

Globalization or localization of consumer preferences: The case of hotel room booking

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Abstract

The purpose of this study is to investigate potential differences in attitudes between Chinese and Western tourists toward various hotel room reservation policies. The study is meant to help the revenue managers of international hotel companies make informed choices on whether to pursue a globalized or a localized approach in the design of hotel room rates and rate restrictions. Three ranges of room prices and four types of rate restrictions are evaluated. The rate restriction policies considered are: a) rule type, b) advance requirement, c) refundability, and d) changes allowed. The results of customer surveys show that the Chinese and Western respondents do not express significantly different preferences concerning room rates, advance requirement, rule type, or refundability. They differ significantly only concerning the changes allowed policy. This result indicates that revenue managers of international hotel companies can take a globalized approach in designing rate restrictions. The identification of these customer preferences provides hotel revenue managers with empirical data on the attitudes of culturally diverse consumers, and this information can enable the design of hotel pricing policies that attract consumers in the global market.

Keywords: globalization, localization, hotel room booking, conjoint analysis.

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1. Introduction

As international hotel companies serve an increasingly multi-cultural market, they must design their products to appeal to customers of different tastes and preferences across the world. This study examines the design of hotel room rates and rate restrictions, and seeks to evaluate whether revenue managers of international hotel companies should design their rates and rate restriction policies by pursuing a globalized or a localized approach.

International hotel chains were formed after World War II, and have expanded greatly since then (Cline, 2002). The hotel industry is often perceived as one of the most globalized in the service sector industries (Mace, 1995; Litteljohn, 1997; Whitla, Walters, & Davies, 2007; Yu, Byun, & Lee, 2013). Cline (2002), Whitla *et al.* (2007) and Yu *et al.* (2013) indicate that the hospitality industry is at the core of the globalization of international business. Therefore international hotel companies need to consider their business strategies in a global context. These companies must prepare to deal with questions arising due to a changing global environment.

Many factors are driving the world toward greater globalization (Hjalager, 2007; Holt, Quelch, & Taylor, 2004). These factors include the rise of worldwide networks for investment, production, and marketing, advances in telecommunication technologies and the Internet, increases in world travel, and the growth of global media (Ozsomer & Simonin, 2004; Steenkamp & Ter Hofstede, 2002; Stremersch & Tellis, 2004; van Everdingen *et al.*, 2005; Whitla *et al.*, 2007; Yu *et al.*, 2013). Globalization involves the homogenization of international markets and an increasing similarity in the needs and habits of international customers (Mattila, 1999; Steenkamp & De Jong, 2010). Using globalized strategies can help international companies create consistent brand images worldwide and use their resources more efficiently (Harris, 1994; Mueller, 1991; Steenkamp & De Jong, 2010).

However, any attempt to globally standardize service delivery may encounter difficulties (Hjalager, 2007; Lee, 2011; Lovelock, 1996). Zhou and Belk (2004) argue that every market is unique, and a globalized approach cannot adequately take account of the cultural differences in various markets. Ger and Belk (1996) propose a localized approach, based on the continued desire for maintaining local culture. Indeed, it is clear that many people prefer local consumption imagery, because they can more easily identify with local lifestyles, values and attitudes (Crane, 2002). Some studies suggest that neither consumption nor marketing can be made globally uniform (e.g. Mazzarella, 2003; Mueller, 1991). These studies emphasize the powerful influence of local cultures, and demonstrate how customers are hybridizing or “glocalizing” a mixture of global and

local cultural influences (Friedman, 1996; Hermans & Kempen, 1998; Holton, 2000; Ritzer, 2003, 2004, 2007; Steenkamp & De Jong, 2010; Turner, 2003).

For large and well-established international hotel companies that have circled the world in their quest for new opportunities, globalization has been a strategic concept for a number of years (Cline, 2002; Yu & Gu, 2005; Yu *et al.*, 2013). Possible benefits of this globalized approach include consistent hotel brand delivery, savings in marketing resources and greater administrative efficiency (Aliouche & Schlenrich, 2011; Jansen-Verbeke, 1996; Sutthijakra, 2011). However, these companies are also experiencing a countervailing trend, as many consumers, including both tourists and business travelers, seek unique services that reflect their local cultures, lifestyles, and customs. In response, some international hotel companies have begun to design their business strategies to fit the special needs and distinct tastes of consumers in particular regions (Cline, 2002, Yu *et al.*, 2013). This localized management approach might require international hotel companies to invest large amounts of time and resources for research and development in an effort to better understand and respond to specific local markets. More professional hoteliers may be needed to effectively implement localized strategies in different regions. Such decentralized strategies can put hotel management into a closer dialogue with local consumers (Cline, 2002; Yu *et al.*, 2013).

Jansen-Verbeke (1996) and Krossa (2009) argue that the globalization of consumer preferences does not necessarily imply convergence in management practices. Globalization (or convergence) and localization (or divergence) are two extremes in the formation of company strategies. Companies often find themselves somewhere in the middle, on the continuum between these two extremes (Jansen-Verbeke, 1996; Yu *et al.*, 2013). The question is whether the management strategies of international hotel companies should be globalized, localized, or glocalized.

This study acknowledges the distinct cultural contexts of Chinese and Western customers (Dai *et al.*, 2013; Hofstede, 1980, 2001, 2003; Hsieh & Tsai, 2009; Kim *et al.*, 2010; Li *et al.*, 2011; Niu & Sternberg, 2001; Wang & Mattila, 2011; Wu & Keysar, 2007; Yan & McCullagh, 2004), and seeks to investigate whether the perceptions of Chinese and Western consumers differ regarding the room rates and rate restrictions that apply in hotel room bookings. This investigation aims to provide the revenue managers of international hotel companies with empirical results concerning the preferences of culturally diverse consumers toward various hotel pricing policies. The results may help these companies to attract consumers in the global market.

2. Literature Review

The literature review for this study includes five sections. The first section introduces the concepts of globalization, localization, and glocalization. This section also reviews the

ongoing globalization debate. The second section explores how the globalization debate relates to the hospitality industry, which is widely perceived as one of the most globalized industries in the service sector. The third section introduces rate restrictions used in the hotel industry and how customers' perceptions of hotel pricing policies might be influenced if those restrictions are not well designed. The fourth section discusses critical issues related to cultural differences in business practices. The last section presents the research hypothesis and the contributions of this study.

2.1 Globalization, Localization and Glocalization

The concept of globalization is built based on the assumption that people desire the same products and lifestyles no matter where they live, so that multinational companies may use a common management strategy for all of the countries in which they operate (Zhou & Belk, 2004). Levitt (1983) is among the first that introduced globalization as a concept, claiming that the world has become one common marketplace. Hannerz (1990, p. 237) also notes that an emerging "world culture" has resulted from the "increasing interconnectedness of varied local cultures as well as through the development of cultures without a clear anchorage in any one territory". Robertson defines globalization as a "crystallization of the world as a single place" (1987a, p. 38) and as "the emergence of the global human condition" (1987b, p. 23). Furthermore, Robertson (1992) explains that globalization is a reflexive process that weaves the world into a single place through the increased interaction between different orders of life. The development of new technology allows mass media to become universally available to consumers, and this combines with cross-border tourism and labor mobility to make all cultures available globally (Holt *et al.*, 2004; Ritzer, 2007; Yip, 2003). All of these market trends lead to a homogenization of consumer needs (Alden *et al.*, 1999, 2006; Jain, 1989; Levitt, 1983). Alden *et al.* (1999) and Ritzer (2007) recognize the emergence of a global consumer culture. In addition, the trends of marketing standardization, intercultural collaboration and coordination, internationalization of industries, cross-border competition and worldwide market participation all facilitate the emergence of a global consumer culture (Levitt, 1983; Ritzer, 2007; Yip, 1995, 2003; Zou & Cavusgil, 2002). Consistent with the globalization trend, many international companies begin to utilize a global approach, in which companies market their products on a global basis to take place of the traditional multi-domestic approach, in which local subsidiaries market local products to the local markets (Kotabe & Helsen, 2010). For example, Gillette, positions its "Sensor" shaving system as appropriate for all men around the world ("The Best a Man Can Get"); Sony, advertises its products to all young people ("My First Sony"); and Benetton's slogan emphasizes the unity of humankind ("The United Colors of Benetton") (Alden *et al.*, 1999). In another study, Schuiling and Kapferer (2004) indicate that Procter and Gamble and Unilever put their investments on products with global potentials. As argued by

Ghemawat (2007), international companies can gain competitive advantages through a focus on global strategy and international standardization of global products.

On the other end of the spectrum are proponents of localization. Although globalization has attracted worldwide interest in the last decade, it can only offer limited explanation for organization behavior (Coca-Stefaniak, Parker, & Rees, 2010; Humbert, 1993). . Hansen (2002, p. 15) defines localization as a “[set of] processes through which the forces of globalization are accommodated, resisted and absorbed, and given expression in any particular context”. A series of empirical studies have been conducted to investigate this novel strategic concept in the business and management literature. Kotler (1986) argues that the success of McDonald’s, Pepsi-Cola, Coca-Cola, etc. is based on variation, which means not offering the same products everywhere around the world. Watts (1996, p. 64) further states that “globalization doesn’t so much mark the erasure of place but in a curious way contributes to its revitalization”. Wood and Grosvenor (2003) take Cadbury’s expansion into the Chinese market as an experiment, to investigate whether a company needs to modify its products, production process, product names and other factors to compete in a new local market. In another study, Yahagi and Kar (2009) examine the global success of the Seven-Eleven Group and the result shows that the success is largely dependent on the company’s localized strategies. These cases stress the continued desire of customers to maintain their local culture, because people in different markets have different goals, needs, uses for products and ways of living (Crane, 2002; Harris, 1994; Mueller, 1991; Steenkamp & De Jong, 2010). In addition, lack of understanding of local factors could lead to the failure of multinational companies in their expansion process (Bhattacharya & Michael, 2008). The concept of “glocalization” is a hybrid in-between strategy that embraces elements of global culture and integrates them, to a greater or lesser degree, into local culture (Alden *et al.*, 2006). Robertson (1995, 1996) developed the term “glocalization” to point out that global forces do not override locality and that homogenization and heterogenization are both important features of modern life. Ritzer (2003, p. 193) defines this process of glocalization as “the interpenetration of the global and the local, resulting in unique outcomes in different geographic areas.” For example, McDonald’s uses hybrid, glocalized approaches to incorporate local food preferences and lifestyles by serving “Kimchi Burgers” in Korea, beer in The Netherlands, and wine in France (Alden *et al.*, 2006). Advocates of glocalization argue that consumers often “draw from all available global and local, new and old sources as they use products to position themselves in the local age, gender, social class, religion and ethnic hierarchies” (Ger & Belk, 1996, p. 294).

At least since the global marketplace concept was proposed by Levitt (1983), debate has continued over whether international companies should take a globalized, glocalized, or localized management approach during their worldwide expansion process (Coca-Stefaniak *et al.*, 2010; Ritzer, 2003, 2004, 2007; Steenkamp & De Jong, 2010; Yu *et al.*,

2013). Coca-Stefaniak *et al.* (2010) point out that the interaction between global and local factors can often be complex and difficult to predict. Ritzer (2004) further states that a detailed framework for understanding the particular whens, hows and types of hybridization must go beyond simply noting the trend toward hybridization. Steenkamp and De Jong (2010) conducted a global investigation into the constellation of consumer attitudes toward global and local products involving 13,000 respondents from 28 countries, and suggest international companies should be careful in relying too much on globalized approach because this strategy may not work well with large segmentations of consumers. Coca-Stefaniak *et al.* (2010) examine the “localization” impacts on the business practices and marketing strategies of small retailers in Spain and Scotland, with the purpose of helping lessen the gap between the concepts of globalization and localization. This research highlights the importance of personal relationships in the localization process and asks for bringing the influence of diversity and richness of cultural mosaics between customers and businesses into consideration in future studies.

2.2 The Hospitality Industry in the Age of Globalization

Globalization provides customers the freedom of choices through intense competition in industries such as the international hotel industry (Cline, 2002; Whitla *et al.*, 2007; Yu *et al.*, 2013). The Internet revolutionizes information flow among individuals (Christodoulidou, Brewer, & Countryman, 2007; Phelan, Christodoulidou, Countryman, & Kistner, 2011) and accelerates the process of globalization (Yu *et al.*, 2013). Globalization brings international hotel companies lots of positive factors, such as increasing sales, acquiring inexpensive resources and labor force when operating in different places, and building brand recognition all over the world (Yu & Gu, 2005). Maintaining such notable growth requires hotels to conduct their business with operators and customers of different cultures around the world (Mohsin, 2006). However, the phenomenon of localization also provides unique encounters to customers at the local level in the hotel industry for meeting growing demand (Hjalager, 2007; Lee, 2011). Hence, achieving a balance among globalization, localization or glocalization is a significant task for international hotel companies (Alden *et al.*, 1999; Akaka & Alden, 2010; Coca-Stefaniak *et al.*, 2010; Holt, 2002; Merz *et al.*, 2008; Ritzer, 2003, 2004, 2007; Steenkamp & De Jong, 2010; Yu *et al.*, 2013; Zou & Cavusgil, 2002).

Many hospitality studies have investigated the extent to which international hotel chains actually pursue global strategies (Whitla *et al.*, 2007; Yu *et al.*, 2013). A number of issues facing international hotel operators have been reviewed and examined, including entry mode strategies (Litteljohn & Roper, 1991; Quer, Claver, & Rienda, 2012; Slattery, 1996), hotel group image (Aliouche & Schlenrich, 2011; Hjalager, 2007), and international marketing strategies (Alexander & Lockwood, 1996; Crawford-Welch, 1991; Sutthijakra, 2011). In particular, Go and Pine (1995) propose that certain key factors are driving the development of global strategies in the hospitality industry, and Go

et al. (1996) investigate the global operations strategies of the Four Seasons group. These studies indicate three main conclusions. First, it is important to offer a balanced global presence involving both urban and resort hotels. Second, this requires creating policies that integrate international value-added activities in areas like training and purchasing. Third, hospitality companies need to emphasize the development of global brands. The findings suggested by Go and Pine (1995) as well as Go *et al.* (1996) also indicate that implementing such policies involves a complex reorganization of many operational activities.

Whitla *et al.* (2007) argue that although these previous studies are useful, no empirical research has been conducted to systematically evaluate the extent to which major international hotel chains are integrating their activities on a global basis. Mohsin (2006) is concerned that customers with different cultural backgrounds hold different service expectations. Hotel guests have become more culturally diverse and demand quality experience (Holjevac, 2003; Ivanovic & Galicic, 2007). Therefore, hotels and other hospitality industries are faced with the challenges of cross-cultural service encounters, and continuously need to assess their service performance from diverse perspectives. Mohsin (2006) further proposes the necessity of comparing Asian and Western customers' perceptions of hotel services. This proposal stems from Mattila's (1999) and Hofstede's (2003) conclusion that cultural factors are likely to mediate the hotel customers' attitudes toward their hotel experiences. Compared with the Western style of operations, the style of service in Asia is more people-oriented; whereas efficiency of service delivery is more highly valued in the West (Mattila, 1999). Mattila (1999) also notes that although Western customers may accept impersonal service on the condition that it is efficient and time-saving, Asian customers place a primary emphasis on the quality of interpersonal relationships, and the quality of interaction between employees and customers. Therefore, Hofstede's (2003) arguments suggest that the product/service provided by international hotel companies can be customized to each country and/or market. Furthermore, Baker and Hartel (2004) state that according to their differing cultural perspectives, customers may perceive that they are receiving inequitable service on the basis of service provider behavior, and may consequently experience low levels of customer satisfaction.

2.3 Rate Restrictions

Rate restrictions are the rules that hotels use to segment customers and to justify why different customers pay different prices (Mauri, 2007). The main purposes of rate restrictions are to control the demand between peak and off-peak periods, to reward loyal customers, and to arrange the highest-margin business at the busiest times (Kimes & Singh, 2009). Rate restrictions have been widely used in the hospitality industry for a long time. However, rate restrictions are connected to revenue management for the past 21 years after the seminal work of Hanks *et al.* (1992). Well-designed rate restrictions

help hotel guests to self-segment into different rate classes, thereby assisting hotels to effectively attract customers who are willing to accept certain restrictions and conditions in exchange for lower prices (Hanks *et al.*, 1992; Kimes & Wirtz, 2003; Wirtz & Kimes, 2007). Marriott Hotels conducted a series of tests in the United States and parts of Europe between 1990 and 1992, and found that their rate restrictions helped separate business and leisure travelers, were accepted by customers, were easy to understand, and were attractive to customers who would not usually choose to stay with Marriott (Hanks *et al.*, 1992). Hanks *et al.* (1992) further conclude that using a rate-restriction system allows hotels to use yield management for 100% for their inventory.

Hotel pricing policies and related rate restrictions have been shown to be directly related to maintain customer satisfaction and loyalty, and long-term corporate profitability (Kahneman *et al.*, 1986; Kimes & Wirtz, 2003; Yoo *et al.*, 2011). These pricing policies often result in a variety of room rates even for identical services. Furthermore, those rates may be perceived differently depending on the characteristics of customers, which will ultimately affect their purchase decisions (Beldona & Kwansa, 2008). Kimes (1994) cautions that by imposing rate restrictions, hotels take away some of the values that customers gain from the transaction so that hotels have to offer customers enough to correct that imbalance. Otherwise, customers might perceive this transaction unacceptable and hotels might lose these customers at the end.

2.4 Cultural Differences

A number of related studies indicate that cultural differences may lead to critical issues for international marketing, communications and promotions (Chau *et al.*, 2002; Kale, 1991; Le Meunier-FitzHugh & Piercy, 2010; Mooij, 2005; Tian & Borges, 2011). As stated by Wang and Mattila (2011), customers' cultural background is an important factor because culture shapes how people think and perceive an event. Triandis (1990) notes that the most important cultural dimension affecting consumer behavior lies in individualism versus collectivism, which is one of the five dimensions of national culture identified by Hofstede (2001). Individualism is more valued in the Western cultures, e.g., the American culture, while collectivism is more valued in Eastern cultures, e.g., Chinese culture (Kim *et al.*, 2010). Lots of studies indicated there are differences in perceptions and cognitions between Western and Asian customers (e.g., Kim & Kim, 2010; Naor *et al.*, 2010; Nisbett *et al.*, 2001). Therefore, in the hospitality context it is reasonable to expect differences between Western and Chinese customers in their reactions to hotel pricing policies.

Having conducted an online literature search, only four studies are found in the hospitality literature to investigate Asian customers' perceptions of hotel pricing policies. First, Kimes and Wirtz (2003) conducted an international study to assess the perceived fairness of rate fences in the restaurant industry among North American, Asian, and

European customers; and the researchers found that Asian customers perceive revenue management practices to be less fair than consumers from North America and Europe. Choi and Mattila (2006) examined the perception of the fairness of hotel room pricing between US and Korean customers, and concluded that US customers perceive the variable pricing practice of hotels to be fairer than Korean customers. In another study, Mattila and Choi (2006) argued that providing information on a hotel's pricing policy had a relatively more positive effect on Koreans than on their US counterparts. In a more recent study, Denizci Guillet and Xu (2012) make the first attempt to investigate the relative importance that customers attach to detailed rate fences in the airline industry. Through conjoint analysis, they found that Chinese leisure travelers perceive advance purchase to be the most important rate restriction for airfares, followed by price, refundability, and changes allowed.

2.5 Research Hypothesis and Study Contributions

Concerning the specific case of hotel pricing policies, this study examines the perceptions that customers of different cultural backgrounds have regarding hotel room rates and rate restrictions related to hotel room bookings. In acknowledging the distinct cultural contexts of Chinese and Western customers (as noted by Dai *et al.*, 2013; Hofstede, 1980, 2003; Kim *et al.* 2010; Li *et al.*, 2011; Niu & Sternberg, 2001; Wu & Keysar, 2007; Yan & McCullagh, 2004), this study further investigates whether Chinese and Western consumers' preferences differ concerning the hotel room product. In other words, this study aims to provide revenue managers of international hotel companies with empirical results that can help them understand whether their pricing policies should pursue a globalized or a localized approach, as they seek to attract more consumers in the global market.

Due to the distinct cultural characteristics of Chinese and Western customers, it was expected that there would be significant differences in the values that Chinese and Western respondents attached to the same rates and rate restrictions. The following five hypotheses were accordingly formulated:

H₁ = There is a significant difference in the importance that Chinese and Western customers attach to room rates.

H₂ = There is a significant difference in the importance that Chinese and Western customers attach to advance requirement restrictions.

H₃ = There is a significant difference in the importance that Chinese and Western customers attach to rule type restrictions.

H₄ = There is a significant difference in the importance that Chinese and Western customers attach to refundability restrictions.

H₅ = There is a significant difference in the importance that Chinese and Western customers attach to changes allowed restrictions.

3. Methodology

3.1 Sampling and Data Collection

This study involved a target sample of Chinese and Western leisure customers who were visiting Hong Kong. A convenience, non-probability method of sampling was used. All questionnaires were collected at the most popular tourist attraction, the Avenue of Stars, in Hong Kong. Based on Hong Kong Tourism Board's 2012 Annual Report, the Avenue of Stars attracted almost 28% of all visitors to the city and ranked top of Hong Kong's most popular attractions (HKTB, 2012). Two screening questions were asked to the respondents. The first screening question intends to ensure that they were from mainland China, the United States, Canada, or Europe. As the purpose of this study is to investigate the perceptions of leisure travelers, the second screening question was asked to make sure that the respondents were leisure travelers to Hong Kong. The data collection period spanned two months from June to August in 2012 as these two months are the peak seasons in Hong Kong with the highest tourist arrivals and hotel occupancy rates (HKTB, 2011). The sample set size was 1,000 (500 Chinese leisure travelers and 500 Western leisure travelers). In total, 1,030 questionnaires were collected (counting 30 questionnaires that were invalid due to missing data). Each respondent took about 15 minutes on average to complete the questionnaire and subsequently received a small gift.

3.2 Questionnaire Design

A questionnaire was used as the data collection instrument, and conjoint analysis was the principal data analysis method. Conjoint analysis is a widely used method for identifying and understanding the combined effects of product attributes on customer preferences for a product or service (Hobbs, 1996). Normally, the multiple-factor full-concept approach is used for data collection in conjoint analysis (Koo *et al.*, 1999).

Hanks *et al.* (1992) summarized the rate fences tested by the Marriott hotel chain to be rule type, advance requirement, refundability, changes allowed and required time of stay. As each rate fence has a minimum of two layers, the various combinations of rates fences and their various layers are too many to feasibly use all the rate fences proposed in Hanks *et al.*'s (1992) study. Hence, four most widely used rate restrictions identified by Hanks *et al.* (1992) were adopted to generate a set of combinations for respondents to rank according to their preferences. These kinds of rate restrictions are as follows:

- Rule type, which refers to requirements for either advance reservations or advance purchases;
- Advance requirement, which refers to requirements that reservations to be made 7, 14, 21 or 30 days in advance;
- Refundability, which includes the policy options of: a) no refund, b) a percentage refund, c) a fixed-dollar refund, or d) a full refund; and
- Changes allowed, which includes the policy options of a) no changes allowed, b) change allowed for dates of stay, but not in the number of room-nights, c) unlimited changes with no refund, or d) unlimited changes allowed.

These options for rate restrictions were presented to the respondents, along with the room rates.

The three options for room rates used in this study were selected from the Hong Kong Hotel Room Occupancy Report, 2011 (HKTB, 2012). For high-tariff B hotels, the highest room rate was 1,386 HKD per night, the lowest rate was 947 HKD and the average rate was 1,129 HKD. The currency exchange rate used was 1 USD = 7.76 HKD (Google Finance, 2012).

Because one of the rate restrictions involves two levels of fees, and the other three rate restrictions involve four levels of fees, together with three different room rates, the possible number of different combinations of room rates and rate restrictions should be $3 \times 4 \times 4 \times 4 \times 2 = 384$, which is an overwhelming number of options for respondents to rank. The SPSS conjoint method uses a fractional factorial design to generate a smaller fraction of all possible alternatives, by considering only the main effects and assuming the interactions to be negligible (Green, 1974). The SPSS further used a balanced orthogonal design to decrease the combinations of room rate and rate fences “without sacrificing the predicting power contained in the original design” (Ding, Geschke, & Lewis 1991, p. 9). By running the orthogonal design, it is necessary to determine the number of profiles that the study needs to have from a fractional factorial design. Based on the calculation method recommended by Xu and Yuan (2001), the number of profiles should equal at least 1.5 times the number of parameters. The number of parameters is determined by the formula $n(k-1)+1$ where n =the number of attributes, and k =the number of levels for each attribute. With five attributes having average 3.4 levels each for this study, there would be eleven parameters ($5 \times (3-1)+1=11$), and thus, 16 profiles. Therefore, the fractional factorial design was applied, and generated 16 combinations of rates and rate restrictions for the respondents to rank.

The questionnaire had three sections. The first section was designed to obtain information on the respondents’ travel behavior, including the type of hotel they typically stayed in, their frequency of stays per year, their average length of stay per visit, their perceived level of travel experience and their preferred number of days for advance reservation. The

second section included the 16 combinations of hotel rates and rate restrictions generated by the SPSS conjoint analysis method. Each set of attribute levels was then presented to the respondents in the form of an individual product profile. The respondents were expected to rank the combinations from the most preferred to the least preferred. A brief introduction to the rate restrictions and related definitions was provided as background information. The third section included socio-demographic questions.

The questionnaire was originally prepared in English and then translated into simplified Chinese, also known as Mandarin. The back-to-back translation method was used to ensure translation validity (Behling & Law, 2000; Wilson, 2010). Back-to-back translation minimizes misunderstanding caused by the differences of expression between languages. Pre-tests were conducted to ensure that the Chinese version conveyed the same meaning as the English version, and that the translation did not affect or distort the correct understanding of the questionnaire. The wording of the questionnaire was changed according to the issues raised in the pre-tests.

4. Findings

4.1 Socio-demographic Characteristics and Travel Information of the Respondents

Table 1 shows a comparison of the socio-demographic status and travel information of the respondents. The Chinese and Western respondents differed slightly in their gender distribution: 46.4% of the Chinese respondents were male versus 51.0% of the Western respondents. The majority of both the Chinese and Western respondents (60%) belonged to the 26-35 and 36-45 age groups. The educational background of the Chinese and Western respondents differed in distribution. Over 90% of the Western respondents had college or higher-level degrees, whereas only 49% of the Chinese respondents held a Bachelor's degree.

Table 1 – Respondents’ socio-demographic profile and travel information

	Chinese	Western	Total
Gender			
Male	46.4	51.0	48.7
Female	53.6	49.0	51.3
Age			
Below 26	22.2	18.6	20.4
26 - 35	36.6	45.0	40.8
36 - 45	21.6	20.6	21.1
46 - 55	12.0	10.8	11.4
56 or above	7.6	5.0	6.3
Education Level			
Primary school or below	6.4	1.2	3.8
Secondary/high school	29.8	7.4	18.6
College/university	49.4	67.4	58.4
Graduate level or higher	14.4	24.0	19.2
Hotel category for stay			
Budget or economy hotel	44.6	22.2	33.4
Medium level hotel (3 Star)	28.0	41.2	34.6
Upscale hotel (4 Star)	22.8	29.0	25.9
Luxury hotel (5 Star)	3.2	6.4	4.8
Frequency of stay at hotels in a year			
1-3 times	53.6	31.8	42.7
4-6 times	26.0	41.6	33.8
7-9 times	8.0	11.0	9.5
More than 10 times	11.8	15.6	13.7
Average length of stay at hotels			
1 day	15.6	2.2	8.9
2-3 days	61.4	46.6	54.0
4-5 days	16.2	30.6	23.4
6-7 days	4.6	14.4	9.5
More than 1 week	1.8	6.2	4.0
Perceived travel experience			
Not experienced or below	19.0	13.2	16.1
About average	44.6	25.0	34.8
Experienced or above	36.0	61.4	48.7

Note: All numbers are in percentage.

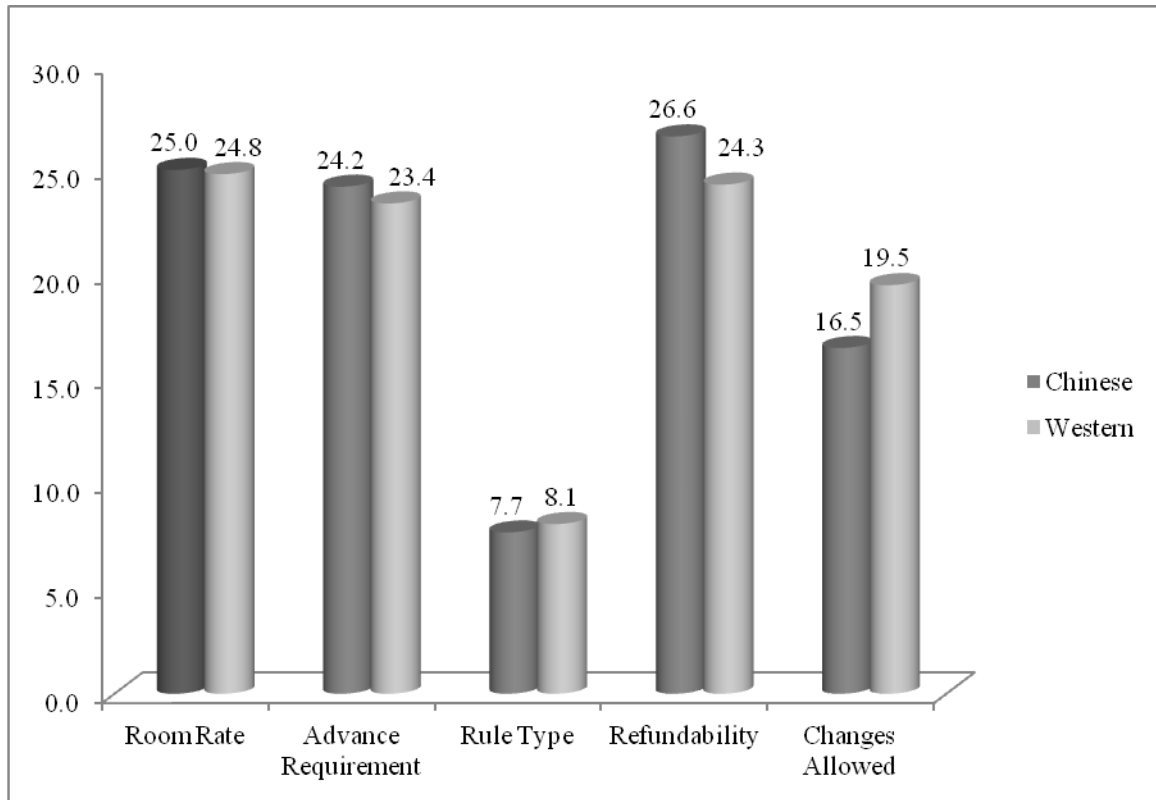
Concerning the respondents’ travel patterns, 44.6% of the Chinese respondents chose to stay in budget or economy hotels, whereas around 70% of the Western respondents selected medium level (3 star) or upscale (4 star) hotels. More than half of the Chinese respondents (53.6%) stayed in hotels less than three times per year, whereas many of their Western counterparts (41.6%) stayed in hotels between four and six times per year. The most popular average length of stay in hotels among the Chinese respondents was two or three days (61.4%), whereas it was four to seven days for most Western respondents (77.2%). When asked about their perceived levels of travel experience, around 45% of the Chinese respondents stated that they had an average amount of travel

experience, and 61.4% of the Western respondents described themselves as experienced or highly experienced travelers.

4.2 Utility Scores and Partial Utility Scores

Conjoint analysis produces several important results (Levy, 1995), one of which is the utility scores of attributes. These scores are the numerical values that customers give to an attribute. Low-utility scores represent less value and high-utility scores represent greater value. The range of each attribute's utility is computed as a percentage, so that the total utility of all attributes should be 100% (Orme, 1998). Figure 1 shows the results of this analysis. In terms of the utility of various hotel rate and rate restriction options, the Chinese respondents assigned the highest utility to refundability (26.6%), followed by price (25%) and advance requirement (24%). In contrast, the Western respondents placed the most importance on price (24.8%), followed by refundability (24%) and advance requirement (23.4%). Both the Chinese and Western respondents placed less value on the rule type and changes allowed rate restrictions.

Figure 1 Average Importance Values of Attributes



A partial utility score represents the importance that customers attach to each specific level of attributes in a conjoint profile. Hair *et al.* (1998, p. 420) conclude that “the higher a part-worth (either positive or negative), the more impact it has on overall utility”. The survey’s partial utility scores are shown in Table 2. The preferences among attribute levels are similar for the Chinese and Western respondents for each attribute. For instance, all respondents preferred the 947 HKD price, which was the lowest room rate among the three rates presented. When intending to make a reservation or purchase, they were most likely to book 7 days in advance, with decreasing numbers of respondents preferring to book 14 days, 21 days, or 30 days in advance. In terms of rule type, the respondents were more likely to choose advance reservation rather than advance purchase. With respect to refundability, both the Chinese and Western respondents ranked the four levels in the order of full refund, percentage refund, fixed-dollar refund and no refund. In terms of changes allowed, all respondents picked unlimited changes as their favorite choice, followed by change of date without change of numbers of nights, unlimited changes with no refund and no changes at all.

Table 2 – Partial utility scores

		Utility		
		Chinese	Western	Total
Price				
	1,386HKD	-1.803	-1.806	-1.805
	1,129HKD	.479	.362	.420
	947HKD	1.325	1.444	1.385
Advance Requirement				
	7 days	1.108	.732	.920
	14 days	.314	.336	.325
	21 days	-.327	-.405	-.366
	30 days	-1.095	-.663	-.879
Rule Type				
	Advance purchase	-.492	-.514	-.503
	Advance reservation	.492	.514	.503
Refundability				
	None	-1.487	-1.435	-1.461
	Percentage refund	-.040	-.002	-.021
	HKD refund	-.213	-.173	-.193
	Full refund	1.741	1.610	1.675
Changes Allowed				
	None	-.397	-.572	-.484
	Change the date but not the number of nights	.167	.202	-.017
	Unlimited with no refund	-.195	-.270	-.233
	Unlimited	.426	1.044	.735

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(Constant)		4.951	4.952	4.951

Note: The highest utility scores of each attribute are in bold.

1. Advance requirement refers to room reservations or purchase 7, 14, 21, or 30 days in advance.
2. Rule type refers to an advance purchase or advance reservation requirement.
3. Refundability refers to the level of refund received in case of cancellation. It includes no refund, a percentage refund, a fixed Hong Kong dollar refund, and a full refund.
4. Changes allowed has four categories: no changes allowed, customers can change the date of stay but not the number of nights, unlimited changes are allowed with no refund, and unlimited changes are allowed without any restrictions.

4.3 Results of the Hypothesis Tests

The hypotheses of this study were set to determine whether there is a significant difference in the importance that Chinese and Western customers attach to room rate, rule type, advance requirement, refundability and changes allowed when making hotel reservations. To analyze the results, a series of Kolmogorov-Smirnov tests were conducted to determine whether the attributes were normally distributed. The results indicated that all of the attributes' importance values were non-normally distributed. Consequently, the non-parametric Kruskal-Wallis test was used to test the hypotheses. The Kruskal-Wallis test can be regarded as a non-parametric alternative to repeated-measures ANOVA (Green *et al.*, 1999). Table 3 presents the results of the Kruskal-Wallis test, which indicate that the importance values for the attribute changes allowed differed significantly between Chinese and Western consumers.

Table 3 – Result of Kruskal Wallis Test

	Price	Advance Requirement	Rule Type	Refundability	Changes Allowed
Chi-Square	.436	.401	.700	1.257	30.327
df	1	1	1	1	1
Asymp. Sig. (2-tailed)	.509	.527	.403	.262	.000

A series of follow-up Mann-Whitney U tests were then conducted to check for significant differences between all pairs of attribute-importance values. A Bonferroni correction was applied to control for Type I errors across these comparisons. The results of these tests are shown in Table 4. Only one out of the five Mann-Whitney U tests had a significant *p*-value when judged against a Bonferroni adjustment of 0.01 ($0.05/5 = 0.01$). These results indicate that the Chinese and Western respondents did not express significantly different preferences concerning room rates, advance requirement, rule type, or refundability when making hotel reservations. Significant differences were only observed concerning the attribute changes allowed. In this respect, Hypotheses 1, 2, 3 and 4 are rejected, and Hypothesis 5 is supported.

Table 4 – Result of Mann-Whitney U Test

	Price	Advance Requirement	Rule Type	Refundability	Changes Allowed
Mann-Whitney U	121984.500	122109.000	121186.000	119882.000	99869.500
Wilcoxon W	247234.500	247359.000	246436.000	245132.000	225119.500
Z	-.661	-.633	-.837	-1.121	-5.507
Asymp. Sig. (2-tailed)	.509	.527	.403	.262	.000

5. Discussion and Conclusions

The purpose of this study is to investigate whether revenue managers of international hotel companies should design hotel room rates and rate restrictions by pursuing a globalized or a localized approach. The study compares the preferences of Chinese and Western consumers concerning three options for room rates and four kinds of rate restrictions, namely advance requirement, refundability, rule type and changes allowed. The results of this study could enable international hotel revenue managers in pursuing a more culture-appropriate approach in their design of hotel pricing policies.

The most important finding of this study is that Chinese and Western customers do not express significantly different preferences for room rates, advance requirement, rule type, or refundability when making hotel reservations. Significant differences are only observed in the importance given to a changes allowed reservation policy. This finding illustrates that revenue managers of international hotel companies could, and probably should, apply a globalized approach when designing hotel room rates and rate restrictions to attract consumers from distinct cultural backgrounds. However, this finding should be interpreted with caution as pricing is just one part of a marketing and management strategy. For instance, companies can keep the price of their product the same in different markets but still use a localized marketing approach. The crucial point is to understand customers' needs and preferences in different markets. If the preferences and needs are found to be the same after investigation, there is no harm in utilizing a uniform approach. If the result of the investigation is the opposite, then the hospitality firms can look into the possibility of utilizing a localized or glocalized approach.

Cline (2002), Yu and Gu (2005) as well as Yu *et al.* (2013) propose that the hospitality industry is facing an increase of global travelers who prefer uniform products around the world. In this study, Chinese and Western respondents show some differences in their travel behavior (see Table 1). For example, most Western respondents (70.2%) preferred medium or higher-level hotels, but almost half (44.6%) of the Chinese respondents opted to stay in economy hotels. Chinese respondents reported staying in hotels less frequently than their Western counterparts on a yearly basis. When asked about their degrees of travel experience, most Western respondents (61.4%) perceived themselves as well-experienced, whereas almost half of the Chinese respondents (45%) stated that they had average or limited travel experience. Despite these differences in travel behavior, the Chinese and Western respondents in this study attached similar preferences to room rates and rate restrictions (see Table 2). Both the Chinese and the Western respondents preferred the lowest room rates, allowance for room reservations seven days in advance, advance reservation without payment, full refund, and unlimited changes.

Another important implication of this study is that a globalized approach may be more appropriate for international hotel companies, as has been indicated by Whitla *et al.*

(2007). Jansen-Verbeke (1996) states that the hospitality industry is witnessing a growing trend toward standardization. This trend is strengthened by globalized control over buildings, materials and management procedures in individual hotel properties around the world. A globalized approach can lead to many advantages, such as a well-known brand name, a central reservation system and common standards for marketing support and staff training (Witt & Moutinho, 1995). For many hotel chains such as Hilton and Accor, the homogeneity between their affiliated hotels is considered an essential element for achieving overall guest satisfaction and repeat business (Jansen-Verbeke, 1996). Go and Pine (1995) show that many major hotel brands such as Hilton (originating in the USA) and Accor (originating in France) have expanded to international markets around the world. Globalized marketing elements such as hotel name, symbol, slogan and design are important tools to make these companies' service products easily recognized by global consumers (Fung, 1994; Whitla *et al.*, 2007). Whitla *et al.* (2007) also indicate that a uniform global marketing approach, including pricing and promotion policies, should be applied in the development of powerful global brands and common worldwide positioning by international hotel companies.

Apparently, the Chinese and Western customers analyzed in this study are very different in many ways including their socio-demographic background and culture. But the burning question in the context of this study is whether these differences result in different preferences for room rates, advance requirement, rule type, or refundability when making hotel reservations. The findings of this study implies that the answer is no with the exception of one restriction. This should come as a relief to many hoteliers who struggle to hire, train and appoint revenue managers all around the world. It is widely known that it is challenging to find revenue managers today. Based on Kimes' (2011) survey, the top one and two challenging issues to contemporary revenue management adoption is the lack of qualified revenue managers and changes in the global economy. Skugge (2004) states that revenue managers play a crucial role in hotel companies' revenue management success. In another study, Zeni (2003) finds that the value of revenue managers' contributions can add up to 3 percent in incremental revenue. The findings of this study give the hoteliers the hope that their revenue managers can be trained about setting rates and rate restrictions through a centralized and systematic training system. These trained revenue managers can then be appointed to properties in different destinations.

As stated by Cline (2002), it remains an on-going challenge to formulate centralized organizational structures to integrate individual properties into one seamless global structure. Whitla *et al.* (2007) suggest that international hotel companies should concentrate on integrating information systems and centralizing more back-office functions, which will allow better coordination and potentially bring significant cost savings. In addition, company-wide training in international hotel companies can assure

consistent leadership, operational skills, and service delivery (Cline, 2002). Cline (2002) suggests that international hotel employees need to increase their focus on issues related to the global environment such as international marketing and law, history, social studies, geography and languages. Whitla *et al.* (2007) argue that in the future more studies are required on the implementation of global strategy, particularly in respect to the development of integrated managerial practices and operating systems in areas such as revenue management, training, and global brand management. This study provides further evidence that formulating a centralized organizational structure to set room rates and rate restrictions seems to be the better approach.

This is the first study to explore how the preferences of consumers from two distinct cultures might differ concerning the hotel room product. Future studies can be conducted on other hospitality industries such as restaurants, spas, or cruise lines, in which rate restrictions are heavily utilized. Among the Western and Asian cultures, this study only includes Chinese, European and North American consumers. Future studies could be expanded to examine consumers from other Asian and Western countries, to test whether the findings of this study also apply to them. Another research venue to explore is on other customer segments such as business customers. Moreover, the focus of this study is to compare the globalized and localized marketing approaches. Another important point in this continuum is the glocalized approach. More studies need to be conducted to explore this area in the future. The findings of this study would have the potential applications to other destinations, but more future research efforts are needed if we want to make a more confirmed conclusion.

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