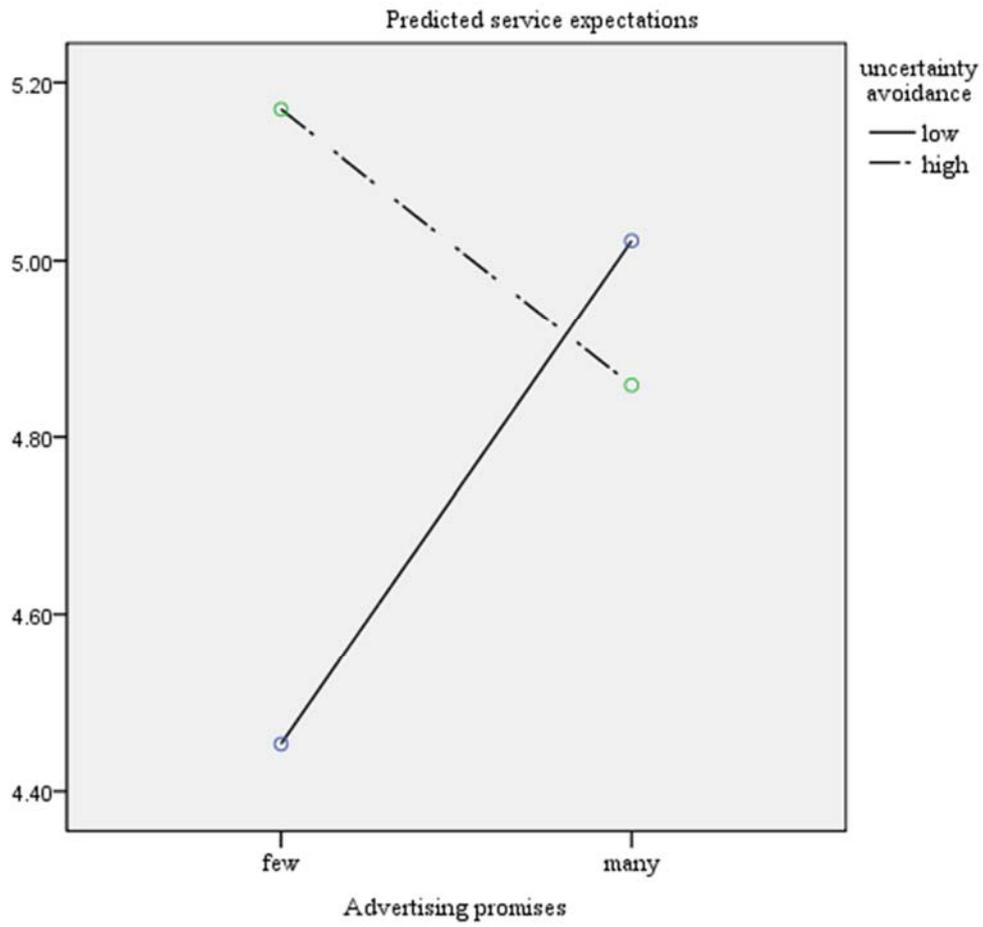


Figure 4: Interaction between advertising promises and power distance on service expectations

