The Impact Of Price Level And Appeal Type In Hotel Advertising: A Pilot Study

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Abstract
Limited extant experimental research on advertising appeal effectiveness in the presence of price cues in a service offer provides the motivation for this study. While past research has found support for the effectiveness of both rational and emotional appeals in services marketing, this research, in the context of hotel advertising, shows that appeal type effectiveness may vary with the price level of the service. More specifically, this study finds that rational appeals are more effective than emotional appeals for low-priced hotels, but for high-priced hotels, rational and emotional appeals show no significant difference in influencing consumer evaluations of the offer.

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ABSTRACT

Limited extant experimental research on advertising appeal effectiveness in the presence of price cues in a service offer provides the motivation for this study. While past research has found support for the effectiveness of both rational and emotional appeals in services marketing, this research, in the context of hotel advertising, shows that appeal type effectiveness may vary with the price level of the service. More specifically, this study finds that rational appeals are more effective than emotional appeals for low-priced hotels, but for high-priced hotels, rational and emotional appeals show no significant difference in influencing consumer evaluations of the offer.

KEYWORDS

Advertising effectiveness; emotional appeals; hospitality industry; hotel pricing; print advertising; rational appeals

Introduction

With over $176 billion in sales in 2013, the U.S. hotel and lodging industry is part of the United States’ largest services export industry (AHLA, 2015). The total amount of advertising spending for the hotel industry has increased from $911 million for offline platforms (including print ads) and $701 million for online efforts in 2011, and is estimated to reach over $1 billion for offline and over $1.1 billion for online by the end of 2015 (statista.com, 2015). In fact, U.S. hotels invest about 1.5% of their domestic revenue on media purchases in the U.S. market. (Powell, 2014). In 2013, about 40% of offline advertising in the hotel industry went to print advertising, showing that print advertising is still very much used by hoteliers. Therefore, hoteliers need to make sure that they produce effective print ads to attract guests, so the purpose of this research is to examine consumer responses to both rational and emotional hotel advertisement appeals (print) for hotels with different price levels. The research question that guides our current study is: “Does the price level of a hotel determine which type of advertising appeal is more effective to use in hotel print ads?”

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While much has been done in the area of advertising appeals and services, the contribution of the current paper lies in the examination of the price level and its interaction with advertising appeal type in the context of hotel services. This has strong managerial implications in terms of implementing the appropriate advertising appeal for favorable consumer response based on the price level of the service provider.

**Literature review and conceptual development**

**Service appeals**

Assuring customers of service quality before the service encounter means that tangible cues are important in services marketing (Mattila, 1999). Tangibles of service communications can help the prepurchase assessment of services through the physical representation of attributes in the servicescape (Legg & Baker, 1987; Reimer & Kuehn, 2005). However, the tangibles are often enhanced with images and videos to further tangibilize and differentiate the offer (Maier, 2011; Mittal, 2002). Past research has recognized that services require different advertising strategies than do goods as they possess more intangible qualities (Stafford & Day, 1995). The intangibility aspect makes it more challenging to communicate effectively (Berry, 1980; Lovelock, 1996; Zeithaml, Bitner, & Gremler, 2013). In addition to services scholars’ advice to tangibilize the offer (e.g., An, 2014; Berry & Parasuraman, 1991; Day & Barksdale, 1992), advertising designed to promote services tends to use emotional appeals rather than rational appeals (Cutler & Javalgi, 1993; Upah & Uhr, 1981; Young, 1981).

**Rational appeals** indicate why the purchase of the product or service is in the consumer’s best interest by providing the target audience with logical and factual information. Providing rational information to consumers by portraying brand/product attributes that translate into benefits for the consumer stems from traditional decision making models where consumers are believed to make rational and logical decisions. **Emotional appeals**, on the other hand, often use an image-based strategy that expresses value and creates either a positive or negative emotional tie to the experience. The objective of using a positive emotional appeal is to evoke immediate feelings associated with pleasure being sought from a purchase (Holmes & Crocker, 1987) or consumption experience. As services usually communicate the benefits offered through images or photos, these often evoke positive feelings in the target audience. However, as stated, price also helps to tangibilize a service offering (Hite, Fraser, & Bellizzi, 1990).

Therefore, advertisers often combine the two types of appeals. The effective use of this strategy depends on a variety of factors such as product-related factors, audience-related factors, (Johar & Sirgy, 1991) and cultural factors (Albers-Miller & Stafford, 1999). For example, research illustrates that the informative factor in rational ads predicts higher levels of advertisement likeability and brand attitude (Aaker & Stayman, 1990). In addition, Stafford and Day (1995) found that using rational
appeals reduces the uncertainty of purchasing a service by exposing consumers to tangible cues, which helps them evaluate the service during the pre-purchase phase. The use of emotional appeals on the other hand has been shown to result in more positive reactions to the advertisement (Goldberg & Gorn, 1987), especially in terms of attitudes and service quality expectations (Mattila, 1999).

Tangibles of service communications, such as print ads, brochures, websites or the design of the physical servicescape can help consumers in the pre-purchase phase (Berry & Parasuraman, 1991; Day & Barksdale, 1992; Legg & Baker, 1987; Reimer & Kuehn, 2005). These types of tangibles are often enhanced with visuals such as images and videos to further tangibilize and differentiate the offer (An, 2014; Mittal, 2002; Maier, 2011; Toh, DeKay, & Raven, 2011). Also, the use of emotional or affective themes is recommended in hotel advertising as this attracts female consumers to a higher degree (Toh et al., 2011).

Past studies have examined both emotional and informational appeals in the context of service advertising; however, findings have been inconsistent. Some studies claim that for experiential services such as hotel stays imagery that evokes emotions is very effective compared to clear-cut value propositions or informative communications (although the imagery may not differentiate from competitors; Cutler & Javalgi, 1993; Daun & Klinger, 2006; Zinkhan, Johnson, & Zinkhan, 1992). Others have focused on tangibilizing the intangible through the use of concrete cues and found higher levels of attitude towards the advertisement for those providing factual cues over intangible cues (Stafford & Day, 1995). Past studies have mostly been content analyses and exploratory studies rather than experimental, and relatively little is known about the empirical power of different appeals in services marketing, specifically in relation to price level. In a highly competitive market, it is a challenge for a hotel to stand apart from its competition; hence, insight on appropriate information presentation in hotel service communication given the specific target audience has considerable practical implication.

Consumers make inferences from marketing signals. Costly marketing signals indicate the firm’s inclination towards high quality. One of the most frequently studied marketing signals in past studies is price (Rao & Monroe, 1989; Shapiro, 1983). In a competitive services market, where quality is not always readily observable, price can act as a powerful signal of high quality. In other words, high quality hotels differentiate themselves from low quality hotels with a high price level. Based on signaling theory, we may assume that consumers will perceive better service quality via desirable amenities based on higher hotel price. Moreover, attributes and amenities offered by certain levels of hotels become the norm or part of industry standards with time (Slevitch & Oh, 2010). Hence, a high-priced hotel may not have to mention amenity details in their advertising and yet effectively communicate what they are offering. The experiential nature of services like hotels and restaurants make emotional appeals highly effective (Mattila, 1999). High-priced hotels stays have a higher degree of hedonic consumption experience, hence, emotional appeal is likely to have a favorable effect. However, low-priced hotels may face the challenge of establishing credibility because consumers face difficulty in assessing quality of service in
the absence of factual/amenity related information. We therefore suggest that low-priced hotels should provide a greater amount of information to reduce information asymmetries between the hotel and its potential customers.

We hypothesize that:

- **H1**: A rational appeal will result in a significantly higher value perception than an emotional appeal when hotel price is low as compared to when hotel price is high.
- **H2**: A rational appeal will result in a significantly higher purchase intention than an emotional appeal when hotel price is low as compared to when hotel price is high.
- **H3**: A rational appeal will result in a significantly higher attitude toward the hotel than an emotional appeal when hotel price is low as compared to when hotel price is high.

**Method**

**Pretest**

A pretest was conducted using 25 undergraduate business students from a Southeastern University in the United States to determine perceived high and low prices for hotels to be used in the main study, along with the amenities that are most desired by consumers when selecting a hotel. Respondents were asked to provide both the highest amount and the lowest amount they would be willing to pay for a night’s stay at a hotel. A list of the different amenities that hotels usually offer was provided to respondents, and they were asked to pick the amenities that are important to them. Based on pretest results ($210 average for perceived high-price hotel rate and $109 average for perceived low-price hotel rate), we use $209 for the high price hotel rate condition and $99 for the low price hotel rate condition in the main experiment. This is realistic as according to industry data, the average American leisure traveler paid $120.01 per night in 2015 (Facts in the Hotel Industry, 2016). Also from the pretest, the most desired amenities were shortlisted to include convenient location, safety and security, wireless Internet, breakfast, large rooms, and swimming pool.

**Design and subjects**

Hypotheses were tested using a 2 (Appeal: Rational vs. Emotional) × 2 (Price: High vs. Low) between subjects experiment. Seventy-six university students participated for course credit. Average subject age was 22 years, while 41% were female and 59% were male. Numerous prior hotel studies have used student convenience samples to study services advertising due to students’ moderate personal experiences and familiarity with nonbusiness travel (Oh, 2000).

**Stimuli and procedure**

Almost all current hotel ads include both visual and verbal cues. Although emotions are more easily conveyed via images (for example, a picture of the beach adjacent to the hotel), images can also increase the clarity of a service offering, or highlight
specific features of an offering (for example, a picture of a computer/TV in the room). At the same time, a visual of the swimming pool may be considered a rational cue (to inform consumers that a pool is available) as well as an emotional cue (consumers can envision themselves relaxing in the sun). Developing a purely rational or a purely emotional hotel ad may not be realistic and may be challenging to manipulate. Hence, we manipulate the degree of amenity information (i.e., either low or high) in the ad with the help of visuals and words, with low information classified as an emotional ad and high information as a rational ad. Moreover, price is a rational cue (Grove, Pickett, & Laband, 1995), and it has been included in all four ad stimuli created for our study since the purpose of the research is to examine the effectiveness of different appeals in relation to the price of the hotel. The high information condition has more relevant information about the services of the hotels and the amenities offered. In other words, consumers are fully informed about their purchase before making a decision. On the other hand, the low information ad has less relevant information about the hotel and almost no information on the amenities provided, but instead showed visuals of nearby attractions.

Of the six major types of hotels (business travel, meetings and events, wellness health and spa, golf hotels, countryside nature hotels and beach hotels), we use the category of beach hotel in this study because of subjects’ wider familiarity with this type of hotel. In light of what consumers list as important amenities for a beach hotel based on the pretest, in the main study we include free wireless Internet access, large rooms, convenient location, safety and security, complimentary breakfast, and swimming pool. We developed four print advertisements for use in this study—low price/emotional; low price/rational; high price/emotional; and high price/rational. The emotional condition contained no attribute-specific information; instead it displayed visuals of the beach and sunset with emotionally persuasive statements. On the other hand, the rational condition contained attribute-specific information related to all of the aforementioned amenities as well as attribute-related visuals.

**Dependent variables**

**Value perception**
A three-item, 7-point scale with anchors of a bad buy for the money to an excellent buy for the money; a poor offer to an excellent offer; and not a good value for the money to an extremely good value for the money were used to measure respondents’ perception of the value of the hotel in the advertisement (α = 0.93). The scale was developed from measures used in past research (Burman & Biswas, 2007).

**Purchase intention**
A 3-item, 7-point scale with anchors of highly unlikely to highly likely; highly improbable to highly probable; and no chance to good chance (possibility of purchase) were used to measure purchase intention of the hotel room in the advertisement (α = 0.97; Burman & Biswas, 2007).
**Attitude toward hotel**

A 3-item, 7-point scale with anchors of *very bad* to *very good; dislike to like; and not interesting to interesting* were used to measure respondents’ attitude toward the hotel in the advertisement (α = 0.74; Mattila, 1999).

**Results**

Several manipulation checks were conducted. The advertisement with the emotional appeal (E) reflects a stronger emotional effect than the one with the rational appeal (R; \( M_{E} = 4.51, M_{R} = 3.22; t = -4.37, p < .001 \)). Similarly, respondents find the rational ad to be more informative than the emotional ad (\( M_{R} = 4.89, M_{E} = 3.69; t = 4.07, p < .001 \)). Further, the low-priced hotel (LP) versus high-priced hotel (HP) ads show a significant difference in price perception (\( M_{LP} = 3.60, M_{HP} = 4.86; t = -4.74, p < .001 \)).

A multivariate analysis of variance (MANOVA) was used to analyze the interaction between and the main effects of price level and information level/appeal type. The results indicate that there is a significant interaction effect between hotel price and information level as predicted by H1, H2, and H3 (Wilk’s lambda = 0.86, \( F = 3.44, p < .05 \)). The multivariate interaction effect applies to the dependent variables of value perception (\( F = 9.41, p < .01 \)), purchase intention (\( F = 5.47, p < .05 \)) and attitude toward the hotel (\( F = 7.96, p < .01 \)). The multivariate main effect of price is significant (\( F = 5.01, p < .01 \)) and the multivariate main effect of information level/appeal type is significant (\( F = 3.02, p < .05 \)) as well.

As predicted, for the low-priced hotel the effect of rational appeal on value perception (\( M = 5.28 \)) is significantly higher than the effect of emotional appeal (\( M = 4.10; t = 4.13, p < .001 \)). However, there is no significant difference in value perception between rational (\( M = 3.93 \)) and emotional appeal (\( M = 4.17; t = -0.66, p > .05 \)) when hotel price is high. Similarly, purchase intention is significantly higher with rational (\( M = 4.61 \)) than with emotional appeal (\( M = 2.98 \)) when hotel price is low (\( t = 4.13, p < .001 \)), and there is no significant difference between rational (\( M = 3.24 \)) and emotional appeal (\( M = 3.06 \)) when hotel price is high. Further, attitude toward the hotel is significantly higher for rational (\( M = 5.28 \)) than for emotional appeal (\( M = 4.15; t = 3.89, p = .001 \)) when hotel price is low. When hotel price is high, there is no significant difference in attitude toward the hotel between rational (\( M = 4.64 \)) and emotional ads (\( M = 4.72; t = -2.6, p > .05 \); see Figures 1–3).

**Additional analysis**

We conducted a post-hoc analysis to test any impact on service expectations based on emotional versus rational appeal across the low- and high-priced hotels. Independent sample t-tests showed that in a low price situation there is a significant difference between service expectations between rational and emotional appeal (\( M_{R} = 5.57, M_{E} = 4.82; t = 2.63, p < .05 \)) However, in a high price situation,
Figure 1. Prepurchase evaluation on value perception of low- and high-priced hotels across rational and emotional appeals.

There is no significant different between the rational and emotional advertisement ($M_R = 5.35$ and $M_E = 5.48; t = -0.36, p > .10$)

These results support H1, H2, and H3. The findings show that consumer evaluations are significantly higher with a rational appeal where more factual information is provided than with an emotional appeal where less factual information is provided for low-priced hotels. High-priced hotels show no significant difference in effectiveness across rational versus emotional appeals.

Figure 2. Prepurchase evaluation on purchase intention of low- and high-priced hotels across rational and emotional appeals.
Discussion

The results of this study demonstrate that for low-priced hotels, consumers have higher value perception, purchase intention, and attitude ratings when marketers use rational appeals that present more information about amenities and hotel attributes. Since price is an important indicator of quality (Hite et al., 1990), the presentation of a low price without providing much information and instead showing vivid imagery may be viewed as “too good to be true” and therefore lead potential customers to judge the hotel as having lower quality. When specific information on amenities is provided along with the low price, it reduces information asymmetries for the customer, reducing uncertainty of the service offer, thus increasing the effectiveness of the rational appeal.

On the other hand, customers who are willing to pay a high price for exclusivity and associations with a better lifestyle find credibility via high prices (Daun & Klinger, 2006). Therefore, while emotional appeals may be effective in persuading them, this study finds that high-priced hotel consumers also respond positively to factual information about amenities. We find that informational approach can be as effective as emotional approach for even highly hedonic consumption decisions like high-priced hotel experiences. Further, services expectations analyses shed some light on the aforementioned results. Literature shows that prepurchase expectations are a function of both price and quality information (Voss, Parasuraman, & Grewal, 1998). Hence, it is important to note that service expectations showed significant difference in the rational versus emotional conditions in the low price condition and no difference in the high price condition. This shows that the uncertainty of quality with low-priced hotels is somewhat compensated with higher

![Figure 3. Prepurchase evaluation on attitude toward the hotel of low- and high-priced hotels across rational and emotional appeals.](image)
degree of information resulting in a more favorable consumer response towards rational appeal than emotional appeal. For the high-priced hotels, quality information is likely implied via the price cue, reducing uncertainty even in the emotional appeal. Hence, rational and emotional appeals are not showing any difference in effectiveness.

**Managerial implications**

The results of our study represent significant contribution to the services literature and provide considerable marketing implications. The finding that rational appeals are more effective for hotel services with low prices provides an important strategic imperative for hotel managers. More amenity-related information will have higher impact on consumers’ evaluations of low-priced offers, indicating further importance of print advertisements that allow for elaborate copy. While existing literature provides a general preference for emotional appeals in services marketing (Goldberg & Gorn, 1987; Zeithaml et al., 2013), our results add further insight in terms of the favorable impact of using rational appeals when price level of service is considered.

Since price is such a key factor for consumer decisions of hotel choice, it is critical to understand how to most effectively present price cues along with other relevant information about hotel amenities and attributes to different market segments. As print ads are still a large part of hotel offline ad spending and are still very much used by hotels (Powell, 2014), it is important for hotel managers to understand their target consumers’ key motivations in order to communicate effectively using appropriate advertising appeals for those who are looking for more value for their money (low-priced hotels) vis-à-vis those seeking quality and luxury (high-priced hotels).

**Limitations and future research**

Several limitations are inherent in this research. First, using a convenience sample of college students within the context of a university’s college of business puts some constraints on the generalizability of our results. Students’ perceptions of price are possibly different from those of the general public, and they may have less experience with and limited perceptions of hotel amenities and services. Also, this study does not address the concurrent effects of brand name and image on consumer evaluations of hotel offers.

Future research needs to look at different hotel brands and examine how brand awareness affects effectiveness of advertising appeals in the presence of price cues. Additional factors like audience involvement and prior knowledge have been shown to have an effect on the effectiveness of rational versus emotional appeals (Sirgy, Johar, & Wood, 1986). It would be interesting to examine the role of price cues and advertising appeal type for these individual variables. Finally, service expectations may be examined in further depth to understand consumers’ responses to appeal type based on price level of service.
Despite these limitations, the current study provides valuable insights into the interaction effects of price and advertising appeal type on value perception, purchase intention, and attitude toward the hotel and provides important implications for hotel advertisers to consider.

References


