

Identifying Potential Strategic Direction using Perceived User Value for Full-Service Hotels

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Abstract—Services are different from products in many ways, but the most intriguing of all is the direct involvement of customers, and this difference poses special challenges to service firms, especially in strategy formulation. Customers' perception and expectations form the critical inputs to the firm's service strategy and firms find measuring the same to be very challenging. Perceived User Value (PUV) is an important criterion in the assessment of the firm and the customers value their services based on that criterion. Perceived value is based on the customer experience and it depends on the perception of the services offered by the firm and what they received. This study identifies the PUV of the customers and the management using SERV-PERVAL scale. A questionnaire on SERV-PERVAL scale was prepared and responses were collected from customers and from the management of a full - service hotel at Kovalam at Trivandrum, Kerala. The objective is to identify the PUVs of this full-service hotel and to measure the gap between the expectation of customers and perception of the management's. This gap is used to assess the possible potential strategic directions for the hotel.

Keywords—services; perceived user value; SERV-PERVAL; customer expectation; full-service hotels

I. INTRODUCTION

The service industry has been growing dependably and this is because there has always been a demand for it. Services are different from products in many ways, but the most intriguing of all is the direct involvement of customers. And this difference poses special challenges to service firms, especially in formulating service strategy when compared with product firms. Service businesses often necessitate different competitive strategies from those of product-oriented companies. Customers perception and expectations form the critical inputs to the firm's service strategy and firms find measuring the same to be very challenging.

Services contribute a large percentage of total economic output of the world, which will be two-third. Moreover, the full-service industry is one of the consistently growing industries around the world. A lot of facilities like children's' park, conference hall, fitness center, swimming pools and other services forms a full-service hotel. The foreign exchange earnings of 50% comes from tourism industry. The hotel industry is closely related to this tourism industry. If the

changing standards of the international hotel keeping is considered, this full-service hotel industry is to make a lot of improvements.

For getting competitive advantage with the competitors, the constructs of perceived value have gained significant importance. Thus, in the area of full-service hotels, this perceived value has got far reaching implications. Thus, study is focused on the full-service hotel industry.

The research used a self-administered questionnaire to get the respondents' honest and actual responses to evaluate the usefulness of the SERV-PERVAL scale. From further analysis of the response, PUVs which obtained higher ranking can be found.

The questionnaire on SERV-PERVAL scale is prepared and responses are collected from customers as well as from the management of a full-service hotel at Kovalam (tourist spot) at Trivandrum, Kerala. The response of 30 customers are collected within 5 days' time. This will help to identify the gap between their perceptions and will also help to explore the relationship between consumer's perception of price, quality and values.

II. LITERATURE REVIEW

A. Service Sector

According to Berry (1995), "all great companies have a clear, compelling service strategy. They have reason for being which energizes the organization and defines the word "service". If a firm has a clear-cut strategy, their managers will know what initiatives to take, their customers will know what to expect out of their service, employees know what is to be provided, the operations department will know how to deliver their service. Henceforth, the service strategy provides a knowledgeable framework and theoretical model and it helps the managers in identifying opportunities, whereby carrying value to customers. This will deliver its value at profit or within the planned budget says Normann and Ramirez (1993).

B. Full-Service Hotels

Services are becoming increasingly important. Dr. Sharma and Kalotra (2016) finds in their studies that among all the service

sectors in India, tourism industry plays a significant role in bringing economic growth. It contributes to about 6.23% to National GDP and 8.78% to the total employment in India. Persistent renovation, improving standards and functional growth have gained acceptance throughout the world for hospitality industry.

Dr. Sharma and Kalotra in their research paper "Hospitality Industry in India: A Big Contributor to India's Growth" describes that Indian tourism has created enormous employment opportunities and it is expected to rise to Rs 4.44 trillion by 2024. A remarkable amount of foreign exchange to the economy is getting added at a 14.12% annual growth rate.

Singh (1986) in his research paper "Geography of tourism and recreation" says that managers must understand the importance of satisfaction of every customer, and should design an appropriate after sale services also. Smith, A.K. (1999) in their paper "A Model of Customer Satisfaction with Service Encounters Involving Failure and Recovery" regarded that economic and social interface between the organization and the customer can be triggered by a service failure/recovery encounter. Nelson and Hailin Qu (2000) in their research paper on the perception from tourists and the hotel management in China's hotel industry analyzed the service quality perception in the view of both international tourists and hotel management. Silvia and Paolo (2002) in their research paper "Statistical Model for Customer Satisfaction Data" measuring risks with ordinal variables analyzed the possible methods to capture data to measure customer satisfaction. The paper proposed five levels of opinions for the customers as "very unsatisfied, moderately unsatisfied, neutral, moderately satisfied, and very satisfied". Karnikeya Budhwar (2004) in his research paper "An Analysis of the Gap between Management Perceptions and Customer Expectations", carried out the research to gauge the critical factors that would affect the success or failure of a restaurant.

C. Importance of Effective Strategies for Hotels

Every guest touch point in a hotel service industry can be a make-or-break experience. That is, the bottom-line performance depends on the opportunity to either win or lose the repeated business. A substantial effort and priority has to be given to customer satisfaction and should also anticipate the continuous growing needs of customers. Explicitly, as technology is advancing, customers are also getting advanced in the usage of technology to research and select and decide on a particular hotel for the stay. They also have interactive travel forums that provide online reviews (e.g. TripAdvisor) which have a major influence in their decision making. Thus, there arise a demand for unique and customized experience. This will lead to need for effective strategy making and marketing techniques to reach the customers. In spite of these, it becomes difficult to keep a true differentiation in this hotel sector.

In fact, a study found that 73% of Gen Y guests leave once they encounter a poor or bad experience, and 85% of those people inform about it to others directly or online or both. (Source: Benchmark Research, Convergys, Customer Focus

Inc). Conversely, a delighted customer spends 50% more in additional revenue than those people who are just satisfied. In addition to that, they are seen to spend much more during their repeated visits (source: Cornell Centre for Hospitality Research).

Kandampully and Suhartanto in their research paper "Customer loyalty in the hotel industry: the role of customer satisfaction and image" confirms loyalty as an important factor in the success of a business firms. The objective was to identify the customer satisfaction and factors of image that directly affects the customer loyalty in the hotel industry. In that paper, data was collected from hotels and there existed a positive correlation customer satisfaction and customer loyalty. All these challenges make it very important for a hotel to make effective strategies so as to remain competitive with other hotels.

D. Significance of Perceived User Value

Perceived User Value (PUV) is an important criterion in the assessment of the firm and the customers value their services based on that criterion. Perceived value is based on the customer experience and it depends on the perception of the services offered by the firm and what they received. Valarie A Zeithaml, A Parasuraman and Leonard L Berry in their research paper titled "The Nature and Determinants of Customer Expectations of Services" says that customers always make a comparison on what they want to receive from firms and what they perceive about the actual service performance. It is from this that the perceived service quality arises. In other word, perceived service quality can be regarded as the degree and direction of discrepancy between customer's perception and desires. They considered that service quality is the difference between customers' expectation and their perceived service performance. Findings from this can be used to a better marketing, promotional strategies and market segmentation. It is because consumers' perceptions provide direct input to its development and improvement (Williams & Soutar, 2000:1419). Consequently, Lin, Sher and Shih (2005:318) explain that perceived value is a strategic idea for organizations and thus it has become the focus of marketing strategies.

Several other authors such as Hanan and Karp (1989) Iglesias and Guillen (2004) propose that there is an exceptional correlation between the perceived value and customer satisfaction. Sweeney, Soutar and Johnson (1997) as well as Gallarza and Saura (2006) claims that service quality is a forerunner of perceived service value. Recent studies on the same have given rise to the development of measurement of perceived user value as per Al-Sabbahy, Ekinici & Riley, 2004, Petrick, (2004), Sweeney & Soutar (2001).

III. RESEARCH OBJECTIVE

The application of multidimensional SERV-PERVAL scale to a full-service hotel has to be investigated in this context and the objective of this research paper would be as follows

- To identify the PUVs for full service hotel
- To measure gap between customer expectation and management's perception of values
- Assessment of possible potential strategic direction

IV. METHODOLOGY

For the research purpose, Perceived User Value(PUV) of the customer is analyzed with the help of SERV-PERVAL scale. It is a multidimensional scale for measuring PUV of a service. James F Petrick (2002) in his study "Development of a Multi-Dimensional Scale for Measuring the Perceived Value of Service" finds the construct of perceived value as an important measure for attaining competitive advantage and also found that it has direct relation to the repurchase intentions of the customers. The purpose of his journal was to frame a scale to quantify perceived user value of service. A 25-items instrument was established to measure the various construct and its dimension. Five dimensions are quality, emotional response, monetary price, behavioral price and reputation and a panel of experts have found it to be valid and reliable. Since there are currently no available scale to measure perceived user value of a service, and since evaluation of the same in service sector is different from that of products, the current framework is important to tourism provider. The same SERV-PERVAL instrument has been used in this research purpose in framing the questionnaire.

The current study used a questionnaire to extract the responses to assess the usefulness of the SERV-PERVAL scale. The target sample size for this study consisted of 30 customers from a full-service hotel, collected within 5 days' time, located at a tourist attraction at Trivandrum, Kerala. Non-probabilistic convenience sampling method was used for the research purpose. The measurement approach used multi-item scale of 5-point Likert-scale using the application of SERV-PERVAL as the base instrument for measuring the PUV of a leisure service.

V. DATA ANALYSIS

The constructs explored in the research was measured with a summated rating scale affixed by 1 as strongly agree and 5 as strongly disagree. The responses were received from 33% female and 67% male customers. Among that 43% of them were of the age category of 17-33 years. Also 43% of the responses were received from non-Indians. About 53% of the customers are employed and 13% of them are retired from their employment. Rest of the percentage constitutes students and other. 50% of the customer stayed in the hotel for 2-6 days and

50% of them stayed for the purpose of pleasure, rest and relaxation. Others came for the purpose of business and religious reasons, sports and recreation, and also for attending conference, seminar etc. Factors considered while choosing the selected hotel of study is due to the past experience which constitutes 36% of the total customers. This shows the fact that past experience plays a crucial role in the revisit of customers to the full-service hotels. Other large contributions are made to the factors like cost for the stay, online reviews, convenience and suggestion from friends and relatives. Thus, this is where the hotel industry can bring strategies to stay ahead of the other competitors in the market by providing good quality experience. 57% of the people spend around Rs.20000-50000 for the stay and 23% of them above Rs.50000 and the rest around Rs.10000-20000 and 54% of them make a visit once in a year.

The questionnaire consisted of the 5 constructs of the SERV-PERVAL instrument. Each construct had sub-attributes. These sub-attributes had again been divided into several questions on which the responses have to marked in the scale of 1 to 5. The composite scores for each dimension of the SERV-PERVAL were determined using two steps. The first step is to calculate the mean of each answers of respondent across the items in the scale. The second step is to calculate the mean of these "mean scores" across all respondents. For example, the quality construct has four items. The mean (M) of these items, calculated from the "means score" of each respondent, are 1.55, 1.74, 1.82 and 1.77. In order to calculate the composite score for the same construct, the mean (M) of the four items are added together and divided by the number of items ($6.88/4=1.72$). Both the responses from customers and the management was taken in order to identify the value given to the customers and their perception. Thus, the gap existing between the perception and expectation can also be identified.

Dimensions of Measure (SERV-PERVAL)	Customers Expectation (Mean)	Management Perception (Mean)	Gaps Identified
QUALITY	1.72	1.56	0.16
Is outstanding quality	1.55	1.5	0.05
Is very reliable	1.74	1.43	0.31
I very dependable	1.82	1.7	0.12
Is very consistent	1.77	1.63	0.14
EMOTIONAL RESPONSE	1.84	1.61	0.23
Makes me feel good	1.97	2.22	-0.25
Gives me pleasure	1.80	1.43	0.38
Gives me a sense of joy	1.70	1.38	0.33
Makes me feel delighted	1.83	1.62	0.21
Gives me happiness	1.88	1.4	0.48
MONETARY	1.98	1.68	0.3

PRICE			
Is a good buy	2	2	0.00
Is worth the money	1.80	1.22	0.58
Is fairly priced	1.85	1.5	0.35
Is reasonably priced	2.00	1.67	0.33
Is economical	2.42	1.75	0.67
Appears to be good bargain	1.86	1.5	0.36
BEHAVIORAL PRICE	1.97	1.57	0.4
Is easy to buy	1.67	1.5	0.17
Required little energy to purchase	1.81	1.33	0.48
Is easy to shop for	1.93	2	-0.07
Required little effort to buy	2.42	2	0.42
Is easily bought	2.02	1	1.02
REPUTATION	2.29	1.96	0.33
Has good reputation	2.31	2.20	0.11
Is well respected	1.69	1.5	0.19
Is well thought of	2.07	2	0.07
Has status	2.58	1.75	0.83
Is reputable	2.81	2.33	0.48

Table 1: Participants' perceptions of the service experience

VI. FINDINGS

A. Identification of the PUVs

Scales values of the questionnaire ranges from Strongly agree (1) to Strongly disagree (5). Thus, the higher the mean score, lower the level of agreement associated with that aspect. From the calculations obtained, if first five higher value aspects are considered they are attributes in the order of the following ranking

1. Outstanding quality(Quality),
2. Easy to buy (Behavioral Price),
3. Well respected (Reputation),
4. Sense of joy (Emotional Response)
5. Reliability (Quality).

The reliability statistics test produced a Cronbach's Alpha of 0.915 which makes it reliable. These are the factors customers are considering as high value and can be considered as the Order Winners of the hotel taken for the study. This can be thought of as the reason for the major repeated visits the hotel is achieving. These are the top Perceived User Values that the customers regard as important and on which they evaluate a firm's service. The other factors in the Table 1 can be considered as the Order Qualifiers needed for a full-service hotel and it can be seen as below. From the Figure 1 below lower the PUV values higher the agreement from customers.



Figure 1: PUVs values in the increasing order

If the 5 SERV-PERVAL dimensions are considered, the PUVs comes in the order of quality, emotional response, behavioral price, monetary price and reputation. Thus, the quality is the main factor that the customers are giving importance to and thus it will have an influence on repurchase intentions.

B. Gap Identification

From Table 1, the difference in the mean values of customer expectation and management perception is calculated. A graph has been plotted for the same, depicting the major gaps that has been identified.

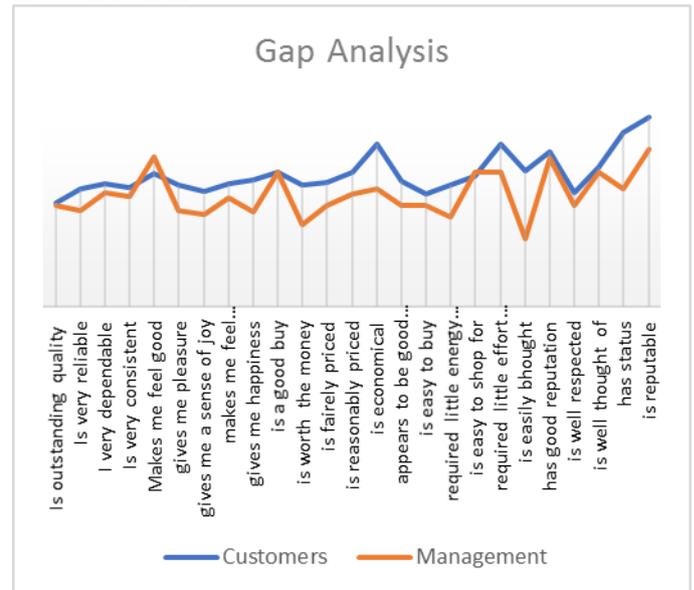


Figure 2: Gap identification between customer expectation and management's perception of values

The same can be plot for the primary construct of the scale as below.

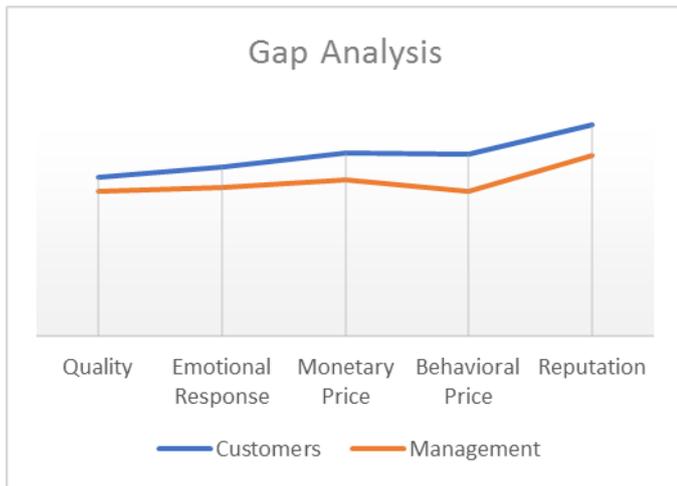


Figure 3: Gap identification of main construct

The top large five gap for the sub-construct identified are as follows in the descending order:

1. Is easily bought (Behavioral Price)
2. Has status (Reputation)
3. Is economical (Monetary Price)
4. Is worth the money (Monetary Price)
5. Gives me happiness (Emotional Response)

By taking the top five aspects for analysis it is found that the main discrepancies between the customer's expectation and management's perception of values comes from accessibility of hotels. That is, management thinks that their service is easily bought, but the customers thinks its difficult. Similarly it applies to the status factor. The management thinks that the hotel has high status among the customer, but it is not found to be so from the customers responses. Accordingly, the gap lies in the above mentioned aspects. Further gaps can be found from Figure 2 and its respective value from Table 1. The gap between the main construct can be analysed from Figure 3 and the order of gap value in the descending order is as follows:

1. Behavioral Price
2. Reputation
3. Monetary Price
4. Emotional Response
5. Quality

Thus in order to be competitive among the hotel industry, the selected hotel has to focus on the aspects having higher value of gaps and proper measures or strategies can be taken to reduce the gap. It can be found that accessibility is among the top PUVs and there exist a gap in the same. This shows that customers have given more importance to it and changes are required to reduce the gap. Since it have direct impact on the repurchase/revisiting behavior.

Thus analysing the difference will be very useful for assessing the levels of service quality that any organisation is providing. These gaps will eventually help managers diagnose where performance improvement can best be focused.

C. Possible Potential Strategic Directions

By separating the price from the top PUVs, a useful model for finding and assessing current and future strategies can be formulated (Bowman 1998). This allows the possibilities of competing to other full-service hotels by more than simply being differentiated or cheaper. The answer to be found out here is to understand in which direction the strategy can be adopted. The direction can be plot with PUV against price. The preferred strategy can be either to increase/decrease the PUV or price, and later on where the major operations shall be changed to gain that strategic direction. For that, the PUV and price of a competitor full-service hotel in the same location is analyzed from an expert interview. Separate graphs for the identified PUVs are plot and for that the price is initially normalized to be 'less than the competitor' and 'greater than the competitor'. Consider X as the PUV of current hotel and Y be the PUV of the competitor hotel which is considered to be a market leader.

	Firm's Position w.r.t Competitors Position		
	Case I $X < Y$	Case II $X = Y$	Case III $X > Y$
Strategy Adopted	Increase PUV keeping price constant	Increase PUV	Increase price keeping PUV constant
	Increase PUV and increase price up to competitor price	Decrease PUV (discount)	

By analyzing the competitor price and PUVs, with respect to the identified top PUV in this study it is found that the current hotel is doing better than the competitor in its PUVs 'easy to buy' and 'sense of joy'. On the other hand the competitor hotel is performing well in PUVs 'outstanding quality', 'well respected' and 'reliability'. By taking this difference into account, a potential strategy for each PUVs can be adopted upon which the current hotel could perform well as below.

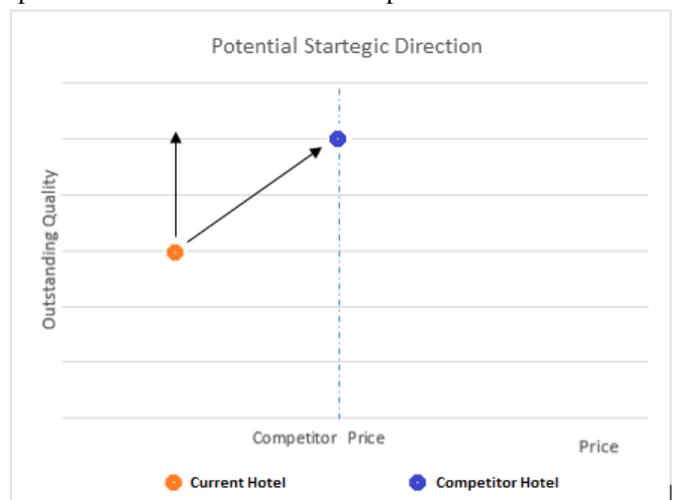


Figure 4: 'Outstanding Quality' Vs Price



Figure 5: 'Easy to Buy' Vs Price

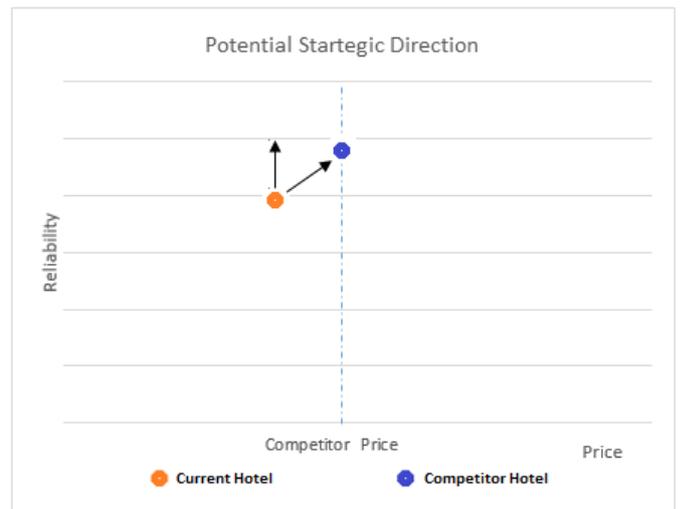


Figure 8: 'Reliability' Vs Price

From Figure 4,6 and 8 it is found that the PUVs of competitor are high. Thus, the chosen hotel can shift its strategic direction as in figure either by increasing PUV to the competitor's level keeping price constant, or, by increasing both PUV and price up to competitor's level. From Figure 5 and 7 it can be found that the PUVs of competitor is lower than the chosen hotel. Hence, this hotel can shift its strategic direction as in figure by increasing price by competitor level keeping PUV constant.

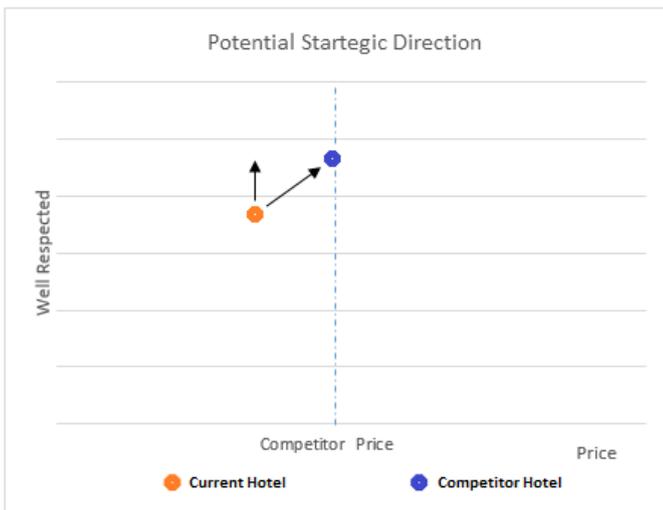


Figure 6: 'Well Respected' Vs Price

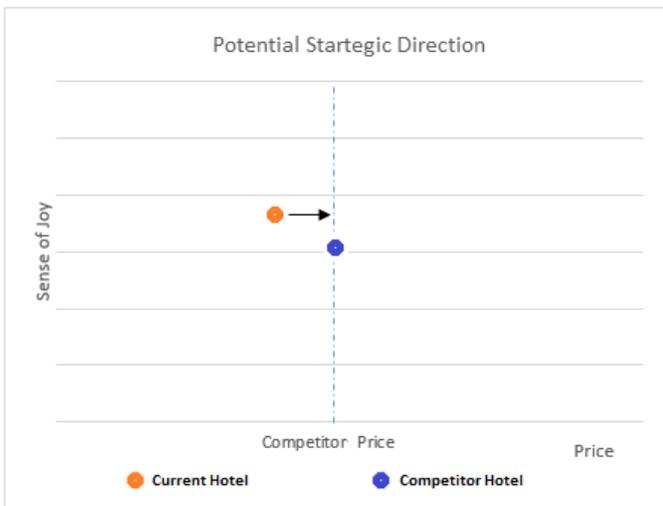


Figure 7: 'Sense of Joy' Vs Price

VII. CONCLUSION

Theoretically, this research is important mainly due to two reasons. First, it highlights the importance of strategy making using perceived value constructs. Second, it discusses the relationship existing between several full-service hotel aspects including status, recreation, hospitality etc. The PUVs were identified, expectation and perception gap was analyzed and the strategic direction was plot. This will pave way for a better understanding of the value perceptions and areas on where various strategies can be adopted with respect to the performance of the competitor.

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