



UNIVERSITI PUTRA MALAYSIA

***PRICE, PERFORMANCE AND EXPECTATIONS AS DETERMINANTS OF
CUSTOMER SATISFACTION IN A LOW PRICE-HIGH QUALITY HOTEL***

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PRICE-HIGH QUALITY HOTEL**

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ABSTRACT

In this study, the model describes the impact of price, performance and expectations on satisfaction, is tested. The results suggest that pre-price and pre-performance expectations do not play important roles in determining customer satisfaction in a low price/high quality hotel industries. Post-price and post-performance perceptions simultaneously play leading roles in determining satisfaction. These findings offer new insights pertaining to marketing for using price-based strategies to enhance customer satisfaction. Future research directions and managerial implications of the findings are outlined.

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INTRODUCTION

Satisfaction research to date has been extensively focused on the relationship between performance expectations and post-purchase satisfaction. The effect of price on satisfaction has received less attention, especially in the service industry. This is a major deficiency because qualities associated with services is likely to produce greater performance uncertainty and, thus, decreased accuracy in consumers' predictive expectations. Prior research suggests that, when faced with performance uncertainty, consumers are likely to use price as a cue in forming performance expectation [7]. Therefore, the influence of price on customer's satisfaction in services is worthy of investigation and hence become the main objective of this study.

The study objective is to determine the effect of price on customer's satisfaction and how price relates to performance expectations and performance perceptions on satisfaction.

In this study, we have chosen hotel industry because of pricing policies used by major hotels that produce wide variations in pricing. The price of the same room in the same hotel for example, is not the same depending on the day of the week or season of the year. During weekend for hotels in tourist area e.g. Pulau Pangkor, price of the same

room would be higher as compared to the weekdays. Hotels have been using price as the main variable to attract customers' attention. Therefore, hotels would be the most appropriate industry to test our proposition.

In this study we classify low price hotels as those hotels charge their guests for a standard room of an amount not more than US100 per night which is equivalent to RM380 at the current exchange rate of RM3.80 to a US dollar.

BACKGROUND OF THE STUDY

One major factor that differentiates a service firm is to deliver consistently higher-quality service than competitors. The key is to meet or to exceed the target customers' service-quality expectations. Their expectations are formed by their past experiences, word-of-mouth and service firm advertising. The customers choose providers on this basis and, after receiving the service, they compare the perceived service with the expected service. If the perceived service falls below the expected service (disconfirmation of expectation), customers lose interest in the provider. If the perceived service meets or exceeds their expectations (Confirmation of expectation), they are apt to use the provider again [2, p.596]

Parasuraman [3], formulated a service quality model that highlights the main requirements for delivering the expected service quality. The model identifies five gaps that cause unsuccessful service delivery.

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