

**The Pennsylvania State University**

**The Graduate School**

**College of Health and Human Development**

**A MODEL OF PERCEIVED VALUE  
FOR LEISURE TRAVEL PRODUCTS**

**A Thesis in  
Leisure Studies  
by  
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## ABSTRACT

Compared to service quality and satisfaction, perceived value of products is a new concept receiving growing attention from academicians and practitioners (Cronin, Brady & Hult, 2000). Consumers' value perceptions have attracted little attention from consumer behavior researchers despite its accepted importance (Holbrook, 1999). Current research is a part of the effort to discover consumers' value perceptions for leisure travel product consumption.

The purpose of this study was to develop and test a model of perceived value for leisure travel products. Previous models of perceived value have been extended and a model of perceived value for leisure travel products has been proposed. The theoretical framework for this study included seven antecedents of perceived value. In addition to previously proposed antecedents, which were perceived monetary price, perceived transaction value, perceived overall satisfaction and perceived overall service quality, three new constructs, novelty, control and hedonics that make up subjective leisure travel experience were tested as possible antecedents of perceived value for leisure travel products.

Empirical assessment of the theoretical framework included a mail survey of 392 cruise vacationers who took their most recent cruise vacation within past one year from the survey administration date. A self-administered questionnaire was sent to 1,500 randomly selected cruise vacationers across the US. All the constructs were measured with multiple items preceded by trip characteristics and followed by socio-demographic inquiries. Statistical properties of the constructs were analyzed with exploratory and

confirmatory factor analysis techniques. The proposed research model was tested with regression in structural equation modeling technique.

The results of the study provided overall support for the proposed research model. As hypothesized, results suggested that perceived overall satisfaction mediates the relationship between affective factors and perceived value. The results further suggested that hedonics plays an important role in predicting behavioral intentions of cruise vacationers. The results of the study also provided support for previously developed relationships in the literature with regards to perceived monetary price, perceived transaction value, perceived overall satisfaction and perceived service quality. Two unexpected findings included the significant relationship between perceived monetary price and perceived overall satisfaction, and also an insignificant relationship between perceived monetary price and perceived overall service quality.

Study findings suggested that affective factors are significant antecedents to both perceived satisfaction and perceived value in leisure travel product evaluations. Future research is needed to further analyze the role of affective factors on post-consumption evaluations in leisure travel.

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## CHAPTER I

### INTRODUCTION

Toward the end of the 20<sup>th</sup> century, the world experienced an immense growth of tourism. The World Travel and Tourism Council (WTTC) expects that the tourism industry worldwide will account for approximately 8.7% of worldwide gross domestic product by the year 2010 (Goeldner, Ritchie & McIntosh, 2000). A major contributor to the tourism industry is leisure travel, which includes both domestic and international travel.

Domestically, in the US, the theme park and entertainment industry has grown extensively over the last several decades (Milman, 2001). Similarly, cruise vacations are becoming a common way of vacationing in the US. Cruise Lines International Association (CLIA), the largest cruise association in North America, reports that an estimated 84 million Americans have taken deep water cruises (2+ days) since 1970 (Cruise Lines International Association [CLIA], 2001).

Internationally, package tour vacations are becoming more common in leisure travel (Evans & Stabler, 1995; Vanhove, 1997). International package tour vacations serve as the main income source for many national economies, especially for developing countries. Despite the fast growth of leisure travel in the world, research on the consumption behavior of leisure travel product buyers has been very limited. Research on tangible goods and functional services abound and are useful for understanding leisure travelers' vacation purchase and consumption behavior. Yet, incomparable differences between leisure travel products and others necessitate research projects that are

specifically designed for leisure travel products. Understanding the true nature of leisure travel behavior is only possible through designing research projects that consider the specific characteristics of leisure travel products.

This dissertation focused on the post consumption evaluation processes of leisure travel product buyers. An investigation of the value perceptions of cruise vacationers was provided to clarify factors that act as antecedents and consequences of these value perceptions. Cruise vacations were selected as a representative leisure travel product for two reasons. First, cruise vacations carry many similarities with other types of leisure travel products such as international and domestic package tours, special recreation packages, etc. (Morrison, Yang, O'leary, & Nadkarni, 1996). The second reason for studying cruise vacations was the strong emphasis the cruise industry has put on the value of cruise vacations. For instance, Holland America Cruise Lines has been advertising on its website (Holland America Cruise Line [HAL], 2002) that the company "has earned The Best Cruise Value Award from the World Ocean and Cruise Liner Society for the past eight years (from 1992-2000)."

Consumers' repurchase intentions and recommending behaviors are the ultimate goal of every business. Previous research shows that consumers heavily use quality (or service quality for services) and satisfaction to infer repurchase intentions and recommending behaviors. In addition to quality and satisfaction, a more recent concept has begun to appear in consumer behavior models, the "value perceptions of consumers." Compared to quality and satisfaction, value perceptions have been studied little (Holbrook, 1999) and a growing concern has been noted in the consumer behavior literature for perceived value concept (Cronin et al., 2000). Parallel with Bolton and

Drew (1991, p. 383), this dissertation argued that consumers' value perceptions are higher level and richer summary judgments than service quality. Furthermore, "as a desirable end-state of consumption" (Oliver, 1999, p. 58), value was proposed as a result of satisfaction. A test of these relationships for leisure travel products was expected to extend and validate the previous models in this area. Additionally, understanding the nature of the relationships among service quality, satisfaction and value can help practitioners to develop better leisure travel products.

The research model in this study was constructed in two stages. First, a review of previous models and research was provided. Second, previous models were modified based on the nature of leisure travel products.

### **Perceived Value of A Product According to Past Research**

Previously, researchers used different terms for the value construct even though most, if not all, of them meant the same concept. The terms used included consumer value (Holbrook, 1999), consumption value (Sheth, Newman, & Gross, 1991), customer value (Gale, 1994; Holbrook, 1996; Oh, 2000; Woodruff, 1997), perceived value (Chang & Wildt, 1994; Dodds, Monroe, & Grewal, 1991; Monroe, 1990; Zeithaml, 1988; Zeithaml & Bitner, 2000), service value (Bolton & Drew, 1991; Jayanti & Ghosh, 1996), acquisition and transaction value (Grewal, Monroe & Krishnan, 1998; Monroe, 1990) and value for money (Ashworth & Johnson, 1996). The value concept in this study refers to the value of the product (including services and goods) as perceived by the consumer and it is different from personal values in psychological oriented lifestyle research such as VALS (Holbrook, 1999). Because some of the terms above may create confusion between product value and values in psychographic research (i.e., customer value,

consumer value), the phrase “perceived overall product value” was used to specify what was meant by the value concept in this dissertation. Perceived overall product value is the overall perception of a consumer about the product he/she consumed, which involves consideration of sacrifices he/she made versus benefits he/she received in return (Zeithaml, 1988). Thus, perception, as the name implies, is a holistic perception that applies to the whole experience as opposed to a specific component of the consumption process. Because the product under investigation in this dissertation was cruise vacations, the term “perceived overall cruise product value” (to be abbreviated by POCV) will be used hereafter.

The most common conceptualization of perceived value suggests a tradeoff between whatever one gets versus whatever he/she gives (Zeithaml, 1988). Zeithaml (1988) found after a series of qualitative studies that consumers give four meanings to the value concept: low price, whatever one wants in a product, the quality that consumer receives for the price paid or what the consumer gets for what s/he gives. The latter meaning has been the concern for most researchers. A broad representation of give and get components of perceived value have been proposed as a tradeoff between perceived benefits and perceived sacrifice (Zeithaml, 1988; Zeithaml & Bitner, 2000). Earlier conceptualizations of the get component of perceived value included perceived quality of the products (Bojanic, 1996; Bolton & Drew, 1991; Chang & Wildt, 1994; Dodds et al., 1991; Grewal et al., 1998; Jayanti & Ghosh, 1996; Rao & Sieben, 1992; Zeithaml, 1988). For tangible products perceived quality was measured based on the physical aspects of the product. For services, measurement was based on common service quality measures (e.g. SERVQUAL, SERVPERF).

As for the give component of perceived value, perception of the monetary price consumers pay to acquire the product has been used in earlier studies (Bojanic, 1996; Bolton & Drew, 1991; Chang & Wildt, 1994; Dodds et al., 1991; Grewal et al., 1998; Jayanti & Ghosh, 1996; Murphy & Pritchard, 1997; Rao & Sieben, 1992; Stevens, 1992). However, sole inclusion of perceived monetary price was a limited representation of the sacrifice consumers make because for some products non-monetary sacrifice was an important part of the purchase. Zeithaml (1988) proposed that perceived monetary and non-monetary price constitute perceived sacrifice. Perceived non-monetary price might include time and effort to purchase the product.

Some researchers mentioned different types of value such as Holbrook's (1999) eight types of value (i.e., efficiency, play, excellence, aesthetics, status, ethics, esteem and spirituality), Sheth, et al.'s (1991) five types of value (i.e., functional, social, emotional, epistemic and conditional), and Thaler's (1985) and Grewal et al.'s (1998) acquisition and transaction values. These different types of values actually break the consumption experience into pieces and look at the experience from different angles. For example, a consumer may value a product because of its emotional, functional and social content. But at the same time, the consumer may attach a summary value judgment to the product that comes from those three value types.

Because POCV is a holistic perception, it includes all value types suggested by Holbrook (1999) and Sheth et al. (1991) and it refers to the overall perception cruise vacationers have about the whole experience.

## **Modeling of Perceived Value Based on the Nature of Leisure Travel Products (i.e. Cruise Vacations)**

Past research on tourist motivation showed that affective factors play a critical role in tourists' selection and evaluation of leisure travel products (Fodness, 1994). For example, a review of research and industry literature on cruise vacations (Morrison et al., 1996; Moscardo, Morrison, Cai, Nadkarni, & O'Leary, 1996) suggested that cruise product value perception is not only dependent on service quality and cost related features, but also on affective evaluations. Cruise products are promoted so that they include fun for children and family, relaxation, escape from daily problems, etc. Because traditional service quality measures (SERVQUAL, SERVPERF) don't measure affective aspects of leisure travel products (Otto and Ritchie, 1995), measures of affective evaluations are used to test the role affect has on value perceptions in this dissertation. It was argued here that service quality aspects of the cruise products are highly functional and are based on cognitive evaluations (i.e., SERVQUAL) while affective aspects of the cruise products are highly emotional (Otto, 1997; Otto & Ritchie, 1995). Both cognitive and affective measures are necessary for a thorough modeling of perceived value of leisure travel products.

### **An Extended Perceived Value Model for Leisure Travel Products**

The research model tested in this dissertation was an extended perceived value model of four previous models: Cronin et al. (2000), Grewal et al. (1998), Bolton & Drew (1991), and Zeithaml (1988). According to these models, perceived value of a product is a function of a) product quality (or service quality for services), b) consumers'

overall satisfaction feelings, c) perceptions of the sacrifice to acquire the product, and d) perceptions of transaction value (i.e., value added aspects of purchase deal). In addition to these four factors, the research model here (see Figure 3.1) included and tested the role of affective aspects of the cruise experience on POCV. The role of affect on perceived value has been tested only through the measurement of overall satisfaction previously. Thus, in this study both the direct and indirect effects (through overall satisfaction) of affective evaluations on value perceptions were tested.

Affective aspects of the cruise experience were proposed to be three dimensional including novelty, control and hedonic aspects (Otto, 1997). As the consequences of POCV, the model proposes that future behaviors of repurchase intentions and recommending behaviors should result as proposed by earlier models.

### **Purpose of the Study**

The purpose of this study was to develop and test a model of perceived value for leisure travel products. More specifically, the relationships between antecedents and consequences of perceived overall cruise vacation value, which include perceptions of novelty, control, hedonics, service quality, price, transaction value, satisfaction, and future behaviors resulting from cruise vacation experience were explored.

### **Significance of the Study**

This study was expected to bear significant theoretical and practical results. Theoretically, it attempted to reduce the contention that the theory of value has been neglected by marketers (Holbrook, 1999). Extension of previous value models to an area (leisure travel) that has not been explored was considered an important step for the

development of value theory. One of the main indicators of the validity of a theory is that it needs to be shown that the theory works under a variety of circumstances. Because leisure travel products have a number of unique characteristics (i.e., being highly affective), application of the value theory to this area was expected to bear significant contribution to the value literature. In addition, the results of this study were used to clarify the nature of leisure travel product consumption. Understanding the in-depth reasons behind the consumption and evaluation of a cruise product was expected to help the development of tourism consumer behavior theory.

Practically, a deeper understanding of how leisure travelers value or undervalue leisure travel products and what defines high value for leisure travel products can help the leisure travel industry to design and produce products that are more suited to the needs and wants of the leisure travelers.

### **Definitions**

The following definitions were used as the basis for the terms utilized in this research. To prevent unnecessary repetition, abbreviations in parentheses will be utilized throughout the dissertation.

Behavioral Intentions (BI): The consequences of the cruise vacation product evaluations including intentions to recommend and repurchase. Because measuring actual behaviors of recommendation and repurchase was a completely separate study, the measurement of behavioral intentions was only performed.

Control (C): "A dimension of affective service experience measuring to what extent the experience reflects the consumers' direct involvement in the process" (Otto, 1997, p.158).

Cruise Vacation Product: Cruise vacation purchased for a single price (i.e., all-inclusive vacation). Whatever received for the single price was considered cruise vacation product for the purposes of this study. Accordingly, all the questions refer to this definition of the cruise vacation product.

Experiential services: Services that include experiential attributes more than functional attributes. For example, leisure travel products (i.e., cruise vacations), movies, entertainment vacations can be considered experiential services. O'Sullivan and Spangler (1998) refer to these services as relatively pure experiences.

Functional Services: Services that include relatively more functional attributes than experiential attributes. For example, car repair, painting, medical services, hair stylist services can be considered functional services. O'Sullivan and Spangler (1998) refer to these services as relatively pure services.

Goods: Tangible products that are evaluated mainly with their tangible attributes.

Hedonics (H): "A dimension of affective service experience measuring to what extent the experience was pleasurable, fun and memorable" (Otto, 1997, p.112).

Novelty (N): "A dimension of affective service experience measuring to what extent the experience was original, different and unique" (Otto, 1997, p. 112).

Perceived Monetary Price (PMP): Perceptions of the cruise vacationers about the all-inclusive price of the cruise vacation they purchased.

Perceived Overall Cruise Product Value (POCV): An overall evaluation of the cruise vacation product based on a comparison of what was received (i.e., benefits) to what was given (i.e., sacrifices) (Zeithaml, 1988). Perceived overall product value is a

more comprehensive construct than perceived quality and satisfaction because it includes a comparison between quality and satisfaction versus sacrifice.

Perceived Overall Satisfaction (POS): Cruise vacationers' overall "fulfillment response, the degree to which the level of fulfillment is pleasant or unpleasant" (Oliver, 1997, p. 28). Overall satisfaction evaluation of cruise experience here does not concern an attribute-based, encounter evaluation rather, it concerns global evaluation of the whole experience. This distinction has been suggested by various researchers such as Oliver (1997), Bitner and Hubbart (1994) and Bolton and Drew (1991). Global satisfaction evaluations result either after repeat purchase of products in time or as an overall evaluation after the experience according to these researchers. In this research, overall satisfaction refers to a global evaluation of the cruise product with or without past experience.

Perceived Overall Service Quality (POSQ): "An overall judgment of performance excellence of the cruise services" (Adapted from Oliver, 1997, p. 28). This overall judgment involves the evaluation of service features such as the tangible attributes of service providers and service environment as well as the intangible features of service offering as measured by common service quality measures (e.g., SERVQUAL, SERVPERF).

Perceived Quality of Experience (POE): A general term for the evaluations of the affective aspects of the cruise vacation experience. Quality of experience for cruise vacations was represented by three constructs in this study, novelty, control and hedonics (Otto, 1997; Otto & Ritchie, 1995). According to Otto and Ritchie (1995) quality of experience is a separate dimension from quality of service in a service experience where

quality of experience evaluations are mainly affective, more general or holistic (i.e., related to the self), and subjective. Whereas quality of service evaluations are more cognitive, more specific (i.e., related to the service provider and service environment), and objective.

Perceived Transaction Value (PTV): “The perception of psychological satisfaction or pleasure obtained from taking advantage of financial terms of the price deal” (Grewal, et al., 1998, p. 48).

## CHAPTER II

### LITERATURE REVIEW

#### Introduction

The purpose of this study was to develop and test a model of perceived value for leisure travel products. It was proposed that perceived value of leisure travel products depends on a tradeoff between benefits (i.e., perceived quality of experience, perceived transaction value of the experience, perceived overall satisfaction from the experience and perceived quality of service received), and sacrifices (i.e., monetary and non-monetary price). The main consequences of perceived value are argued to be leisure travelers' behavioral intentions including repurchase intentions and recommending behaviors. This section of the dissertation provides the theoretical and research overview of the model constructs.

#### Perceived Overall Product Value

##### **Theoretical Background**

Developing a theory of value related to material consumption, Woo (1992) identified four meanings of value. First, value means “what is of true worth to people in the broad context of the well-being and survival of individuals, and by extension, of the species as a whole” (p. 85). Second, it means, “what a society collectively sees as important . . . . . regardless of whether or not such highly valued objects of consumption really contribute to his or her well-being” (p. 85). Third, value “refers to what the individual holds to be worthwhile to possess, to strive or exchange for” (p. 85). And,

fourth, value “refers to the amount of utility that consumers see as residing in a particular object and that they aim to maximize out of a particular act of buying or consuming” (p. 85). Even though economists and some marketing scholars have emphasized the last definition of value concept, researchers have pointed out the necessity of including the first three definitions into the measurement of consumers’ perceptions of value about the products they purchase (Zeithaml, 1988). In very broad terms, consumers value products based on what they get versus what they give (Zeithaml, 1988). This broad representation however can change depending on the type of product because for many products, some consumers may seek good price deals while for others they seek more than monetary gains. This may be why Zeithaml’s (1988) study resulted in four meanings of value for consumers: low price, whatever one wants in a product, quality customer receives versus price paid, and what the customer gets versus what he/she gives. Among these four definitions, the last definition has been the main interest for most perceived value studies in marketing (Petrick, Backman, & Bixler, 1999).

Analysis of perceived value literature in marketing reveals that two perspectives have been used to model consumers’ value perceptions: utilitarian and behavioral (Jayanti & Ghosh, 1996).

Utilitarian approach to perceived value. Monroe (1990) and Thaler (1985) argued that consumers’ value perceptions are the result of their comparisons among different price structures including advertised selling price, advertised reference price and internal reference price. Monroe (1990) suggested that sellers constantly introduce advertised selling prices (sale price) and advertised reference prices (higher or regular prices) to influence buyers’ internal reference prices, which are formed after processing relevant

information (Monroe, 1990). Therefore, internal reference price helps buyers to form their price expectations and value the deals around them (Monroe, 1990). According to the utilitarian perspective, perceived value of a product is a combination of acquisition value and transaction value of that product. These two value structures are combined in a way that their subjective weights, which are placed by buyers, are constituted and a perceived value equation is reached:

$PV = v_1 (AV) + v_2 (TV)$ . Where,

PV= Perceived value of a product

AV= Acquisition value of a product

TV= Transaction value of a product,

$v_1$  and  $v_2$  = Subjective weights placed on AV and TV by buyers.

“Transaction value, or the merit of paying the actual price, was determined by comparing the buyers’ references to the actual price” whereas “acquisition value of the product is the perceived benefits of the product at the maximum price compared to the actual selling price” (Monroe, 1990, p. 75-76).

Acquisition value, according to Monroe (1990) is the maximum price (i.e.,  $P_{max}$ : the highest price that the buyer is ready to pay for the product) less the actual price of the product ( $p$ ) while transaction value was the buyer’s reference price ( $P_{ref}$ ) less the actual price of the product. Hence,

$PV = v_1 (P_{max} - p) + v_2 (P_{ref} - p)$

Where,

AV=  $P_{max} - p$

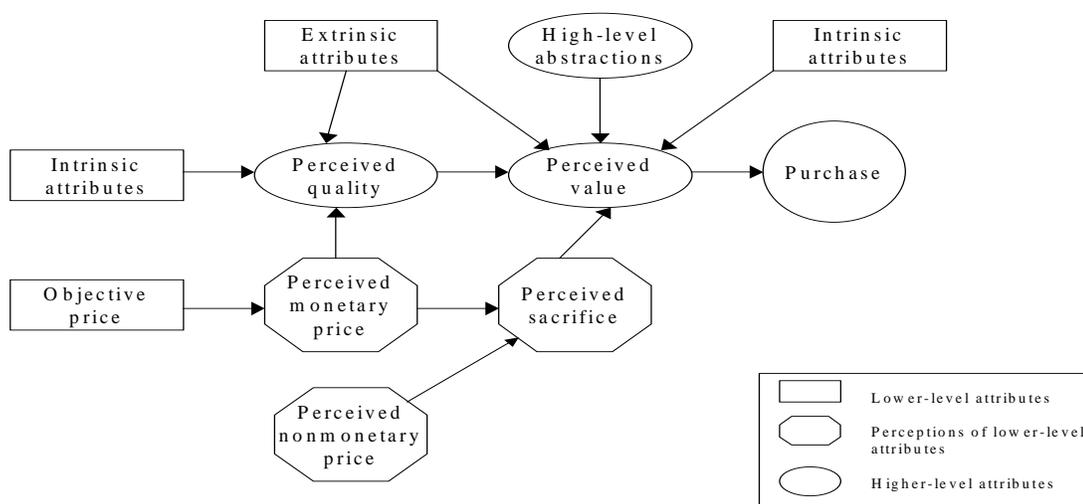
TV=  $P_{ref} - p$

Grewal et al. (1998, p. 48) proposed that “perceived acquisition value is the buyer’s net gain (or tradeoff) from acquiring the product or service” while “perceived transaction value is the perception of psychological satisfaction or pleasure obtained from taking advantage of the financial terms of the price deal.” Therefore, acquisition value reflects a tradeoff between perceived benefits and perceived sacrifice (Monroe, 1990) whereas transaction value incorporates the pleasure and satisfaction received from the financial gains from the transaction (Grewal et al., 1998). Even though Grewal et al. (1998) and Monroe (1990) separated overall value, acquisition value and transaction value from each other, other researchers (see Table 2.1) used the perceived (overall) value term without giving a specific reference to acquisition value. The definition and the measurement of acquisition value and overall value have been the same in previous studies. Therefore, in this study only an overall value term will be used without a specific reference to acquisition value. Unlike acquisition value, transaction value refers to a separate construct that was proposed as an antecedent of acquisition value (or overall value) (Grewal et al., 1998). Parallel with Grewal et al., this study treated transaction value as an antecedent of perceived overall value. More comprehensive analysis of transaction value is performed in the coming sections.

Modeling of perceived value of a product solely based on price deals is an important but insufficient conceptualization because most of the time consumers do not only consider the price of a product for the purchase but they also consider other attributes. Therefore, in addition to price deals, other considerations have been suggested as important to the perceived value model such as perceived quality of the product.

Behavioral modeling of perceived value treats the perceived value construct as a more comprehensive construct and attempts to explain it with not only price variations but also with other factors (i.e., psychological antecedents of value perceptions). In her influential paper, Zeithaml (1988) proposed a model of perceived value that was considered an important starting point for many researchers (See Figure 2.1 for the model).

**Figure 2.1. A Means-end Model Relating Price, Quality and Value. Adapted from Zeithaml (1988)**

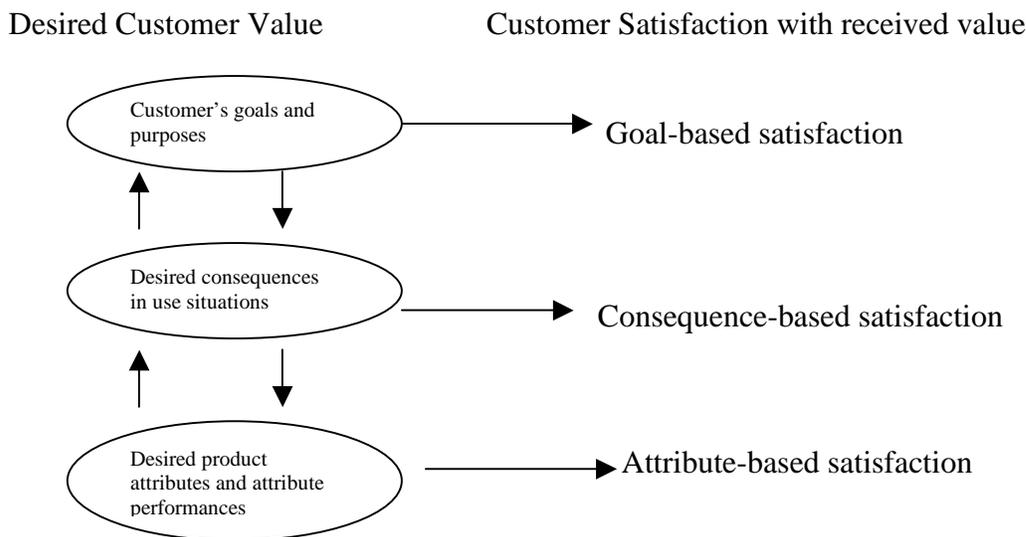


Zeithaml (1988) proposed in her model that consumers reach quality perceptions from evaluations of product attributes. Further, consumers use their quality perceptions to form overall value judgments about the products. Zeithaml (1988) suggested that formation of quality and value perceptions occur in a means-end way.

Originally proposed to identify consumers' product categorization processes (Howard, 1977), the means-end approach was used to show how means as objects or

activities might be related to ends as desired end states or values (Gutman, 1982). From objects through values, three levels of abstraction represent the way consumers retain information in their memory (Zeithaml, 1988). Attributes represent the lowest level in the means-end hierarchy while quality and value judgments serve as the consequences of attributes. Quality and value judgments in return are used to achieve personal goals and values. Woodruff and Gardial (1996) and Woodruff (1997) later elaborated upon Zeithaml's (1988) conceptualization and provided similar explanations of perceived value with a means-end approach. Woodruff and Gardial (1996) and Woodruff (1997) proposed another model of customer value to explain the three levels of abstraction mentioned by Zeithaml (1988) (See Figure 2.2).

**Figure 2.2. Customer Value Hierarchy Model. Adapted from Woodruff (1997)**



The customer value hierarchy according to Woodruff and Gardial (1996) explains how consumers learn to relate specific product attributes to consequences and end goals or purposes.

Attributes and attribute performances: Attributes of the products are the concrete descriptions that show what the product possesses. The classification of product attributes has varied in the marketing literature. Olson and Jacoby (1972), for example, used intrinsic and extrinsic cues terminology while others used distal-proximal cues (Brunswick, 1956) and tangible-intangible cues (Zeithaml, 1988). “Intrinsic cues involve the physical composition of the product” whereas “extrinsic cues are product-related but not part of the physical product itself” (Zeithaml, 1988, p.6). Zeithaml's (1988) examples of intrinsic cues in a beverage included flavor, color, texture and degree of sweetness. Extrinsic cues were price, brand name and level of advertising. She argued that this classification creates conceptual difficulties in categorizing product package. Using Zeithaml's model, attributes of a cruise vacation might be reasonable price, clean facilities, neat and experienced personnel, gourmet dining, satisfying activities, etc.

Consequences: Product attributes are assumed to bring out certain outcomes in the means-end typology. These outcomes are consequences of what the product can do for the customer. They can be both positive and negative (Woodruff & Gardial, 1996). For example, some attributes of a product may create hassles or problems whereas other attributes may increase the efficiency of using it and the pleasure the customer gets from using it. The consequences of cruise vacation attributes may be having a hassle free vacation, quality dining and activities, and an overall valuable vacation.

End goals and purposes: At the high end of the means-end model reside customers' end goals and purposes. Woodruff and Gardial (1996) proposed that customers desire to attain their end goals or purposes in every product consumed. These goals are implicit in the customers' minds and need to be satisfied with product use

processes. For example, an underlying end-goal in taking a cruise vacation might be family unity and happiness. Perceived quality and value with a product can be considered consequences of product attributes that will lead to achievement of higher order goals in a consumer's life.

Other perspectives on the nature of consumers' value perceptions include Holbrook's (1994; 1999) and Sheth, Newman and Gross's (1991) value typologies. Holbrook (1994; 1999) proposed a typology of perceived value that shares some common points with Zeithaml's (1988) model. Holbrook's (1994; 1999) typology includes three dimensions of value, which combine eight types of value: convenience, quality, success, reputation, fun, beauty, virtue, and faith (See Table 2.1).

**Table 2.1 A Typology of Consumer Value. Adapted from Holbrook (1999)**

		<b>Extrinsic</b>	<b>Intrinsic</b>
<b>Self-oriented</b>	<b>Active</b>	Efficiency (Convenience)	Play (Fun)
	<b>Reactive</b>	Excellence (Quality)	Aesthetics (Beauty)
<b>Other-Oriented</b>	<b>Active</b>	Status (Success)	Ethics (Virtue)
	<b>Reactive</b>	Esteem (Reputation)	Spirituality (Faith)

Holbrook's (1994; 1999) value typology suggests that consumers value products for a number of reasons, and the valuation process depends on three dimensions. For example, a cruise vacationer might value the cruise vacation because of the fun element in it. This fun element as a type of value is an actively sought, self-oriented (i.e., personal rather than other oriented), intrinsic characteristic (i.e., not a means to an end, done for its own sake). Compared to Zeithaml's (1988) model, Holbrook's (1994; 1999) conceptualization is a more comprehensive explanation of the get component of the

perceived value equation. Holbrook's (1994; 1999) typology provides detailed explanations in terms of the benefits consumers get from consuming the products but it doesn't mention what costs are associated with the consumption that balance the benefits received.

Another typology of consumer value was proposed by Sheth et al. (1991). In their conceptualization, Sheth et al. mentioned different types of value that drive consumer choice behavior (i.e., as motivational forces). According to Sheth et al. (1991), consumer value types explained the reasons behind consumers' choice of products. They suggested that consumers buy products to reach one of the following types of value: a) functional value (e.g. attribute-related, utilitarian benefits); b) social value (e.g. social or symbolic benefits); c) emotional value (e.g., experiential or emotional benefits, d) epistemic value (e.g. curiosity driven benefits); and e) conditional value (e.g., situation specific benefits, such as Christmas, Valentines day, etc.). In a way, the five types of consumer value proposed by Sheth et al. explained the benefits consumers are seeking with the purchase of the products. Thus, both Holbrook's (1994; 1999) and Sheth et al.'s (1991) conceptualizations can be considered benefit-driven conceptualizations of value where consumption values are explained only by consideration of consumption benefits (Naylor, 1996).

### **Measurement of Perceived Value**

Both qualitative and quantitative methods have been used to measure perceived value. Early measurement of perceived value generally utilized qualitative techniques (Woodruff & Gardial, 1996), but recent measures have increasingly incorporated quantitative methods. Woodruff and Gardial (1996) suggested that in some cases

qualitative techniques might be better tools for capturing the essence of customer value perceptions. They suggested using in-depth interviewing techniques as well as focus group and observation methods to learn about the levels of their customer value hierarchy. Zeithaml (1988) used focus group and in-depth interview techniques to understand customers' perceptions of price, quality and value with regard to beverages. She used laddering technique as a questioning format in her in-depth interviews.

In quantitative measurements, perceived value was generally measured as a unidimensional self-reported measure. Because these measures assume that all customers have a common understanding of value, they were criticized for lacking validity (Woodruff & Gardial, 1996).

Recently, Sweeney and Soutar (2001) developed a multiple item scale for measuring perceived value. Their results suggested a four-dimension, nineteen-item value scale. Their value dimensions included quality, emotional, price and social aspects of consumers' value judgments. Their results suggested that a four-dimensional assessment of value is a better tool for predicting consumer choices than a single item value measurement. Cronin et al. (2000) measured perceived service value with a two-item nine-point scale that asked overall value of the facility to the customers and the ability of the facility to meet the needs and wants of the customers for what they have given up. Bolton and Drew (1991) measured service value with a five point Likert scale from very poor value to very good value. Chang and Wildt (1994) measured perceived value with a single item, nine point Likert scale. Dodds et al. (1991) tested a model in which they predicted perceived value with perceived quality and perceived sacrifice. In their research, they measured perceived value with five items on a seven point Likert scale.

These items addressed whether the product was a good value for the money, if the product was economical, if it was a good buy, if the price for the product was acceptable, and if it was a bargain. Grewal et al. (1998) tested a model that predicted willingness to buy and search intentions with perceived acquisition value. Perceived quality and perceived transaction value were proposed as predictors of perceived acquisition value. They measured perceived transaction value with three Likert statements and perceived acquisition value with nine Likert statements (seven-point scale from strongly agree to strongly disagree).

### **Antecedents of Perceived Value**

The main antecedents of perceived value according to various authors include: product (Grewal et al., 1998) or, service quality (Cronin et al., 2000); satisfaction (Bolton & Drew, 1991; 1994; Petrick, Morais & Norman, 2001); transaction value (Grewal et al., 1998); perceived sacrifice (Cronin, Brady, Brand, Hightower, & Shemwell, 1997; Cronin et al., 2000); and perceived price (Chang & Wildt, 1994; Dodds et al., 1991). The current study investigated four main antecedents of perceived value, service quality, satisfaction, transaction value and perceived price in addition to the perceived quality of experience constructs, novelty, control and hedonics. Perceived value literature has shown that service quality, satisfaction, transaction value and perceived price are common antecedents of perceived value (See Table 2.2).

**Table 2.2. Previous Studies of Perceived Value With Regards to Significant Relationships Found, Study Design, and Type of Product Studied**

<b>Author and Year</b>	<b>Significant Relationships Found (Direct and Indirect)</b>	<b>Study Design</b>	<b>Type of Product Studied</b>
Brady and Cronin, 2001	Overall Service Quality → Satisfaction, Overall Service Quality → Value, Overall Service Quality → Behavioral Outcomes, Satisfaction → Behavioral Outcomes, Value → Behavioral Outcomes	Personal interviews	Express auto lubrication centers, amusement parks, video rental stores
Petrick, Duarte, and Norman, 2001	Satisfaction → Perceived Value, Satisfaction → Intentions to revisit destination, Perceived Value → Intentions to revisit destination	Mail survey	Live theater entertainment package
Cronin, Brady, and Hult, 2000	Service Value → Behavioral Intentions, Satisfaction → Behavioral Intentions, Service Quality → Behavioral Intentions, Service Quality → Service Value → Behavioral Intentions, Service Value → Satisfaction → Behavioral Intentions.	Personal interviews at the site.	Spectator sports, participant sports, entertainment, health care, long distance carrier service, fast food
Oh, 2000	Perceived Price → Service Value → Purchase and Search Intention, Service Quality → Service Value → Purchase and Search Intention.	Web-site experiment based on assumed hotel stay.	Hotel stay
Kashyap and Bojanic, 2000	Perceived Price → Service Value → Intention to revisit, Service Quality → Service Value → Intention to Revisit.	Mail survey based on previous stay at the hotel	Upscale business hotel stay
Petrick, 1999	Satisfaction → Perceived Value → Intention to Revisit, Satisfaction → Intention to Revisit.	Mail survey four weeks after the visit.	Golf resort stay
Sweeney, Soutar, and Johnson, 1999	Quality → Value → Willingness to buy, Price → Value → Willingness to buy.	Interviews at the store.	Electrical appliance
Grewal, Monroe, and Krishnan, 1998	Quality → Acquisition Value → Willingness to buy, Transaction Value → Acquisition Value → Willingness to buy, Acquisition Value → Search Intentions.	Lab Experiment.	Bicycle

**Table 2.2 Continued**

Cronin, Brady, Brand, Hightower, and Shemwell, (1997).	Service Quality → Service Value, Sacrifice → Service Value, Service Value → Behavioral Intentions.	Interviews with snowballing technique.	Spectator sports, participant sports, entertainment, health care, long distance carrier.
Fornell, Johnson, Anderson, Cha, and Bryant (1996).	Quality→Value→Satisfaction →Complaints-Loyalty, Quality→Satisfaction.	Nationwide survey (The American Customer Satisfaction Index methodology).	Hospitals, Hotels, Motion pictures as services.
Naylor, 1996	Satisfaction→ Service Value→ Word of Mouth.	Pre-visit, two weeks prior to visit, post visit: one week after the visit.	Resort stay.
Wakefield and Barnes, 1996	Quality → Value → Recommending Intentions.	Field study at the stadium	Minor league baseball.
Bojanic, 1996	Satisfaction ↔ Service Value (i.e. Correlation).	Used consumer reports data	Hotel stay.
Jayanti and Ghosh, 1996	Transaction utility → Service Value, Service Quality → Service Value.	Survey after hotel stay	Hotel stay.
Sun, 1996	Perceived Price → Service Quality → Service Value → Willingness to Buy, P → Value → Willingness to Buy.	Survey experiment based on hypothetical stay	Stay at lodging facilities.
Chang and Wildt, 1994	Price → Quality → Value → Purchase Intention, Price → Value → Purchase Intention.	Lab experiment	Two-bedroom apartment and PC
Dodds, Monroe, and Grewal, 1991	Quality → Value → Willingness to Buy.	Lab Experiment	Calculators, stereo head set players
Bolton and Drew, 1991	Satisfaction→Service Quality→ Service Value→Behavioral Intentions.	Telephone survey about the telephone services received during last month.	Telephone service

**Relationships Between Perceived Quality of Experience Constructs (Novelty, Control, Hedonics) and Perceived Value:**

Theoretical explanations of perceived value provided earlier showed that consumers not only value products because of their functional characteristics (i.e., efficiency-convenience in Holbrook's (1999) typology, functional value in Sheth et al.'s (1991) typology) but also because of other emotional and symbolic characteristics (i.e.,

fun-play in Holbrook's (1999) framework and emotional value in Sheth et al.'s (1991) typology). In other words, it is possible that cognitive or functional representation of the antecedents of perceived value may be limited especially for experiential services such as leisure travel products.

It has been suggested that consumers' evaluation of services include both cognitive and affective elements (Dube-Rioux, 1990; Oliver, 1993). However, previous studies of perceived value used only cognitive service quality measures and perceived price as predictors of service value leaving aside the measurement of the affective attributes of the experience. Only Naylor (1996) analyzed affective antecedents of perceived value indirectly. She investigated the value perceptions of a group of resort customers based on the deviations between pre-visit expectations and post-visit performance evaluations. She measured perceived quality of experience based on three types of benefits: functional, symbolic and experiential. She didn't hypothesize any direct relationships between the benefits and value perceptions.

Considering the type of products or services studied in previous value studies (see Table 2.2 for the type of products studied before), non-consideration of affective attributes in value models might have been due to the assumed limited influence of affective factors on the product evaluations. However, modeling perceived value based on both affective and cognitive antecedents seems necessary for highly experiential services (i.e. cruise vacations) because the role of affective factors on the evaluations of these services can be expected to be high.

The product type is important for modeling perceived value because the intensity of affective influences on perceived value might depend on the extent to which a product

is experiential or functional in nature. For example, the value of a car repair service might be perceived high mainly because the repair job is done well while the value of a cruise experience might be perceived high mainly because the cruise vacationer had a lot of fun and pleasure during his/her vacation.

### **Relationship Between Novelty and POCV**

Considering the importance of novelty seeking behavior in leisure travel, a direct relationship between Novelty and POCV was proposed in this research. Leisure travel researchers proposed that one of the main motives for leisure travel was “to experience something new and different” (Lee & Crompton, 1992, p. 733). Lee and Crompton (1992) argued that novelty seeking might not be a crucial motive for every leisure traveler because some leisure travelers may in fact avoid novelty. Accordingly, motivation for novelty seeking can be thought of as a continuum from novelty seeking through indifference toward novelty avoiding (Lee & Crompton, 1992). It was proposed in this research that the value of leisure travel products might depend heavily on leisure travelers’ novelty seeking behavior where higher value perceptions are correlated with novelty seeking behaviors while lower value perceptions are correlated with novelty avoiding behaviors. Although the influence of novelty as an overall construct on POCV was measured in the proposed model, this relationship was not controlled for individual differences between cruise vacationers. The moderating effect of individual differences was forwarded to future studies.

### **Relationship Between Control and POCV**

The level of control leisure travelers experience during their vacation was expected to influence their value perceptions. Service researchers argue that service customers experience a series of interactions with the personnel and the service environment during the consumption experience (Bateson, 2000). These interactions may lead to high levels of consumer involvement in the process, which opens up a need for control. Bateson (2000, p. 129) argued that “the customer, by working with the service personnel within the framework imposed by the firm hopes to gain satisfaction and value for money.”

### **Relationship Between Hedonics and POCV**

It is a well accepted phenomenon in marketing research that products are not purchased only for their utilitarian benefits but also for their hedonic benefits (Babin, Darden & Griffin, 1994; Hirschman & Holbrook, 1982). Even though hedonics was an integral part of this consumption process, value researchers have modeled hedonics as a type of value rather than an antecedent of value (Sheth et al., 1991). In this research, it was argued that hedonics can act as an antecedent of overall value, especially for experiential services. Babin et al. (1994) proposed that emotions experienced during consumption could influence value perceptions directly. Value perceptions of highly experiential product buyers could be strongly dependent on hedonic benefits received during consumption.

### **Relationship Between Perceived Monetary Price and Perceived Value**

Zeithaml (1988) proposed that total sacrifice includes both monetary (i.e., perceived monetary price) and non-monetary, (i.e., perceived non-monetary price) costs of the purchase. For the purposes of this study, only a relationship between perceived monetary costs of cruise vacations and perceived value was directly tested. The relationship between perceived non-monetary costs and perceived value was not tested because this relationship was attributed in the quality of experience – perceived value analysis. More explanation on this issue will be provided in the following sections.

Perceived monetary price is consumers' perceptions of the purchase price of the product. Perceived monetary price has been proposed to directly influence perceived value (Bojanic, 1996; Bolton & Drew, 1991; Chang & Wildt, 1994; Cronin et al., 2000; Dodds et al., 1991; Kashyap & Bojanic, 2000; Monroe, 1990; Oh, 2000; Zeithaml, 1988). It has been well established in the marketing literature that perceived monetary price and perceived value are negatively related. As the price of a product increases, the value in consumers' mind decreases. Most researchers have measured perceived price as the only sacrifice component. Cronin et al. (2000) measured sacrifice as a composite measure composed of both monetary and non-monetary sacrifice components.

Oh (2000) hypothesized an inverse relationship between perceived price and perceived service value and his study results confirmed this hypothesis. A similar finding was documented by Kashyap and Bojanic (2000) who found that perceived price and perceived value were inversely related (standardized  $r$ :  $-.76$  for business travelers, standardized  $r$ :  $-.59$  for leisure travelers). Jayanti and Ghosh (1996) found that price-based transaction utility (based on the difference between internal reference price and

actual price) and quality perceptions are two main determinants of perceived value. Bojanic (1996) tested the relationship between perceived value and perceived price (based on average nightly rate paid by travelers) within different hotel segments. His analysis showed that this relationship was significant only for the luxury segment. He justified this finding by arguing that for luxury products higher prices can signal high value. However, it was also possible that his use of secondary data that were collected for a different purpose might have confined the relationship. Grewal et al. (1998) found that perceived transaction value is positively influenced by internal reference price and negatively influenced by advertised selling price (actual price). Transaction value was a mediator between actual price and perceived acquisition value.

Chang and Wildt (1994) tested objective and reference price as predictors of perceived price. They found a positive relationship between objective price and perceived price. Further, the relationship between reference price and perceived price was negative. Perceived price in turn influenced perceived value negatively in their analysis. Dodds et al. (1991) found a negative price-perceived value relationship. Similarly, Sun (1996) argued that her study results suggest a strong negative price influence on overall service value.

In line with previous research, a negative perceived price – perceived overall value relationship was also expected. Higher price perceptions were proposed to be associated with lower value perceptions.

### **Relationship Between Perceived Non-monetary Price and Perceived Value**

Another component of perceived sacrifice in value perceptions is perceived non-monetary price. Consumers spend time and effort to purchase and consume products. If the time and energy spent for purchase and consumption are not considered a part of the satisfactory shopping experience, they are most likely considered as an extra burden to the consumers. This extra burden in return might add to the value of the product negatively. Most perceived value studies have not measured this aspect of value perceptions and looked only at the role of monetary price on value perceptions.

Cronin et al. (1997; 2000) measured sacrifice including both monetary and non-monetary costs. In their 2000 study, they measured sacrifice with three items that asked service customers' perceptions of price, time and effort they spent for the purchase. The results showed no significant support for the sacrifice and service value relationship. This finding could be attributed to the fact that service customers actually did not perceive any sacrifice with their purchase of the service products. Three years earlier, however, their results showed that sacrifice measured by perceived price, effort, time and different risk factors (financial, social, performance, social, psychological) was an antecedent of value perceptions.

In this study, non-monetary price was not measured as a separate construct and therefore no link was hypothesized between non-monetary price and perceived value. The factors that make up non-monetary price of a cruise experience such as unnecessary waiting time for services, overcrowding factors, etc. are considered part of the measurement of quality of overall experience and satisfaction measurement.

### **The Relationship Between Perceived Transaction Value and Perceived Value**

Grewal et al. (1998) proposed a direct positive link between transaction value and acquisition value (i.e., overall value). They argued that higher satisfaction received from financial gains would result in higher value perceptions. Their empirical test of this relationship supported their argument and a strong transaction value → acquisition value relationship was found. A similar finding was also expected in this study that transaction value and overall value were directly and positively related. Transaction value was measured with three statements asking respondents if they were content with the price related benefits they received. It was expected that higher satisfaction resulting from price related benefits would lead to higher overall value perceptions.

### **The Relationship Between Overall Satisfaction and Perceived Value**

The causal relationship between satisfaction and value has been controversial in the literature. Those who favor the satisfaction → value causal link (Bolton & Drew, 1991; 1994; Gale, 1994; Naylor, 1996; Petrick et al., 2001) argue that value perceptions are higher order, more stable judgments than both quality and satisfaction, hence acting as consequences of most other post purchase evaluation constructs. Those who favor the value → satisfaction link (Cronin et al., 2000; Fornell et al., 1996) propose that satisfaction, unlike value, is more strongly related to future behaviors where value acts only as an antecedent of satisfaction judgments. Although both sides have valid arguments about the direction of the causal paths between satisfaction and value, no single path seems to hold under all circumstances and for all variations of satisfaction and value constructs (e.g. encounter satisfaction vs. overall satisfaction, etc.) (Oliver, 1999).

Considering the nature of the constructs measured in this study, a satisfaction → value link seems a more logical path. Satisfaction, quality and value are all measured in the global sense (i.e., overall satisfaction, quality, and value measurement). In terms of global constructs it is suggested that the satisfaction → quality link can be expected to be very strong (Oliver, 1997).

Because quality is a well-established antecedent of value perceptions, it can be concluded that satisfaction leads to value (i.e., directly and/or indirectly through quality). It should also be acknowledged that an inverse relationship between satisfaction and value (i.e., value → satisfaction) might be quite possible if the measurement of the constructs is performed at the encounter level. For example, right after a restaurant meal, the measurement of satisfaction, quality and value might reveal that the respondent was referring to quality and value to infer satisfaction, while questions about a restaurant company and meals after some time past the experience might reveal that the respondent was referring to satisfactory experiences to infer quality and value.

### **The Relationship Between Overall Service Quality and Perceived Value**

Previous value studies consistently showed that perceived quality was one of the main antecedents of perceived value. Recently, Cronin et al. (2000) compared three earlier models of service value to their research model and found strong support for their model. Cronin et al. tested the relationships among sacrifice, quality, value, satisfaction and repurchase intentions in two studies for six service industries and found a significant positive perceived service quality-service value relationship. Oh (2000) tested the relationship among a number of constructs including perceived quality and value for

hospitality services and found direct perceived quality-perceived value relationship. Similarly, Kashyap and Bojanic (2000) studied relationships among perceived quality, value and revisit intentions for hospitality services and found that travelers' quality perceptions with respect to room, public areas, and staff services influence their value perceptions positively. Bolton and Drew (1991) examined the service value evaluations of telephone service customers and found that service quality was a significant and major antecedent to service value (p. 383). They conceptualized service value as a "tradeoff between a customer's evaluation of benefits of using a service and its costs" (p. 376). Bojanic (1996) analyzed perceived value in the hotel industry and found a positive relationship between perceived quality of some hotel offerings (i.e., staff and condition) and perceived value.

Jayanti and Ghosh (1996) examined value perceptions of customers of a national hotel chain and found support for the hypothesis that price based transaction utility and perceived quality are two main determinants of perceived value. Sun (1995) analyzed the effect of price, brand name and level of advertising on perceived service quality, perceived service value and purchase intentions of the lodging industry customers. Her research results proved partially positive and significant relationship between service quality and value. She found that for customers having convenient hours and seeing employees getting enough support from management were two important quality judgments for value perceptions. Wakefield and Barnes (1996) also studied the relationship between service quality and service value and found a positive relationship between these two constructs.

A strong perceived service quality → perceived value relationship was also expected in cruise vacation product evaluations. Past research has shown that cruise vacationers place heavy emphasis on service quality features in their cruise vacation evaluations (Qu & Ping, 1999; Teye & Lerlerc, 1998). The extent to which physical environments and staff services are perceived high or low quality should serve as important indicators of overall cruise product value.

### **Perceived Quality of Experience (Novelty, Control, Hedonics)**

#### **Theoretical Background**

Compared to perceived service quality, perceived quality of experience was a separate dimension of service consumption evaluations according to Otto (1997) and Otto and Ritchie (1995). Otto and Ritchie found that traditional service quality measures involve mostly cognitive evaluations, and therefore, measures of affective evaluations are also necessary to thoroughly measure the service experience. Affect literature suggests that affective responses (i.e., emotions) are an important part of consumer evaluations of goods and services (Richins, 1997). Otto (1997) proposed that the main affective factors in a service experience evaluation include novelty, control and hedonics. To get deeper insight into the role of affective factors on consumer evaluations of goods and services, a review of affect literature in consumer behavior is provided.

#### **Affect**

In consumer behavior two streams of research encompass affective reactions to consumption: symbolic and hedonic reactions to consumption.

### **Affect As Symbolic Consumption**

Symbolic consumer behavior researchers (Grubb & Grathwohl, 1967; Levy, 1959; Martineau, 1958; Sirgy, 1982; Solomon, 1983) have contended that one of the reasons why consumers buy and consume products is the symbolic value offered by these products to the consumers. Consumers are aiming to satisfy their symbolic needs which can be defined as “desires for products that fulfill internally generated needs for self-enhancement, role position, group membership or ego identification” (Park, Jaworski & McInnis, 1986, p. 136). The reason why people look for symbolic value in products was that reference groups and society have important influence on defining how individual behavior should be formed (Belk, Walendorf & Sherry, 1989; Leigh & Gabel, 1992; Mick, 1986; Solomon, 1983, Zajonc & Markus, 1982). It is possible at times that symbolic meaning serves as the basis for consuming (Leigh & Gabel, 1992).

Belk (1984) believed that products convey meanings for consumers which reflect the cultural world the consumer lives in. Belk (1984) argued, “visible consumption is assumed to reflect our values, career success and personality” (p. 755). For Belk, consumption is, in a sense, an indicator of social status and personal identity. In leisure travel, for example, the destinations travelers select and the products they buy during a vacation may signal relations between travelers’ personality and their consumption patterns.

Plog (1991), for instance, proposed that destination characteristics have a close relation with travelers’ personality types. Travelers share memories with their significant others through photos and belongings they brought from the destination. Travelers’ symbolic behaviors can have implications about the value they attach to the travel

product. For example, leisure travel products that meet travelers' needs for self-enhancement, role position, group membership and/or ego identification may be perceived as having high value compared to those that don't meet these needs.

In this study, symbolic behavior of cruise vacationers was measured with two questions that asked if the respondents think they did something social and if they are willing to share their experiences with others after the experience. Consumers' symbolic consumption behaviors were related to their value perceptions as "social value" in Sheth et al.'s (1991) value typology. One of the reasons consumers value the products they buy is the social benefits they get from using the products.

### **Affect As Hedonic Consumption**

Peter and Olson (1994) suggested that four types of affective responses could occur in consumption situations: emotions, specific feelings, moods and evaluations. Positive and negative responses are possible in these four types of responses. Peter and Olson (1994) also suggested that emotions are stronger affective responses while moods are weaker and short-term responses.

### **Mood**

As affective responses, moods are much less stable and short term compared to emotions. Because mood states are transient in nature (Westbrook, 1980), their influence on post consumption evaluations is less likely. Therefore, it was decided to eliminate mood as part of the experience quality analysis.

## **Emotions**

Novelty, control and hedonics as dimensions of quality of experience represent the main emotions that leisure travelers experience (Otto & Ritchie, 1996). Hedonic consumption is reviewed further under Hedonics.

## **Perceived Quality of Experience Dimensions**

Consistent with Otto (1997) and Otto and Ritchie (1995), in this study, perceived quality of experience was operationalized separately from service quality. The most widely used measure of service quality, SERVQUAL (Zeithaml, Parasuraman & Berry, 1990), was represented by five dimensions that include tangibles, reliability, responsiveness, assurance, and empathy. The definitions of these five dimensions suggest that consumers evaluate service quality based on to what extent,

- service provider was able to perform the promised service dependably and, accurately,
- service provider was willing to help customers and provide prompt service,
- employees were knowledgeable and courteous and are able to inspire trust and confidence,
- service provider was giving individualized and caring attention to customers,
- appearance of physical facilities, equipment, personnel and written materials fit the customers' descriptions of quality.

In addition to service quality aspects of the cruise experiences, the affective aspects of the cruise vacations were measured in relation to both cognitive and affective antecedents to cruise vacation value perceptions. Cruise vacationers were asked to what extent their experience,

- was new and different,
- was open for communication, choice, and control,
- provided fun, enjoyment, pleasure and social environment.

### **Novelty**

An overall definition of novelty is “the degree of contrast between present perception and past experience” (Lee & Crompton, 1992, p. 733). Novelty is one of the basic motives that drives leisure travelers to search for new and different experiences (Bello & Etzel, 1985). Based on Hirschman’s (1984) propositions, Lee and Crompton (1992) suggested that the level of novelty a leisure traveler seeks is related to his/her personal needs where one leisure traveler may need a high level of novelty while another may need a very low level. Furthermore, the destinations may be perceived as novel or familiar in leisure travelers’ minds (Bello & Etzel, 1985). Lee and Crompton (1992) developed a six-dimension novelty scale that included change from routine, escape, thrill, adventure, surprise and boredom alleviation dimensions.

Leisure traveler’s novelty perceptions are highly related to Mehrabian and Russell’s (1974) arousal seeking typology (Lee & Crompton, 1992). Bello and Etzel (1985) suggested that arousal-seeking travelers demand more novel experiences.

Increased boredom in daily life drives leisure travelers to get away from routine and increases their stimulation levels.

### **Antecedents of Novelty**

In the research model (Figure 3.1), the only antecedent of novelty was hypothesized to be control. Consistent with Otto's (1997) proposal, control is modeled as an antecedent to both novelty and hedonics. Experiencing higher novelty and hedonics feelings may depend on the level of control perceptions. As the environment become more relaxed and free, perceptions of novelty can be more easily experienced. Novelty reflects leisure travelers' feelings of adventure, thrill, escape from mundane environments and challenge. Control represents travelers' freedom of choice and control over their environments. As travelers perceive more control over their environments, feelings of adventure, thrill and escape from daily environments are more likely to be experienced. Otto (1997) tested the relationship between control and novelty and found a strong direct link between the two constructs.

### **Control**

Mehrabian and Russell (1974, p.19) argued that "an individual's feeling of dominance in a situation is based on the extent to which he feels unrestricted or free to act in a variety of ways." In service settings, the concept of control refers to service consumers' involvement in the production and consumption process (Bateson, 2000). Because customers play a role in the production and consumption process, they react to the service environment and want to feel control over this environment. Mehrabian and

Russell's (1974) dominance approach imply that service customers want to get away from restrictions and, to a certain extent that, they want to dominate their environments toward satisfying their needs and wants. Bateson (2000) mentioned seven control related factors that influence service choice process. These factors include the amount of time involved, the individual's control of the situation, the efficiency of the process, the amount of human contact involved, the risk involved, the amount of effort involved, and the individual's need to depend on others during the service consumption process. All of these factors are also directly related to leisure travelers' perceptions' of control during the vacation process. For example, many package tour vacations are so tightly planned that they leave very little room for travelers to act freely. Despite having certain advantages, tightly controlled environments might directly influence package tour buyers' satisfaction and value perceptions.

### **Hedonics**

In terms of hedonic consumption, Hirschman and Holbrook (1982) suggested that "it designates those facets of consumer behavior that relate to the multisensory, fantasy and emotive aspects of one's experience with the products" (p. 92). Multisensory facets mean experiencing products with multiple senses in an imagery form on "a continuum from purely historical recollections to complete fantasy" (p. 93). "Emotional responses included feelings as joy, jealousy, fear, rage and rapture" (Freud, 1955, in Hirschman & Holbrook, 1982, p.93). In Hirschman and Holbrook's (1982) conceptualization, hedonic consumption includes these three affective responses in a consumption situation. Hirschman and Holbrook (1982) further argued that the level of these responses varies

based on the consumption of different product classes. For example, compared to the consumption of consumer durables (e.g., automobiles) consumption of aesthetic products such as performing arts is more likely to exert emotional responses. This argument is essentially parallel to the one made in this study that the consumption of leisure travel products was more likely to produce affective responses compared to many goods and services and this in turn should influence consumers' value perceptions.

The first considerable attention to affective responses in consumption was given by Holbrook and Hirschman (1982). These researchers argued that consumption activity doesn't only include processing information but also includes fantasies, feelings and fun. This, according to the authors, is an experiential view. After Holbrook and Hirschman (1982), research on emotions and other affective responses have proliferated. Holbrook and his colleagues (Batra & Holbrook, 1990; Holbrook & O'Shaughnessy, 1984) found that there are distinct primary affect dimensions with regard to consumers' advertising evaluations. More recently, hedonic consumption has been analyzed in terms of its relationship with other consumer behavior constructs. Babin et al. (1994) developed a scale of shopping value that separated utilitarian and hedonic aspects of shopping behavior.

Hedonic behavior is also an integral part of leisure experiences. Concepts of enjoyment, pleasure and relaxation are common terms used to define leisure experiences (Mannell & Kleiber, 1997). One of the three major sets of attributes of leisure are enjoyment, fun and pleasure, the existence of which are considered a sign of quality leisure experience (Mannell & Kleiber, 1997). Hedonic behaviors have been cited among the major leisure travel motivations (Krippendorff, 1987).

### **Antecedents of Hedonics**

As explained previously, control is expected to act as a precursor to novelty and hedonics. The level of fun and pleasure perceived in a leisure travel experience may highly depend on the level of control perceived. For instance, as the leisure traveler has more choices, the likelihood of enjoyment from the experience may increase. Otto (1997) tested the direct relationship between control and hedonics and found a strong positive relationship.

Similar to control → hedonics relationship, novelty can also be expected to be directly related to hedonics. If novelty is a desired attribute of the leisure travel product, then it can be expected that more novel experiences should result in higher perceptions of hedonics. Otto (1997) didn't propose a direct novelty → hedonics relationship, but her results suggested that this relationship should be tested.

### **Perceived Overall Satisfaction**

There has been general agreement in the consumer behavior literature that consumer satisfaction is tied to an evaluation process, which entails a comparison of product performance and some sort of a standard in relation to this performance (Oliver, 1997). The prevailing thought suggests that consumers develop expectations and use them as standards to compare with perceived product performance. The result of this comparison is termed as disconfirmation that can be both positive and negative based on this comparison. Positive disconfirmation is achieved if perceived performance exceeds expectations or negative disconfirmation results if performance falls short of expectations. Satisfaction or dissatisfaction with the experience or use of product then is

the consumers' disconfirmation process in which positive disconfirmation leads to satisfaction whereas negative disconfirmation leads to dissatisfaction (Oliver, 1997).

One of the pioneers of this perspective on consumer satisfaction is Oliver (1980) who suggested that consumers adapt to certain buying situations and pre-purchase expectations serve as the adaptation level. According to Oliver, consumers reach satisfaction or dissatisfaction (CS/D) after a cognitive comparison between the expectations and perceived product performance. Despite its wide application in marketing literature, the disconfirmation paradigm has been criticized. Some of the issues raised with respect to the disconfirmation paradigm are: a) the formation of expectations and their relation to CS/D (i.e., consumers may not engage in comparison of expectations and performance every time); b) the use of desires rather than expectations as comparison standards to perceived product performance; c) the model's being only cognitive rather than both cognitive and affective; and, d) other antecedents might influence the formation of CS/D (Barsky, 1992).

The Formation of Expectations and Their Relation to CS/D: Barsky (1992) argued that it was not clear what sources people use to develop expectations. According to Spreng, Mackenzie, and Olshavsky (1996), two views prevail in terms of how expectations are used to infer CS/D. One view suggests that consumers use expectations as the probability of the occurrence of an event (Bearden & Teal, 1983; Westbrook, 1987; Westbrook & Reilly, 1983) while others argue that consumers use expectations of goodness or badness of an event in addition to likelihood of occurrence (Churchill & Surprenand, 1982; Oliver, 1980; Tse & Wilton, 1988). Spreng et al. (1996, p. 17) suggested, “ expectations

are beliefs about the likelihood that a product is associated with certain attributes, benefits and outcomes.”

In addition to predictive expectations, consumers might use ideal standards, same or similar products, market promises and industry norms as belief standards (Barsky, 1992; Woodruff & Gardial, 1996).

#### Use of Desires Rather than Expectations as Comparison Standard to Performance

Perceptions: The criticism about the adequacy of expectations as comparison standards brought about the value percept model of CS/D (Westbrook & Reilly, 1983). This model proposed that the expectation performance model lacked consideration of consumers’ desires or values in the CS/D process. Westbrook and Reilly (1983) argued that even though expectations are met, values might not be satisfied with positive disconfirmation. Later, researchers proposed that both values or desires and expectations are necessary as comparison standards in CS/D models (Speng & Olshavsky, 1993; Spreng et al., 1996).

Cognitive and Affective perspectives on CS/D: Recent research on the disconfirmation paradigm suggests that a cognitive explanation of the CS/D concept lacks explanatory power in models (Oliver, 1993). Westbrook (1987) introduced two affect states that might influence CS/D: positive and negative affect. His analysis showed that two affects, joy and interest were more strongly associated with CS/D than other affect states such as anger, disgust and contempt. A more recent investigation of affect in CS/D studies was performed by Oliver (1993). Oliver hypothesized that attribute satisfaction and dissatisfaction with the products have both direct and indirect influences on CS/D (i.e.,

mediating influences through positive and negative affect). His analysis showed that an introduction of affect and an attribute-based satisfaction judgment to the disconfirmation model increases explained variance by 50% from 35% to 85% (81% for the course example). Oliver used two samples, individuals enrolled in auto and basic marketing courses for his study. Woodruff and Gardial (1996) suggested that emotion based measures of customer satisfaction are needed to reach a fuller understanding of CS/D. According to Woodruff and Gardial customer satisfaction was enhanced or diminished by positive or negative emotions generated by product service consumption.

### **Antecedents of Consumer Satisfaction/Dissatisfaction**

The literature suggests that CS/D judgments are inferred mainly by disconfirmation, affective states, expectations and/or desires, attribute satisfaction, information satisfaction and product performance (Oliver, 1997; Spreng et al., 1996). Recent satisfaction research showed that affect was a separate and significant antecedent of satisfaction (Dube-Rioux, 1990, 1993; Mano and Oliver, 1993; Oliver, 1994, 1997; Westbrook & Oliver, 1991).

Some studies have analyzed the role of emotions on the satisfaction response (Mano & Oliver, 1993; Oliver, 1993; Westbrook, 1987; Westbrook & Oliver, 1991). Westbrook (1987) tested the role of affective responses on satisfaction using automobiles and cable TV and found that satisfaction judgments are influenced by positive and negative affect categories in addition to expectancy disconfirmation variables. Later, Westbrook and Oliver (1991) further analyzed the dimensionality of emotions in satisfaction with regression methodology and found that three dimensions of emotion,

hostility, pleasant surprise and interest influenced satisfaction ratings of a sample of automobile owners significantly. Mano and Oliver (1993) examined the causal relationships among utilitarian-hedonic factors, arousal, positive-negative affect and satisfaction/dissatisfaction judgment. Affect dimensions mediated the relationship between hedonic influences and satisfaction as well as the relationship between arousal and satisfaction. Oliver (1993) elaborated on the work of Mano and Oliver (1993) and analyzed the relationship between emotion and satisfaction at the attribute level using a product (automobile) and a service (university course instruction). His analysis showed that overall satisfaction/dissatisfaction with a product was a function of positive and negative affect as well as attribute satisfaction, dissatisfaction, and disconfirmation.

In this study, the role of overall satisfaction was measured as a mediator between affective states and perceived value. Overall satisfaction was measured by using both disconfirmation and direct satisfaction measures.

### **The Relationship Between Novelty and POS**

The measurement of novelty in the current study reflects such leisure travel motivations as escape from routine, adventure, experiencing something new and different, stimulation and challenge (Mathieson & Wall, 1982). The fact that dimensions of the novelty construct (i.e., change from routine, escape, thrill, adventure, surprise and boredom alleviation (Lee & Crompton, 1992)) represent main leisure travel motivations (Mathieson & Wall, 1982; Ross & Iso-Ahola, 1991) suggests that overall higher levels of novelty should result in higher levels of overall satisfaction with the experience. In other words, since, overall, novelty seems to be a desired attribute for leisure travel

experiences, more positive perceptions of novelty should result in higher overall satisfaction levels.

Otto (1997) tested the relationship between Novelty and POS and found no significant relationship. One of the reasons for Otto's finding might be that the majority of her respondents purchased services where Novelty may not be an important factor for satisfaction (i.e., casual restaurant, electronics retailer). However, as pointed out earlier, for leisure travel experiences it is highly likely that novelty influences overall satisfaction directly and positively.

### **The Relationship Between Control and POS**

Control refers to customer's direct involvement in the service experience process (Otto, 1997). Higher levels of customer involvement in the consumption process create perceptions of control for the customer. Involvement was proposed as a determinant of leisure traveler satisfaction (Ryan, 1995).

Increasing perceptions of control in service environments can be expected to result in positive service evaluations (Bateson, 2000). Higher perceptions of control can be more effective on customer evaluations where control is an important factor in the consumption process. For example, for package tour vacations (e.g., cruise vacations), perceptions of higher control can be expected to result in higher levels of traveler satisfaction. As the leisure traveler finds a more relaxed environment (e.g., more choices, cooperation with the service providers in his/her involvement in the process), his/her satisfaction with the overall experience can be expected to increase.

Otto (1997) tested the relationship between control and satisfaction. Her results suggested that control affects satisfaction indirectly through hedonics. A direct link between control and satisfaction is increasingly possible where control is an important factor for overall satisfaction (e.g., cruise vacations as package tours). Therefore, in the current study, a direct link as well as an indirect link through hedonics and novelty was proposed between control and POS.

### **The Relationship Between Hedonics and POS**

Satisfaction with the leisure travel experience was found to be highly dependent on the perceptions of fun, enjoyment and pleasure (Lounsbury & Hoopes, 1985; Otto & Ritchie, 1996). Hedonic factors were cited among the physical motivations of leisure travelers (Mathieson & Wall, 1982). Leisure travelers are generally motivated by fun, excitement, romance and entertainment. Accordingly, it can be expected that higher levels of hedonic perceptions can lead to higher levels of overall satisfaction with the leisure travel experience. Otto (1997) found a strong positive link between hedonics and satisfaction. Hence, higher hedonic perceptions were expected to lead to higher levels of satisfaction with the cruise vacation experience in this study.

### **The Relationship Between PTV and POS**

PTV was defined as the “perception of psychological satisfaction or pleasure obtained from taking advantage of financial terms of the price deal” (Grewal et al., 1998, p. 48). PTV was found to be directly related to value perceptions (Grewal et al., 1998) but no relationship between PTV and POS has been tested previously. Compared to PTV,

POS was a holistic evaluation similar to overall value (Grewal, 1995) and therefore a direct relationship from PTV to POS was more likely (Grewal et al., 1998). As a situation specific satisfaction from received price deals (Grewal et al., 1998), PTV was expected to contribute to overall satisfaction evaluations. Satisfaction obtained from special promotions, price discounts etc., was expected to create higher overall satisfaction levels for leisure travelers.

### **Perceived Overall Service Quality**

#### **Theoretical Background**

In general, the perceived quality of a product is “the consumer’s judgment about the superiority or excellence of a product” (Zeithaml, 1988, p. 5). Perceived quality and objective quality are different concepts according to Zeithaml (1988). Objective quality in the marketing literature refers to the measured technical superiority of a product whereas perceived quality reflects a consumer’s subjective evaluation of the product’s superiority (Zeithaml, 1988). In her review of perceived quality, price and value, Zeithaml (1988, p. 3-4) suggested that the perceived quality of a product was,

- "a higher level abstraction rather than an attribute",
- "a global assessment similar to attitude and",
- "a judgment made within consumers’ evoked set".

Because leisure travel products are a type of service product (i.e. experiential services), the perceived quality review here was based on the service quality literature. Parasuraman, Zeithaml, and Berry (1988) defined service quality very similar to Zeithaml’s (1988) overall quality definition: “global judgment, or attitude, relating to the

superiority of the service” (p. 16). A more common definition suggests that service quality is “ the difference between consumers’ expectations for service performance prior to the service encounter and their perceptions of the service received” (Asubonteng, McCleary & Swan, 1996, p. 64). As the developers of the SERVQUAL scale, Parasuraman, Zeithaml, and Berry (1985) identified three underlying cores of service quality. These cores include the idea that “service quality is more difficult to evaluate than goods quality for consumers,” that “service quality perceptions result from a comparison of consumer expectations with actual service performance,” and that “quality evaluations are not made solely on the outcome of service; they also involve evaluations of the process of service delivery” (p. 42). Based on these cores, Parasuraman et al. (1985) conducted twelve focus group interviews with customers of four service industries, retail banking, credit card, securities brokerage and product repair and maintenance and generated the initial SERVQUAL scale. This initial scale included ten dimensions of service quality, which were:

- Reliability: Consistency of performance and dependability.
- Responsiveness: Willingness and readiness of employees to provide service.
- Competence: Possession of the required skills and knowledge to perform service.
- Access: Approachability and ease of contact.
- Courtesy: Politeness, respect, consideration and friendliness.
- Communication: Keeping customers informed and listening to them.
- Credibility: Trustworthiness, believability and honesty.
- Security: Freedom from danger, risk or doubt.
- Understanding/knowing the customer: Making an effort to understand the customer’s

needs.

- Tangibles: Physical evidence of the service (Parasuraman et al., 1985, p. 515).

Zeithaml, Parasuraman, and Berry (1990) later conducted a quantitative study and developed the widely known measure of service quality, SERVQUAL which has five dimensions:

- Reliability: Ability to perform the promised service dependably and accurately.
- Responsiveness: Willingness to help customers and provide prompt service.
- Assurance: Employees' knowledge and courtesy and their ability to inspire trust and confidence.
- Empathy: Caring, individualized attention given to customers.
- Tangibles: Appearance of physical facilities, equipment personnel and written materials.

Zeithaml et al.'s (1990) conceptualization of service quality as a comparison between expectations and perceived performance reflected the disconfirmation measure of customer satisfaction. Therefore, some researchers argued that this measurement of service quality makes it hard to disentangle customer satisfaction and service quality (Cronin & Taylor, 1992; Woodruff & Gardial, 1996). According to Parasuraman et al. (1988) the essential difference between service quality and customer satisfaction is that service quality suggests a comparison between expectations and performance in terms of what a consumer should expect whereas customer satisfaction suggests a comparison in terms of what a consumer would expect (Cronin & Taylor, 1992). Cronin and Taylor (1992) further argued that this explanation seems "inconsistent with Woodruff, Cadotte and Jenkin's (1983) suggestion that expectations should be based on experience norms-

what consumers should expect from a given service provider given their experience with that specific type of service organization” (p. 56).

Research on service quality in general and on the SERVQUAL scale in particular abounds. A number of studies have applied the SERVQUAL scale to different industries, including retail chains (Teas, 1993), banking, pest control, dry-cleaning and fast food (Cronin & Taylor, 1992); health services (Babakus & Mangold, 1992; Bebeko & Garg, 1995); and a dental school patient clinic, a business school placement center, a tire store, and an acute care hospital service (Carman, 1990). Tourism and hospitality industry services have also been analyzed via the SERVQUAL scale. Getty and Thompson (1994), for example, developed a revised SERVQUAL model for the lodging industry called LODGQUAL and reduced three dimensions of SERVQUAL, responsiveness, empathy and assurance to a contact dimension. For the revised scale they found the Cronbach’s coefficient alpha to range between .84 and .97. They analyzed the relationship between service quality, satisfaction and word of mouth behavior with a path model and found that the three dimensions of LODGQUAL impact more on overall quality than satisfaction. Further, they suggested that word of mouth behavior was mainly a result of overall quality perceptions more than satisfaction behavior.

A number of attributes have been linked to service quality perceptions in different tourism settings. These include food and lodging (Fakeye & Crompton, 1991); the quality of different hotel departments such as reception, housekeeping, food and beverage (Gundersen, Heide, & Olsson, 1996); social interaction (Ostrowski, O’Brian & Gordon, 1994); familiarity with the service (Zalatan, 1994); and quality of guest services, sportive activities and information about the services (Verhoven & Masterson, 1996).

## **The Relationship Between Overall Satisfaction and Perceived Overall Service**

### **Quality**

Researchers are not in agreement regarding the causality between satisfaction and quality just as in the case of satisfaction and value relationship. Accepting the merits of counterarguments, some researchers have proposed that satisfaction leads to quality (e.g., Bolton and Drew, 1991, see Table 2.1 for a more complete list) while others (e.g., Cronin & Taylor, 1992, see Table 2.1) argue that quality perceptions help shape satisfaction perceptions. Oliver (1997) introduced a strong case for the causality of quality and satisfaction by arguing that this causal relationship depends on whether quality and satisfaction are measured at a global or encounter level. He suggested that at the encounter level quality perceptions seemed to be strong indicators of satisfaction while at the global level satisfaction perceptions seemed to be strong indicators of quality perceptions. Since both constructs were measured at the global level in this study, it was expected that satisfaction perceptions would lead to quality perceptions.

## **The Relationship Between Perceived Monetary Price and Perceived Overall Service**

### **Quality**

In general, the effect of price on quality judgments in consumer research has produced mixed results (Dodds et al., 1991). Zeithaml (1988) proposed that although a general price-perceived quality relationship does not exist, this relationship might come out under certain conditions. Bringing evidence from marketing literature she commented that “the use of price as an indicator of quality depends on a) availability of other cues to quality, b) price variation within a class of products, c) product quality variation within a

category of products, d) level of price awareness of consumers and e) consumers' ability to detect quality variation in a group of products" (p. 12). In the case of cruise product purchase, a price → quality relationship seems possible because of the high price variation among cruise vacations. Cruise vacation prices might, for example, range from around \$500 to \$5,000 dollars and above depending on many factors and act as an important factor that will influence service quality perceptions.

### **Perceived Transaction Value**

Earlier in the perceived overall product value section, it was shown that a utilitarian perspective on overall product value conceptualizes overall value based on perceived acquisition and perceived transaction value (Monroe, 1990). According to Monroe (1990), both concepts are based on consumers' comparisons of the price structures and they have separate and independent influences on overall value. More recently, Grewal et al. (1998) have argued that the perceived acquisition value is a higher order concept that combines influences of both perceived transaction value and perceived quality. They proposed that price comparisons are mediated by perceived transaction value and perceived quality in their effect on perceived acquisition value. Grewal et al.'s (1998) conceptualization of perceived acquisition value reflects the conceptualization of perceived overall product value in most other value research (e.g., Bolton & Drew, 1991; Chang & Wildt, 1994; Cronin et al., 2000; Sweeney, Soutar & Johnson, 1999). However, Grewal et al.'s (1998) conceptualization of perceived transaction value combines previous conceptualizations of perceived transaction value and operationalizes it as a "psychological satisfaction or pleasure obtained from taking advantage of the financial terms of the price deal" (p. 48). Grewal et al. (1998) argued that buyers' perceptions of

price deals based on comparisons of different price structures (i.e., advertised selling price, advertised reference price, internal reference price) resulted in psychological satisfaction and this psychological satisfaction was the transaction value of a product.

A similar theoretical explanation was also suggested by Oliver (1999). Oliver (1999) argued that value was a comparative process where consumers might deal with two types of comparisons: intra product and inter product comparisons. Intra product comparisons are based on benefits versus costs of the product itself while inter product comparisons occur with comparisons between the product and its alternatives (p. 48). Oliver further proposed that overall consumption value is not only inferred by quality and satisfaction but also by the cost-based value, which includes the comparisons of the product's cost structures.

A combination of Grewal et al.'s (1998) and Oliver's (1999) perspectives on the perceived overall value of a product suggests that consumers pass through a comparison process, including cost comparisons. Perceived transaction value, therefore, reflects the cost comparisons and includes both intra product and inter product comparisons.

An analysis of cruise industry professional's perspectives on the perceived value of the cruise products also supports this conceptualization. Cruise professionals argue that cruise products possess value considering three main types of comparisons that might be processed by cruise vacationers (Cruise Lines International Association [CLIA], 2001; 2002):

1. Benefits of cruise vacations compared to comparable non-cruise vacations (i.e., cost based comparison based on what is received for the same amount of money spent for the vacation),

2. Benefits of a specific cruise vacation compared to benefits of another similar cruise vacation (i.e., cost based comparison based on what is received for the same amount of money spent for the vacation),
3. Benefits of price deals compared to regular prices (i.e., pleasure received from price deals – comparison of sale prices versus regular prices),

It is unrealistic to expect that all cruise vacationers go through all the comparisons to infer the value of a cruise product, however. Oliver (1999) suggested that intra product comparisons are a precursor to inter product comparisons and consumers may not go through the two steps every time. Perceived transaction value of cruise products was conceptualized with the three comparisons cited above.

### **Antecedents of PTV**

Previous research on PTV showed that consumers' price perceptions influence PTV directly (Grewal et al., 1998; Lichtenstein et al., 1990). Grewal et al. (1998) found that the actual selling price of a product influences PTV negatively while internal reference prices influence PTV positively. An overall price perception can be expected to influence PTV negatively because as the perceived price increases, consumers' satisfaction from price deals will decrease. The effect of the received price deals (such as discounts) will disappear as the perceived price increases since the actual price of the product was perceived as high. Similarly, in this study a negative PMP →PTV relationship was expected.

### **Perceived Price**

Most of the time consumers not only pay the monetary price, but also a non-monetary price for the purchase and consumption of products (Monroe, 1990; Zeithaml, 1988). Monetary spending includes the actual price of the product, and it is generally measured based on consumers' perceptions of the actual price paid (i.e., low price – high price). Non-monetary costs usually include time, effort and other unsatisfactory spending for the purchase and consumption of the product.

### **Perceived Monetary Price**

The actual price and perceived price of a product are different concepts according to Jacoby and Olson (1977). The purchase decision is generally made using price perception rather than just by looking at the actual price. Zeithaml (1988, p. 10) suggested that the perceived price was the perception of “what is given up or sacrificed to obtain product.” The definition of perceived price (i.e., total sacrifice) suggests, hence, that it includes objective price as well as other monetary and non-monetary costs such as time costs, search costs, and psychic costs (Zeithaml, 1988). Monroe (1990) argued that perceived value is a function of perceived benefits and perceived monetary price (Monroe, 1990).

Perceived monetary price has been measured with single or multiple items that asked the respondents if they thought the price they paid was low or high. Cronin et al. (2000) measured perceived monetary price with a nine-point scale from very low to very high.

Oh (2000) used four price levels, where respondents' perceptions on different price levels were measured with seven point scales. In this study, respondents' were asked if the price charged was inexpensive- expensive, a real bargain- a real rip-off, very low- very high, not pricey at all-pricey, very reasonable- very unreasonable. Grewal et al. (1998) measured objective price by using the advertised selling price in the market. In their study, internal reference price was formed with the advertised selling price and the advertised reference price (Grewal et al., 1998). Grewal et al. (1998) measured the internal reference price with two measures, average market price estimate and fair price estimate. Bojanic (1996) used data from consumer reports in which price was measured as the average nightly hotel rate paid by the report readers. Chang and Wildt (1994) conceptualized perceived price with objective and reference price. They measured objective price with actual prices from the market at two levels, high and low; internal reference price with perceived most likely price, and perceived price with a nine-point scale from high to low. Dodds et al. (1991) measured sacrifice with objective prices at four levels: too high, high, medium and low.

Past research on effects of price on buyer behavior shows that instead of having perfect information about prices, buyers possess internal reference prices and make comparison with these prices (Grewal et al., 1998). In addition, it was found that frequently, consumers have difficulty recalling the actual prices of the products (Dodds, 1996; Monroe, 1990). Furthermore, previous research has suggested that prices don't only serve as cost indicators but they also affect buyers' quality judgments, which in turn influence consumers' wants and satisfactions (Cronin & Taylor, 1992; Zeithaml, 1988).

### **Perceived Non-monetary Price**

The actual price paid is not the only purchase cost for consumers (Bender, 1964; Monroe, 1990; Zeithaml & Bitner, 2000). Other costs include time costs; search costs (i.e., effort spent for search and selection of the product); convenience costs; and, psychic costs (Zeithaml & Bitner, 2000). Bender (1964) categorized purchase costs into two groups; prime cost (i.e., the price paid), and secondary costs. Bender argued that there are three kinds of secondary purchase costs including price-type costs, time-type costs and psychological-type factors. In a retailing environment, parking fees, installation charges, credit charges, sales taxes, etc., can be considered price type secondary purchase costs while waiting time, travel time, and searching time are considered as time type secondary purchase costs (Bender, 1964). Psychological factors include inner conflict, frustration, depression, discomfort, anxiety, tension, annoyance, mental fatigue and the like (Bender, 1964).

Non-monetary costs might differ significantly among different product categories. Zeithaml and Bitner (2000) argued that even though non-monetary costs may not be a big consideration in many goods purchased, they might become a more important consideration than monetary costs in service purchases. For many services, waiting time; appointment time; time and effort spent searching and selecting the product; time and effort spent preparing to receive the service (e.g., preparing home for a repair service); and fear of uncertainty, rejection or not understanding the services can become very important considerations for service purchase decisions and evaluations (Zeithaml & Bitner, 2000).

Among Bender's (1964) three types of secondary costs, time-type costs and psychological factors can be expected to impact cruise vacation evaluations because cruise vacations are generally sold as a package that includes one price for the whole vacation and most price type costs are included in the package price. In addition to the package price, cruise vacationers can be expected to include time related and other dissatisfying psychological factors into their product cost evaluations. Higher discomfort levels resulting from time related and psychological factors will add up to the total cost of the vacation and they will be used in the vacationer's value equation. The higher the time related and psychological factors as dissatisfying parts of the experience, the more the cost of the vacation should be. The higher costs of the vacation, in return, should decrease the value of the vacation. Disorganization and crowding in a cruise vacation, for example, might very well influence vacationers' value perceptions in a negative way because those dissatisfying factors will add up to the cost of the vacation.

Previous models of perceived value have given very little or no attention to the non-monetary price component, and this, in one sense, can be explained by the fact that non-monetary spending make up an insignificant portion of the whole cost of product purchase in those studies. Two studies have addressed non-monetary price as well as monetary price in the value literature. Cronin et al. (2000) used three items (as the total sacrifice made) that asked if the price, time and effort spent were low or high. Cronin et al., (1997) measured total sacrifice (i.e., monetary and non-monetary price) based on nine, nine-point Likert scale items. Non-monetary price measures included time and effort spent for purchase and also different types of risks associated with the purchase (i.e., financial, physical, performance, social, psychological, and overall risks).

### **Behavioral Intentions**

Two main consequences of value perceptions, intentions to repurchase and recommending behaviors have been of concern for value studies. Most value studies have focused on behavioral intentions in terms of repurchase intentions while some studies (Cronin et al., 1997; Cronin et al., 2000) have measured behavioral intentions with questions about both future repurchase intentions and recommending behaviors.

It is well established in the marketing literature that higher value and quality perceptions lead to higher repurchase intentions. Consumers who think that what they have received was worth what they have given up have been found to be more likely to buy the same product or to purchase from the same provider. Consumers' behavioral intentions have generally been measured by asking them the probability or likelihood of buying the same product again (Cronin et al., 2000; Dodds et al., 1991; Grewal et al., 1998; Oh, 2000; Sweeney et al., 1999). Wakefield and Barnes (1996) measured respondents' future frequency of visit intentions.

Another possible result of high value perceptions was positive recommending behaviors. Unlike tangible goods customers, service customers rely heavily on word of mouth to make decisions for future purchases mainly because of the fact that services possess high experience qualities (Bansal & Voyer, 2000). Because it was very difficult to assess a service before actually experiencing it, high perceived risk was associated with the service purchases (Zeithaml & Bitner, 2000). Accordingly, service customers generally choose to get information from people around them who have previous experience with the service they intend to purchase. Another reason why most consumers rely on word of mouth communication is that the information received via word of mouth

is considered more credible than other sources (Zeithaml & Bitner, 2000). The information from personal sources becomes more important if the consumer has no, or very limited, past experience with the product.

### **Antecedents of Behavioral Intentions**

Previous research on perceived value, satisfaction and service quality has shown that these three constructs are the main antecedents of behavioral intentions (Cronin et al. 2000). Tests of most models (Table 2.2) that predict service customers' behavioral intentions have documented that customers decide on future behaviors by evaluating their previous satisfaction, service quality and value perceptions. Cronin et al. (2000) tested the influence of service quality, satisfaction and service value on behavioral intentions and found a significant effect of the three constructs for all six-sample categories of service purchases. Cronin et al. measured behavioral intentions with items that measured both repurchase intentions and recommending behavior.

The proposed research model in this study (Figure 3.1) includes POS, POSQ and POCV as the antecedents of BI consistent with findings in past studies.

### **Categorical Variables**

The relationships among the antecedents of perceived value, perceived value and behavioral intentions could be moderated by several factors. Twelve categorical variables measured in this study included past experience, date of the last cruise experience, party size, group composition, ship size, length of the last cruise vacation, brand name, package price of the vacation, age, gender, income, and education level.

It is possible that the strength of the relationship among variables tested in this study was leveled by these vacationer-related and vacation-related factors. Those travelers who have previous experience, for example, could expect more and perceive lower value with the same product while those who have no previous experiences could expect less and perceive higher value. In a cruise vacation, experienced vacationers might perceive lower value with the product than inexperienced ones if they have experienced better vacations for the same price. Similarly, high or low value perceptions might depend on the size of the ship, length of the vacation and other factors. Also, families with children might perceive better value than couples and individuals if the cruise activities toward children are better organized than activities toward couples and individuals. In addition, activity interests of younger and older vacationers might differ (e.g. energetic vs. relaxing) and hence, value perceptions of younger and older vacationers might depend on the extent to which their activity interests are satisfied. Similar differences in gender and education might also cause varying value perceptions of cruise vacationers. Income might influence perceived price-perceived value relationship importantly because, for example, low-income vacationers might be found more sensitive to what they are getting in return for their money.

Cartwright and Baird (1999) found differences among cruise vacationers in the main reasons they cruise. Older vacationers (people over 50) cited safety and ease of travel as the two main reasons while younger travelers (people under 50) cited entertainment and children's facilities as the two most important reasons for cruising. Petrick et al. (1999), on the other hand, have found gender differences in golfers evaluations. Their results suggested that males who are more involved in the golf

experience have higher expectations. Similarly, high-income golfers were found to expect more and accordingly were harder to satisfy. They also showed that less educated golfers perceive higher value with their experience compared to more educated golfers.

No specific tests as to the role of categorical variables as moderators were provided due to the comprehensiveness of the current study. Future analysis of the moderator effects is warranted for a better understanding of the proposed relationships.

### **Summary**

The literature that pertains to perceived value construct for leisure travel product purchases was reviewed. Based on the results of theoretical and empirical studies, perceived value of leisure travel products has been proposed to be a factor of seven constructs including, novelty, control, hedonics, perceived monetary price, perceived transaction value, perceived overall satisfaction and perceived overall service quality. Two important consequences of perceived value have been shown; repurchase intentions and recommending behavior. It was also noted that various traveler variables might act as moderators in some of the relationships. Proposed research model and the methodology for the empirical analysis are presented in the following chapter.

## CHAPTER III

### RESEARCH METHODOLOGY

#### Introduction

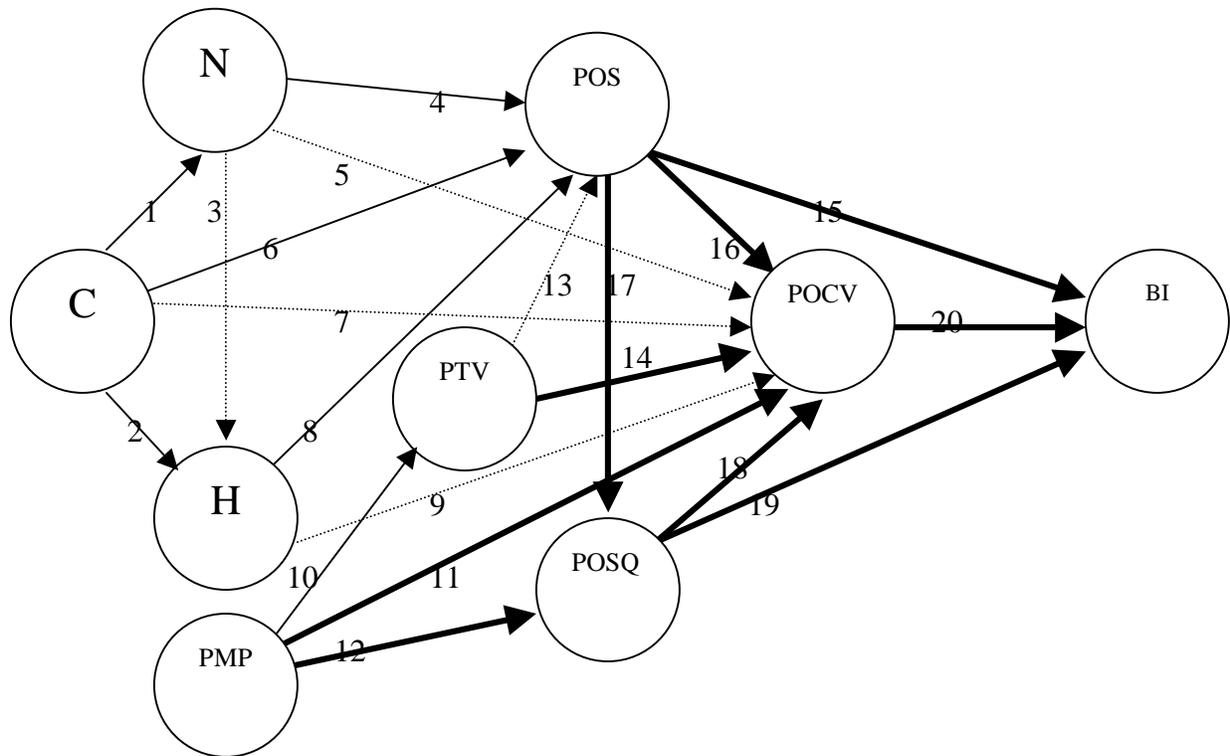
Chapters one and two have laid out the foundation for the research model to be tested in this dissertation. In this chapter, the conceptual framework, the hypotheses, the instrument being used in the study, and the research design are presented.

#### Conceptual Framework

Figure 3.1 depicts the theorized relationships between a set of variables related to perceived overall value of leisure travel products. This theoretical model is an extension of perceived value models proposed by Cronin et al. (2000), Grewal et al. (1998), Bolton and Drew (1991) and Zeithaml (1988). Depending on the analysis of the previous models and the literature review provided in chapter two, this model of perceived overall cruise product value (POCV) suggests that cruise travelers form an overall value perception about the cruise product based on seven factors: their perceptions of, the novelty (N), control (C), and hedonic (H) aspects of their experience, the monetary price (PMP), transaction value (PTV), their overall satisfaction (POS), and the overall quality of the cruise services (POSQ). The main consequence of the overall cruise product value perception according to the model will be behavioral intentions (BI) toward repurchase intentions and recommendation.

**Figure 3.1: A Model of Perceived Overall Value for Leisure Travel Product**

**Purchases**



**Abbreviations in the model:**

N: Novelty

C: Control

H: Hedonics

PTV: Perceived Transaction Value

BI: Behavioral Intentions

POS: Perceived Overall Satisfaction

PMP: Perceived Monetary Price

POSQ: Perceived Overall Service Quality

POCV: Perceived Overall Cruise Product Value

**Arrows in the model:**

..... : Previously unexplored relationships that are proposed based on theoretical support.

———— : Previously explored relationships with limited empirical and/or theoretical support (See table 3.1).

———— : Relationships with strong empirical support (See note below).

Note: Even though the relationships between these variables have been shown to be strong empirically, the causality between some of the variables (especially the relationships between POS, POSQ and POCV) is still in question because of the disagreement between the researchers. The causal relationships between variables in the model are proposed based on theoretical arguments rather than actual causal tests. For more detail about these relationships refer to literature review section.

Relationships in the model are categorized into three groups to clarify previous empirical support about these relationships.

1. Previously unexplored relationships that are proposed based on theoretical support (Links 3, 5, 7, 9, 13 in the model): The relationship between Novelty and Hedonics (i.e., link 3), and the direct relationships between PQE constructs and the perceived value (i.e. links 5, 7 and 9), and also the relationship between PTV and POS (i.e., link 13) have not previously been analyzed empirically. The relationship between hedonic aspects of consumption experience and value was analyzed by Babin et al. (1994) with a correlational study. However, in Babin et al.'s (1994) study, no directional hypotheses were tested. Similarly, Naylor's (1996) study looked at the relationships between experiential benefits of resort experience, satisfaction and value separately (i.e. experiential benefits → overall satisfaction, overall satisfaction → perceived value). In Naylor's study, both relationships were strongly supported. The previously unexplored relationships were developed based on strong theoretical support that was explained in the literature review section.

2. Previously explored relationships with limited empirical and/or theoretical support (Links 1, 2, 4, 6, 8 and 10 in the model) (See table 3.1): The tests of the relationships between Novelty, Control, Hedonics and POS have only been performed by Otto (1997). Based on leisure theory, Otto developed and tested relationships 1, 2, 4, 6 and 8. Her results supported relationships 1, 2, and 8. However, she found an unexpected result for relationship 6 and also a non-significant result for relationship 4 (See Table 3.1).

In this study, Control → POS and Novelty → POS relationships were proposed based on theoretical support in leisure and services marketing, which was outlined in the literature review section. General marketing literature supported an affect → POS relationship (See Table 3.1). Furthermore, both Novelty and Control are expected to be directly related to POS for leisure travel experiences as explained in the literature review. Accordingly, tests of relationships 4 and 6 are necessary for further exploration of Otto's findings.

Two studies have previously tested relationship 10 in the proposed model (see Table 3.1). In both studies, strong negative relationships were found. The relationship between PMP and PTV was proposed based on these findings.

**Table 3.1: Summary of Previous Studies that Relate to the Proposed Relationships****1, 2, 4, 6, 8, 10 in Figure 3.1.**

<b>Author(s) and Year</b>	<b>Empirical: Yes/No</b>	<b>Finding(s)</b>	<b>Comments</b>
Otto (1997)	Yes	C → N p-value < .01	Whole data set was composed of two different data sets: Experiential and functional. This relationship was significant in the whole data set as well as experiential and functional data sets.
Otto (1997)	Yes	C → H p-value < .01	Found significant in whole, experiential and functional data sets.
Otto (1997)	Yes	N → POS Not significant.	Found not significant in whole, experiential and functional data sets.
Otto (1997)	Yes	C → POS	Found not significant in whole and functional data sets. Found significant and negative at .05 level in experiential data set.
Otto (1997)	Yes	H → POS p-value < .01	Found significant in whole, experiential and functional data sets.
Naylor (1996)	Yes	Experiential benefits → POS p-value < .01	None
Oliver (1994)	Yes	Positive affect → Satisfaction p-value < .05	"In all cases, the affective and cognitive variable sets made significant and independent contributions to satisfaction" (p. 20).
Oliver (1993)	Yes	Positive affect → Satisfaction p-value < .05 for both automobile and service samples	Izard's (1977) DES scale was used to measure affect. Positive affect measures were interest and joy.
Mano and Oliver (1993)	Yes	Hedonics → positive affect → Satisfaction (proposed relationships)	Strong correlation between positive affect and satisfaction was found.
Westbrook and Oliver (1991)	Yes	Positive affect → Satisfaction, p < .05	Authors used a variety of satisfaction measures. A significant relationship between positive affect (i.e. pleasant surprise and interest) and all of the satisfaction measures were found.
Grewal (1989)	Yes	PMP → PTV, p < .001	A strong negative relationship was found.
Grewal, Monroe and Krishnan (1998)	Yes	Advertised selling price → PTV, p < .001	A strong negative relationship was found in two separate studies.

Note: Details about all the relationships in the research model can be found in the literature review section.

3. Relationships with strong empirical support (Links 11, 12, 14, 15, 16, 17, 18, 19 and 20): These relationships have strong empirical support from literature with the limitation that the causal structure of some of these relationships has not been agreed upon. For example, the causal relationships between POS, POSQ and perceived value are still in question and future causal studies are needed to support the theoretical arguments. There was, however, sufficient agreement in the literature about the causal structure of other relationships in this category (i.e., links 11, 12, 15, 19 and 20 in the model). The research hypotheses are presented in the following section.

### **Research Hypotheses**

Due to the comprehensive nature of the proposed research model, relationships were separated into two main components to guide the development of the research hypotheses. The first group of relationships were those that either had not been examined previously or had limited support (i.e., the dashed and thin arrows specified in Figure 3.1). Seven research hypotheses were developed to test these relationships.

A second group of relationships were the ones that had strong empirical support (i.e., those links that were categorized as relationships with strong empirical support in Figure 3.1). Even though no specific hypotheses were developed to test the second group of relationships, analysis of the structural models provided tests for these relationships in the results section.

### **Relationships Between Perceived Quality of Experience Constructs (N, C, H)**

The first hypothesis concerned the relationships between the PQE constructs and tested if novelty mediated the relationship between control and hedonics. In addition to Otto's (1997) tests of the relationships between novelty, control and hedonics, which were presented in Table 3.1, the relationship between novelty and hedonics was tested here and the role of novelty as a mediator between control and hedonics was explored. Based on her findings, Otto (1997, p. 282) suggested a novelty → hedonics relationship for future research.

Hypothesis 1 is,

*Control and hedonics are directly and indirectly (through novelty) related.*

### **Relationships Between Perceived Quality of Experience Constructs (N, C, H) and POCV**

The next three hypotheses test the relationships between PQE constructs and POCV. As explained in the literature review, conceptualization of perceived value in the marketing literature (Babin et al., 1994; Holbrook, 1999; Sheth, Newman & Gross, 1991; Sweeney & Soutar, 2001) focuses on the perceived value construct not only in terms of its utilitarian aspects but also its experiential aspects (i.e., hedonic aspects). Babin et al. (1994, p. 645) commented "we consider value from this experiential perspective, recognizing that it is related intimately to hedonic responses as well as other more tangible consequences." From a more general perspective, the current study conceptualized the leisure travel experience with three constructs and looked at the relationships between novelty, control, and hedonic aspects of the leisure travel

experience and value altogether. The research model in Figure 3.1 proposed that the relationships between PQE constructs and POCV can be direct and also indirect relationships through POS. Both types of relationships are consistent with theoretical arguments raised by value researchers. Babin et al. (1994, p. 651) suggested, “emotions associated with consumer activities may provide value directly” (in Bloch & Bruce, 1984; Kotler, 1974). Furthermore, past research suggested that satisfaction is an important indicator of value perceptions indicating an indirect relationship between affective factors and value through POS (Bolton & Drew, 1991, 1994; Naylor, 1996; Petrick, 1999; Petrick et al., 2001). Therefore, hypotheses two, three and four are,

*Hypothesis 2: Novelty and perceived overall cruise product value are directly and indirectly (through hedonics and perceived overall satisfaction) related.*

*Hypothesis 3: Control and perceived overall cruise product value are directly and indirectly (through novelty, hedonics and perceived overall satisfaction) related.*

*Hypothesis 4: Hedonics and perceived overall cruise product value are directly and indirectly (through perceived overall satisfaction) related.*

### **The Relationships Between PMP, PTV and POS**

The relationship between PMP and POS was only expected to occur through PTV because there was not enough theoretical and empirical support to propose a direct relationship between PMP and POS. Past research showed strongly that price perceptions are the main indicators of value rather than satisfaction. Lower price perceptions, however, might lead to higher satisfaction levels, but this influence seems more likely to occur through PTV.

Hypothesis five therefore is,

*Perceived monetary price and perceived overall satisfaction are indirectly (through perceived transaction value) related.*

### **Relationships Between PTV, POS and POCV**

Previous research suggested that PTV has a strong direct positive influence on perceived value (Grewal et al., 1998). However, the indirect relationship between PTV and perceived value via POS has not been tested before. Conceptualization of PTV suggests a direct relationship between PTV and POS. PTV was conceptualized as “the psychological satisfaction or pleasure obtained from taking advantage of the financial terms of the price deal” (Grewal et al., 1998, p. 48). It can, therefore, be expected that this type of satisfaction leads to an overall satisfaction and influences POCV indirectly (through POS and POSQ) as well as directly. Hypotheses six is,

*Perceived transaction value and perceived overall cruise product value are directly and indirectly (through perceived overall satisfaction and perceived overall service quality) related.*

### **The relationships Between PMP, PTV and POCV**

The relationship between price perceptions and perceived value was found to be both direct and indirect (via PTV) in earlier studies. Most perceived value studies found that perceived price influences perceived value directly (i.e., Chang & Wildt, 1994). However, more recently, Grewal et al. (1998) found that perceived transaction value mediates the relationship between price perceptions and perceived value. Considering the

relationships between PTV, POS, POSQ and POCV, a direct relationship as well as an indirect relationship through PTV, POS and POSQ is expected to occur between PMP and POCV.

Therefore, hypothesis seven is,

*Perceived monetary price and perceived overall cruise product value are directly and indirectly (through perceived transaction value, perceived overall satisfaction and perceived overall service quality) related.*

### **Instrumentation**

A self-administered questionnaire (See the appendix) was used to collect data. The survey instrument was divided into six parts. Part one contained questions about the general cruise experience, overall service quality and overall satisfaction. Part two focused on the affective attributes of the cruise experience. Part three included questions about the overall service quality aspect of the cruise experience (Two of the service quality questions were asked in part one while other two were asked in part three). Part four contained questions regarding price perceptions, transaction value, and overall value perceptions about the cruise experience. Part five included questions about behavioral intentions of the respondents. And part six was comprised of questions about the general background of the respondents.

### **Operationalization of the constructs**

#### **Perceived Quality of Experience Constructs: Novelty, Control, Hedonics**

Three affective experience constructs, Novelty, control and hedonics, were measured with a slightly modified AFFEX scale developed by Otto (1997) and Otto and Ritchie (1996). Following Churchill's (1979) guidelines, Otto developed the AFFEX scale to measure the affective experience of the service customers in four service sectors, airlines, hotels, banks, and tours and attractions. Otto developed an initial 56-item AFFEX scale that represented 6 dimensions: safety, stimulation, comfort, hedonics, novelty, and interaction. Otto tested this scale with a 15 minute on-site survey. Analysis of the data with principal component analysis resulted in a three factor, 23-item AFFEX

scale. The Cronbach's alpha coefficient for the three factors, named hedonics, control and well-being, were .94, .82 and .82 respectively (overall alpha: .91).

Otto further tested the scale in another study with respondents from four service sectors, zoo and botanical garden, a historical attraction, an appliance store and a casual restaurant. In the second study, she received a slightly different factor structure and named the well-being dimension novelty. Reliability coefficients for the three factors in the second study were .96 for the scale, .95 for the novelty dimension, .91 for the control dimension and .88 for the hedonics dimension. Table 2 shows the factor loadings of the AFFEX scale that came out of Otto's second study.

**Table 3.2. Factor Loadings of 23 Affective Experience Items (Otto, 1997)**

	<u>Factor Loading</u>
<u>Factor one: Novelty</u>	
At XYZ today, I felt,	
1. As though I was in a different world	.94
2. That this was a memorable experience	.67
3. A sense of escape or getting away from it all	.73
4. Like I was on an adventure	.71
5. That I was being stimulated or challenged in some way	.87
6. That I was doing something thrilling	.82
7. That I was having a once in a lifetime experience	.88
8. Like I was doing something new and different	.88
9. A feeling of romance	.67
<u>Factor two: Control</u>	
10. A sense of cooperation between the company and me	.72
11. Like I played a role in or contributed to the service process.	.47
12. Like I could communicate freely with employees	.58
13. Like I had some choice in the way things were done	.78
14. That I had some control over the way things turned out	.74
15. That my belongings were safe	.75
16. That my privacy would be assured if I wanted it	.74
17. A feeling of personal security	.59
18. A sense of comfort	.60
<u>Factor three: Hedonics</u>	
19. That I was doing something I really like to do	.49
20. Like I was having fun	.71
21. That I did something social	.41
22. That I would want to share my experience with others after	.44
23. Relaxed	.68

The AFFEX scale appears to be appropriate for measuring cruise vacationers' quality of experience feelings for several reasons. First, it contains the items that have been proposed to make up the subjective leisure experience. Mannell and Kleiber (1997, p. 107-110) suggested that leisure researchers identify three sets of attributes, which act as the criteria necessary for something to be construed as leisure:

“Freedom of Choice: Perceived freedom to choose to participate or freedom from role constraints resulting from our interactions with others.”

“Intrinsic motivation: Perception that participation in an activity is for its own sake or enjoyment and as a final end in itself and not as instrumental for gaining something else.”

“Enjoyment, fun and pleasure: Perception that activities or context provides positive affect and moods.”

The AFFEX scale combines all the attributes in these three main characteristics of leisure. Furthermore, the AFFEX scale measures a well-accepted motive for leisure travel experiences; sense of separation (Ross & Iso-Ahola, 1991). Mannell and Kleiber (1997, p. 108) defined sense of separation as: “Perception that participation in an activity or context provides escape from the everyday mundane, routine world and its pressures.” Among these four constructs, sense of separation was particularly relevant to leisure travel experiences as a main motive for leisure travel (Fodness, 1994).

The second reason why the AFFEX scale seems to be useful for the purposes of this study is its strong psychometric properties. Reliability coefficients of .96 for the scale and .95, .91, .88 for the three dimensions are well above the acceptable range of .7 (Nunnally, 1978).

The third reason why the AFFEX scale seemed appropriate for this study was its face validity in that it contains questions that seem very relevant to measuring cruise experience satisfaction. For example, a recent Cruise Lines International Association Study (2000) reported the 13 most important reasons for cruising:

1. Allows you to relax and get away from it all,
2. Allows you to be pampered,
3. Gives you the chance to visit several geographical areas/destinations,
4. Good value for the money,
5. Offers a variety of activities,
6. Good way to try out a vacation area that you might want to return to,
7. A fun vacation,
8. Allows you to do as much or as little as you want,
9. Offers high quality entertainment,
10. Offers comfortable accommodations,
11. A way to meet interesting people,
12. A learning experience,
13. A romantic getaway.

Among these 13 reasons, 1, 5, 7, 9, and 13 are experience-related, which are directly or indirectly contained in the AFFEX scale. Other reasons are measured in overall value, transaction value or service quality measurements.

In addition to the 23 items in the AFFEX scale, the following five items were included in the quality of experience measurement in the questionnaire. These items were expected to measure specific feelings of cruise vacationers that might differ from the

behaviors in other leisure contexts. Previous studies of cruise vacationers have found that cruise vacationers have consistently cited these five motivations for taking cruise vacations (Dickinson & Vladimir, 1997; Gold, 1990; Mancini, 2000). Positive feelings of having pleasurable dining experiences, experiencing a festive vacation, having a chance to meet interesting people, having a hassle free vacation, and being pampered during vacation seem to add to the quality of cruise experiences significantly. These five additional items are:

1. Like I was having pleasurable dining experiences.
2. Like I was having a festive vacation.
3. Like I had a chance to meet interesting people.
4. Like I was having a hassle-free vacation.
5. Like I was being pampered during my vacation.

It can be expected by analyzing the nature of the three AFFEX constructs that items 1, 2 and 5 will load on the Hedonics dimension, item 4 will load on the control dimension and item 3 will load on the novelty dimension.

### **Perceived Monetary Price**

Five items were used to measure perceived monetary price. These five items have been used in different value studies (Chang & Wildt, 1994; Cronin et al., 1997; Cronin et al., 2000; Dodds et al., 1991; Grewal et al., 1998; Oh, 2000; Sirohi, McLaughlin & Wittink, 1998; Sweeney et al., 1999). When answering the perceived price questions, it was possible that cruise vacationers used a number of implicit comparisons including the ones mentioned in the transaction value measurement. The perceived price of a cruise vacation might be perceived as low or high considering:

- the reduced price versus list price (i.e. regular price);
- the extras received during vacation;
- an alternative cruise vacation (based on past experience or hypothetical);  
and,
- an alternative non-cruise vacation (based on past experience or hypothetical),

Perceived monetary price and perceived transaction value were treated as separate constructs measuring two different aspects of the costs of the cruise vacation even though cruise vacationers might use the same or similar implicit comparisons to answer the questions related to these two constructs. The difference between perceived price and perceived transaction value specifically, was that perceived price was referring to the judgment of the price paid while transaction value referred to the pleasure or psychological satisfaction received from the price deal, if any (Grewal et al., 1998). The items that were used to measure perceived monetary price on seven point numerical scales follow:

Overall, how would you rate the price of this vacation?

Very low	1-----2-----3-----4-----5-----6-----7	Very High
Very Inexpensive	1-----2-----3-----4-----5-----6-----7	Very Expensive
A Real Bargain	1-----2-----3-----4-----5-----6-----7	A Real Rip Off
Not Pricey At All	1-----2-----3-----4-----5-----6-----7	Very Pricey
Very Reasonable	1-----2-----3-----4-----5-----6-----7	Very Unreasonable

### Perceived Overall Satisfaction

The following six items, based on seven-point numerical scales, were used to measure overall satisfaction.

Very Dissatisfied	1-----2-----3-----4-----5-----6-----7	Very Satisfied
Very pleased	1-----2-----3-----4-----5-----6-----7	Very displeased
Contented	1-----2-----3-----4-----5-----6-----7	Frustrated
Delighted	1-----2-----3-----4-----5-----6-----7	Terrible
Fell Short of My Expectations	1-----2-----3-----4-----5-----6-----7	Exceeded My Expectations
Worse than I expected	1-----2-----3-----4-----5-----6-----7	Better Than I expected

In previous research, both cognitive and emotional measures have been used to measure satisfaction. Cognitive measures were generally based on disconfirmation measures. The literature strongly suggests that consumers make comparisons of expectations and received performance to infer satisfaction (Oliver, 1980, 1997). It was also found in various studies that satisfaction evaluations comprise affective content (Oliver, 1993, 1997). Accordingly, the six items used in this study to measure overall satisfaction, contained items that were both cognitive and affective. These items were used in a number of research studies. Spreng et al. (1996) used the first four items and Fornell et al. (1996) and Naylor (1996) used disconfirmation measures (i.e., expectation items) to measure overall satisfaction.

As in the measurement of overall service quality, cruise vacationers' satisfaction responses were also measured based on an overall measure in the current study. In

predictive studies, it is common to measure overall satisfaction and test its role in complex relationships. A number of studies, including Baker and Crompton (2000), Dabholkar, Shepherd, and Thorpe (2000), Cronin et al (2000), Otto (1997), Naylor (1996), Fornell et al. (1996), and Cronin and Taylor (1992) used overall satisfaction measures to test predictive ability of satisfaction construct.

### **Perceived Transaction Value**

Based on previous conceptualizations (Lichtenstein et al., 1990; Monroe & Chapman, 1987; Thaler, 1985; Urbany & Bearder, 1989), Grewal et al. (1998, p. 48) proposed that “perceived transaction value is the perception of psychological satisfaction or pleasure obtained from taking advantage of financial terms of the price deal.” Grewal et al. (1998) measured transaction value based on the comparison between sale price and regular price in their study. However, because “the advantage of financial terms of the price deal” might be different in various purchase contexts, conceptualization of transaction value based solely on regular price-sale price comparison might be limited. For example, cruise vacationers are expected to engage in three types of price-related comparisons (Cruise Lines International Association [CLIA], 2001; 2002): First, regular prices versus sale prices; second, purchased cruise vacation versus a comparable land based vacation, and third, purchased cruise vacation versus a similar cruise vacation. These three comparisons were used to measure perceived transaction value in this study.

Transaction value was measured with three items using a seven-point Likert scale.

1. Taking advantage of a price-deal like this made me feel good,
2. Beyond the money I saved, getting more vacation on a cruise for my money made me happy,

3. I got a lot of pleasure knowing I saved money compared to a similar vacation on land.

Because the transaction value was measured as a cost related factor, the items that measure transaction value were only asked to those respondents who purchased their vacations with a reduced price deal. Those respondents who purchased their vacations with regular prices are excluded from the transaction value measurement. To separate respondents who purchased their vacations with a reduced price, an initial question focused on whether their vacation price was a reduced price or regular price. Then, those who responded to the reduced price option were asked to answer the three transaction value items listed above.

### **Perceived Overall Service Quality**

Perceived overall service quality was measured with the following four items on a seven point numerical scale. The same scale has been used by Dabholkar et al. (2000) who found the Cronbach's alpha for this measure to be .92.

Service of a very high quality	1-----2-----3-----4-----5-----6-----7	Service of a very low quality
Superior service in every way	1-----2-----3-----4-----5-----6-----7	Inferior service in every way
Excellent overall service	1-----2-----3-----4-----5-----6-----7	Poor overall service
A high standard of service	1-----2-----3-----4-----5-----6-----7	A low standard of service

Service quality in this study was a) an overall measure and also b) a perceptions measure rather than a computed disconfirmation measure for various reasons.

A decision was made to measure service quality as an overall measure rather than components measure (i.e., service quality measurement with all dimensions) mainly because of the findings in service quality literature that an overall service quality measurement was as powerful as the components model when the purpose of research was prediction rather than exploration of the nature of service (Dabholkar et al., 2000). When the purpose was prediction of other measures, as in this study, the overall measure of service quality served an equal and more practical purpose (Dabholkar et al., 2000). Previously, service quality researchers used simplified measures of service quality especially when their studies were comprehensive in nature (i.e., studies in which many constructs were measured to test the relationships) (Cronin et al., 2000; Gotlieb, Grewal & Brown, 1994).

Leading service quality researchers also suggest that when the purpose is the prediction of other constructs, performance measures might be more appropriate than disconfirmation measures (Cronin & Taylor, 1992; Parasuraman, Berry & Zeithaml, 1994). Lately, Dabholkar et al. (2000) found that in different phases of their study, performance measures performed better than disconfirmation measures.

### **Perceived Overall Cruise Product Value**

The value perception tested here was an overall perception that resulted from travelers' consideration of what they had sacrificed versus what they had gotten in return (Zeithaml, 1988). Perceived overall cruise product value was measured with five items which were modified from Bolton and Drew (1991), Dodds et al. (1991), and Grewal et al. (1998) studies. The items, on a seven point Likert scale, focused on whether travelers

thought they have received very poor vs. very good overall value considering what they have gotten vs. what they had given up, such as price. These five items were:

1. Compared to the price I paid, time and effort I spent, I think I have received good value.
2. I feel that my last cruise vacation was worth the money and time I spent.
3. Overall, my last cruise vacation was a good buy.
4. I would value my last cruise vacation because it met my needs and expectations for a reasonable price.
5. I think that given whole service features, my experience was good value for the money, time and effort I spent.

### **Behavioral Intentions**

Previous research suggested that higher service quality, satisfaction and value perceptions are strongly associated with future intentions to purchase again (Chang & Wildt, 1994; Cronin et al., 2000; Grewal et al., 1998; Oh, 2000; Sweeney et al., 1999) and/or intentions to recommend others (Cronin et al., 2000; Getty & Thompson, 1994; Zeithaml, Berry & Parasuraman, 1996). Because repurchase intentions and recommending behaviors are the ultimate goal of every business, researchers generally look at the relationship between post-purchase evaluation constructs and behavioral intentions of repurchase and recommendation. Parallel with other researchers, satisfaction, service quality and value are associated with behavioral intentions of repurchase and recommendation. A three-item measure was used to operationalize behavioral intentions. Similar to previous measures, behavioral intentions were measured based on a composite measure of the probability of purchasing again and of

recommending others. The first two of the following three items were adapted from Cronin et al. (2000) who found the reliability estimate to be .87 for their measure. The last item was used in Naylor (1996) to measure the recommending behavior of resort vacationers. The three items that were used to measure behavioral intentions included:

1. The likelihood that I would recommend this cruise company to a friend is,

Very low      1-----2-----3-----4-----5-----6-----7      Very high

2. If I had to do it over again, the probability that I would choose the same cruise line as my last one is,

Very low      1-----2-----3-----4-----5-----6-----7      Very high

3. How would you describe what you have told others about your most recent cruise vacation?

All negative    1-----2-----3-----4-----5-----6-----7    All positive

### **Classification Variables**

Twelve classification variables were measured in this study including past experience, date of the last cruise experience, party size, group composition, ship size, length of the last cruise vacation, brand name, package price of the vacation, age, gender, income, and education level. Past experience was measured by asking respondents to indicate the number of times they had taken cruise vacations before. The date of the last cruise vacation was measured with month and year of the last cruise experience. Party size was measured by asking respondents to indicate the number of people who traveled with them on the cruise.

Group composition was measured with a nominal scale comprised of five categories: couple, family with children, interest group, friends and other. Ship size was measured with four categories of cruise ships based on passenger capacity (Mancini, 2000). The length of the last cruise vacation was measured based on the number of days the vacation lasted. Brand name was measured with an open-ended question that focused on the name of the cruise company the respondent traveled with for his/her last cruise vacation. Package price was measured with an open-ended question regarding the total price of the vacation. Respondents were also asked to indicate their age and gender. Yearly household income was measured with an ordinal scale based on six income categories. Finally, education level was measured with a three-category nominal scale.

### **Pilot Study**

The initial questionnaire was pretested with a convenience sample of 26 cruise vacationers in the State College, Pennsylvania area during March of 2001. The pilot study gave the researcher a chance to check the face validity of the questions and the clarity in questionnaire wording. As a result of the pilot study, one behavioral intentions item (i.e., likelihood of respondents' repurchase of the same cruise vacation) was replaced with a recommending behavior item because it was found that in a cruise vacation context the deleted question might not be a direct measure of future behavior. In addition, wording of the two transaction value items was found to be too long and therefore adjustments were made to make these questions shorter and easier to understand.

### **Sample and Sampling Procedure**

The leisure travelers who have taken cruise vacation during the years 2000 and 2001 comprised the population for this study. A sample of the cruise vacationers was supplied from the mailing list company, Dunhill International List Co., Inc. Dunhill International specializes in the collection of addresses of individuals for research purposes. Its lists have been used by respected researchers in the past (Sonmez, 1994, Sonmez & Graefe, 1998). Dunhill International keeps and updates lists of cruise vacationers in North America. For the purposes of this study, a computer-generated random list of 1,500 cruise vacationers was purchased and used as the sampling frame.

Identification of the necessary sample size was based on suggestions from structural equation modeling experts. Tabachnick and Fidell (1996) cautioned that correlation coefficients are less reliable when estimated from small samples. As a rule of thumb, Comrey and Lee (1992) suggest 50 as very poor, 100 as poor, 200 as fair, 300 as good, 500 as very good, and 1,000 as excellent. However, Tabachnick and Fidell (1996) and Kline (1998) suggested that it may be more helpful if the sample size is thought of in terms of number of subjects per free parameter and argue that 10 subjects per estimated free parameter will be adequate if the measured variables are normally distributed.

Recently MacCallum, Wideman, Zhang and Hong (1999) showed that the necessary sample size varies not only based on the complexity of the model but also on the value of communalities in factor analysis. Their analysis showed that higher communalities decreased the role of sample size in estimating population parameters. Previous studies of the items and the factors tested in the current study showed that their communalities were quite high (around .7) to accommodate a moderate sample size

suggested by Maccallum et al. (1999). Therefore, in this study, the necessary sample size was determined following the suggestions of Maccallum et al. (1999) and other statisticians, and a minimum sample of 400 was deemed sufficient for a robust analysis of the proposed model.

### **Data Collection**

Among different data collection methods (i.e., personal interviews, telephone interviews), a mail survey was chosen mainly because of the necessity for a large sample size for the analysis of the proposed model. The analysis of data was primarily performed by the structural equation modeling technique. Structural equation models require a fairly large sample size for effective analysis (Tabachnick & Fidell, 1996). Mail surveys have several important advantages compared to other survey methods (Zikmund, 1994). First, mail surveys give researchers a chance to reach a wide geographical area compared to personal interviews. Second, they may be cost efficient depending on the type and method of survey. Also, respondents can fill out the survey during their free time as opposed to the time they are contacted via telephone, for example.

Data collection was performed after the necessary adjustments were made in the questionnaire during April of 2001. Due to budgetary constraints, a partial implementation of Dillman's (1978) five-step total design method was used. At first 1,500 surveys that included a general cover letter and postage paid response envelope were mailed to the sample. Approximately two weeks after the first mailing, a postcard was sent to respondents reminding them to fill out the questionnaire. Follow-up surveys were sent to those respondents who had not returned their surveys one month after the initial mailing.

## Data Analysis

Initial analysis of the data and the procedure for hypotheses testing are summarized in table 3.3.

**Table 3.3. Procedure for Data Analysis in the Current Study**

Stage 1.	Analysis	Purpose
	Descriptive Univariate Analysis	- Investigate sample characteristics - Assure overall data quality
Stage 2.	↓	↓
	Initial analysis of the constructs with exploratory factor analysis	- Explore the loadings of items on their constructs, remove items with low loadings and crossloadings to eliminate multicollinearity related problems
Stage 3.	↓	↓
	Analysis of the measurement properties of the scales	- Investigate the unidimensionality of constructs - Ensure reliability and validity of the constructs (i.e. discriminant validity, convergent validity)
Stage 4.	↓	↓
	Calculation of composite scores for use in structural models	- Create unidimensional composite mean scores
Stage 5.	↓	↓
	Analysis of Structural Model 1	- Test H1, H2, H3 and H4
Stage 6.	↓	↓
	Analysis of Structural Model 2	- Test H5, H6, H7
Stage 7.	↓	↓
	Regression analysis	- Tests of the hypotheses with mediational analysis suggested by Baron and Kenny (1986)
Stage 8.	↓	↓
	Presentation of results	- Discussion of findings

Two statistical programs were utilized, SPSS 10.0 (Norusis, 2000) and AMOS 4.0 (Arbuckle, 1997). An exploratory phase of the data analysis was performed using SPSS while confirmatory analysis was conducted by using the AMOS, structural equations modeling program. Details of each stage of data analysis are as follows.

### Stage 1 of the data analysis:

In this stage of the data analysis, sample characteristics and variable descriptives were analyzed to detect data quality. One of the main purposes in this stage was to detect data to determine if important assumptions associated with further analysis hold. For example, because path analysis is a regression-based technique, outliers in the data must be detected to get unbiased estimates.

### Stage 2 in the data analysis:

In this stage, an initial exploratory factor analysis was conducted to address high correlation between the constructs. The three PQE constructs were found to correlate highly in Otto's study (1997), and similar findings were expected that could cause multicollinearity or related problems during data analysis. It was suggested that data reduction techniques such as principal component analysis be used to eliminate high correlation problems in the data (Reisinger & Turner, 1999). Therefore, before the use of constructs in other analysis, they were analyzed with exploratory factor analysis and items with low and ambiguous loadings were dropped from further analysis.

### Stage 3 in the data analysis:

Before the analysis of the structural models, the reliability and validity of the constructs were tested. Three confirmatory factor analysis models (CFA) were analyzed to ensure the validity of the constructs. Analysis of the measurement part of the structural models before that of the structural parts is commonplace in behavioral research, and was suggested by structural equation modeling theoreticians (Anderson & Gerbing, 1988). The purpose of testing two CFA models was to reach acceptable levels of discriminant and convergent validity of the constructs.

Reliability of Constructs: Cronbach alpha coefficients were used to measure reliability of the constructs. Construct reliabilities were assessed based on suggested levels of alpha coefficient levels (Nunnally, 1978).

CFA Models: Figures 3.2, 3.3, and 3.4 show confirmatory factor analysis models tested before the analysis of the structural models. Wording of the measurement items used in the study are presented in Table 3.4. The purpose of the analysis of CFA models was to ensure convergent and discriminant validity of the constructs. For convergent validity analysis, coefficients of indicators to their respective constructs were analyzed. Significant path coefficients are considered a sign of convergent validity of the constructs (Sujan, Weitz & Kumar, 1994). For discriminant validity of the constructs average variance extracted (AVE) values were analyzed and compared with construct correlations (Sirohi et al., 1998).

Measures of Fit: The fit of the CFA models and the structural models were assessed with a number of fit indices. Chi-square fit index, goodness of fit index (GFI; Joreskog & Sorbom, 1989), the non-normed fit index (NNFI) (Hu & Bentler, 1995), comparative fit index (CFI) (Bentler, 1990), root mean square error of approximation (RMSEA) (Bollen, 1989) were the main fit indexes used to evaluate the proposed models. The chi-square fit index ranges from zero to infinity and smaller values indicate good fit. GFI, CFI, NNFI values range from zero to one where values close to one indicate good fit (Byrne, 1989). RMSEA values usually range from zero to .3 and values close to zero indicate better fit.



Figure 3.3 Confirmatory Factor Analysis Model 2

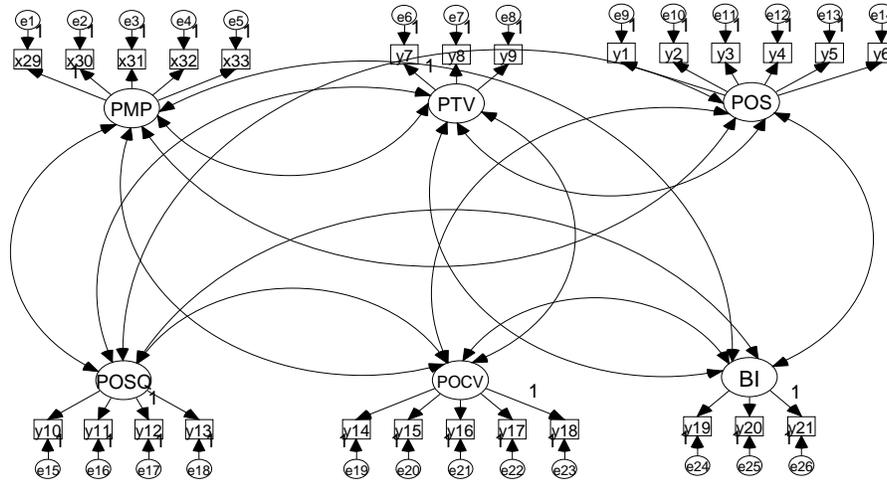
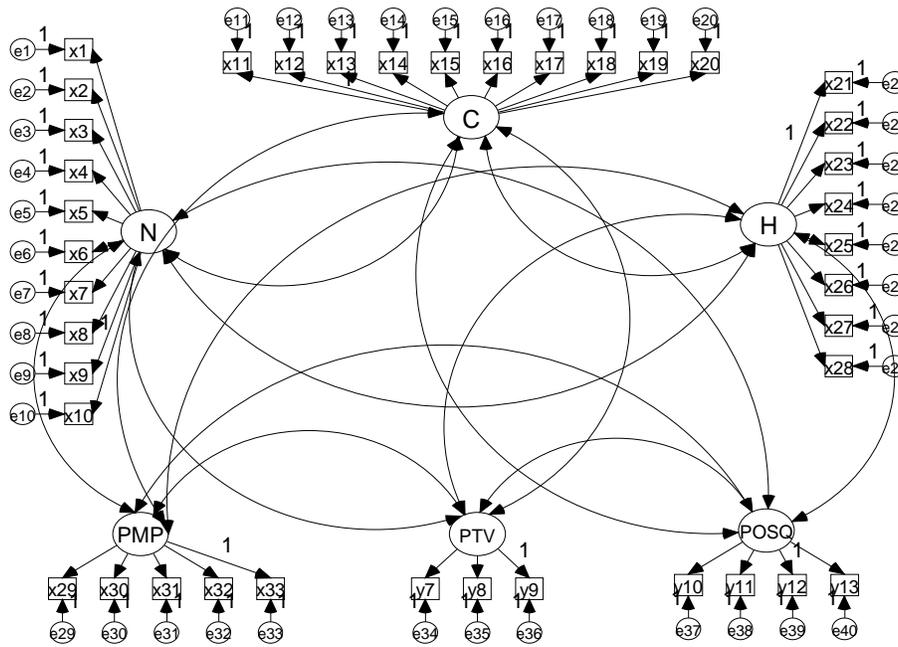


Figure 3.4 Confirmatory Factor Analysis Model 3



### Table 3.4 Measurement Items in the Study

#### EXOGENOUS FACTORS:

##### Factor one: Novelty:

- X1: As though I was in a different world
- X2: That this was a memorable experience
- X3: A sense of escape or getting away from it all
- X4: Like I was on an adventure
- X5: That I was being stimulated or challenged in some way
- X6: That I was doing something thrilling
- X7: That I was having a once in a lifetime experience
- X8: Like I was doing something new and different
- X9: A feeling of romance
- X10: Like I had a chance to meet interesting people

##### Factor two: Control:

- X11: A sense of cooperation between the company and me
- X12: Like I played a role in or contributed to the service process.
- X13: Like I could communicate freely with employees
- X14: Like I had some choice in the way things were done
- X15: That I had some control over the way things turned out
- X16: That my belongings were safe
- X17: That my privacy would be assured if I wanted it
- X18: A feeling of personal security
- X19: A sense of comfort
- X20: Like I was having a hassle free vacation

##### Factor three: Hedonics

- X21: That I was doing something I really like to do
- X22: Like I was having fun
- X23: That I did something social
- X24: That I would want to share my experience with others after
- X25: Relaxed
- X26: Like I was having pleasurable dining experiences
- X27: Like I was having a festive vacation
- X28: Like I was being pampered

##### Perceived Monetary Price

- X29: Low - High
- X30: Inexpensive - Expensive
- X31: Bargain - Rip Off
- X32: Not pricey - Pricey
- X33: Reasonable - Unreasonable

#### ENDOGENOUS FACTORS:

##### Perceived Overall Satisfaction

- Y1: Dissatisfied - Satisfied
- Y2: Displeased - Pleased
- Y3: Frustrated - Contented
- Y4: Terrible - Delighted
- Y5: Fell short of my expectations – Exceeded my expectations
- Y6: Worse than I expected – Better than I expected

### Table 3.4 Continued

#### Perceived Transaction Value

- Y7: Taking advantage of a price-deal like this made me feel good  
 Y8: Beyond the money I saved, getting more vacation on a cruise for my money made me happy  
 Y9: I got a lot of pleasure knowing I saved money compared to a similar vacation on land

#### Perceived Overall Service Quality

- Y10: Service of high quality- Service of low quality  
 Y11: Superior service - Inferior service  
 Y12: Excellent overall service – Poor overall service  
 Y13: High standard service – Low standard service

#### Perceived Overall Cruise Value

- Y14: Compared to the price I paid, time and effort I spent, I think I have received good value  
 Y15: I feel that my last cruise vacation was worth the money and time I spent  
 Y16: Overall, my last cruise vacation was a good buy  
 Y17: I would value my last cruise vacation because it met my needs and expectations for a reasonable price  
 Y18: I think that given whole service features, my experience was good value for the money, time and effort I spent

#### Behavioral Intentions

- Y19: If I had to do it over again, the probability that I would choose the same cruise line as my last one is  
 Y20: The likelihood that I would recommend this cruise line to a friend is  
 Y21: How would you describe what you have told others about your most recent cruise vacation?

#### Stage 4 in the data analysis:

Two common practices of analyzing structural models include 1) creating composite scores across indicators of each construct and using one indicator for each construct (i.e., regression in structural equation modeling (SEM)) and 2) using each individual item as the indicator of its construct. Thus, a decision was made to take the first approach because this practice is common in analyzing complex structural models (Chaudhuri & Holbrook, 2001). This technique has been used by consumer satisfaction and service quality researchers (Cronin & Taylor, 1992; Dabholkar et al., 2000). Dabholkar et al. (2000) mentioned two main reasons for using this technique. The first reason is that traditional SEM techniques may create collinearity in correcting for measurement error if exogenous variables are highly correlated even though tests for

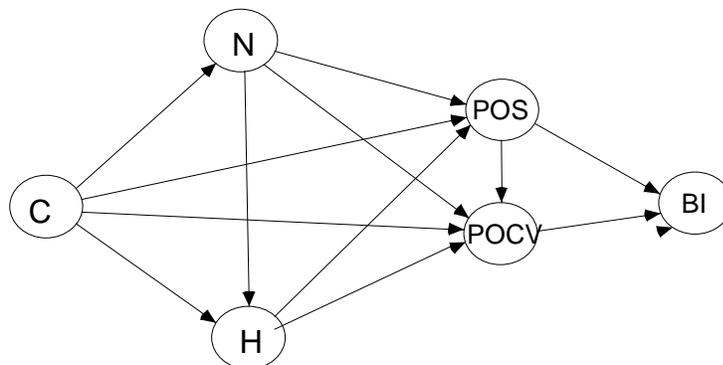
collinearity and discriminant validity show no problem. This situation can lead to disguising of some of the effects of the variables. The second reason is that there will be no need for measurement error correction if the measurement error in the data is already low. High reliabilities of the constructs is a sign that measurement errors are low in the data, accordingly no adjustment for measurement errors is needed in such a case (i.e., both traditional SEM, regression in SEM produce very similar results).

Testing of exogenous constructs used in earlier studies showed that these constructs are highly correlated (see Table 3.1). Therefore, to control for collinearity effects regression in SEM technique seemed more appropriate for the purposes of this study. In addition, this technique seemed plausible for analyzing structural models in this study because there does not seem to be an important need for correction of measurement errors as the reliabilities of the constructs were found to be high in previous studies.

#### Stage 5 in the data analysis:

The proposed research model in Figure 3.1 was separated into two structural models for two reasons. Firstly, testing smaller versus complex models has important statistical advantages in structural equation modeling analysis (Reisinger & Turner, 1999). Model complexity may create a number of problems including unacceptable model fits. Secondly, the tested first structural model includes the relationships that are of major concern to the purposes of this study (i.e., relationships that have not been analyzed previously or those that have limited empirical support). Figure 3.3 shows the first structural equation model.

**Figure 3.5. Structural Model 1**



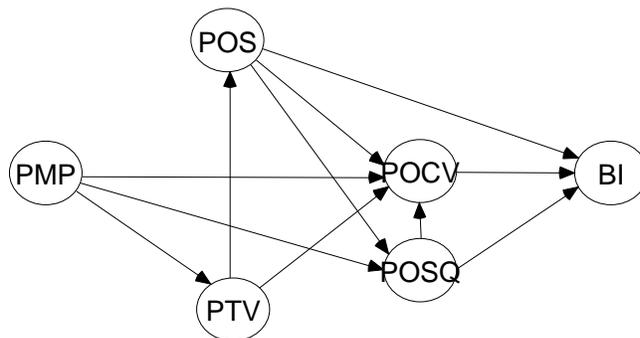
Structural model 1 was analyzed to test hypotheses 1, 2, 3 and 4. Tests of the direct, indirect, and total effects in the model were performed to analyze all the relationships in the model simultaneously. Tests of the direct and indirect effects show the mediational role of constructs in the model. For example, a significant indirect effect between novelty (N) and perceived overall cruise product value (POCV) via perceived overall satisfaction (POS), but an insignificant direct effect between N and POCV is a sign that POS fully mediates the N to POCV relationship. Similarly, significance of both direct and indirect effects shows partial mediation between N and POCV. Total effects are beneficial to measure relative importance of the constructs on each other. For

example, total effects can show which constructs explain most of the variance in POCV relative to each other.

Stage 6 in the data analysis:

In this stage, the second structural model was analyzed for tests of hypotheses 5, 6 and 7. Figure 3.6 shows the second structural model.

**Figure 3.6. Structural Model 2**



Stage 7 in the data analysis:

In this stage of the data analysis a further test of the roles of POS and PTV as mediators were performed. The test of mediation can be tested in two comparable ways. One was the analysis of direct, indirect and total effects in the structural equation models,

which was explained in stages 5 and 6, and the second one was the formal test of mediation as suggested by Baron and Kenny (1986) using regression analysis (Sweeney et al., 1999). Tests of the research hypotheses were also performed with the procedures suggested by Baron and Kenny (1986).

For the test of each mediation, three regression models were estimated: 1) the model in which the dependent variable was regressed on the independent variable, 2) the model in which the mediator was regressed on the independent variable, and 3) the model in which the dependent variable was regressed on both the independent variable and the mediating variable. An effect of mediation was shown if a) both effects in models one and two are significant, b) the mediator significantly affects the dependent variable in the third model and, c) the effect of independent variable in the third model is less than its effect in the first model. If the effect of independent variable became insignificant in the third equation then the mediation effect was a full effect while if this effect was reduced significantly but was still significant in the third equation then the mediation effect was partial (Baron & Kenny, 1986; Kenny, Kashy & Bolger, 1998). Figure 3.7 shows the models tested for the test of second mediational hypothesis (H2).

**Figure 3.7 Three Structural Models Used for Hypothesis Test 2 (H2)**

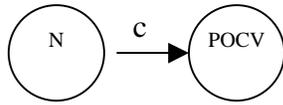


Figure 3.7a

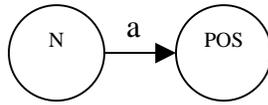


Figure 3.7b

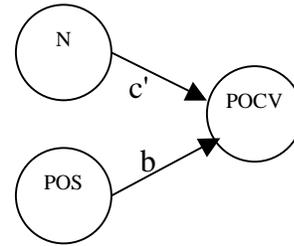


Figure 3.7c

The significance of the parameters of the models tested for mediational analysis was identified using two-tailed t-tests where the .05 level was used as the threshold for significance. The amount of mediation was identified by the difference of the parameters of independent variable. For example, in Figure 3.7, difference of  $c$  and  $c'$  shows the amount of mediation found (i.e.,  $c - c'$ ) (Kenny et al., 1998). A direct test of the significance of this difference was achieved by the formula provided by Baron and Kenny (1986):

$$\frac{ab}{\sqrt{S_a^2 S_b^2 + b^2 S_a^2 + a^2 S_b^2}}$$

Under the null hypothesis that  $c - c' = 0$ , the formula above was approximately distributed as Z. This test was also equivalent to the test of indirect effect between Novelty and POCV through POS in Figure 3.7.

### **Summary**

This chapter provided explanations for the methodology in this research study. Following the presentation of the research model, research questions and the research hypotheses were developed. Furthermore, items that were used to test the constructs of the research model were presented in the instrumentation section. Also, research procedures that included a pilot study, sampling and data collection were outlined. In the final section of this chapter data analysis procedures were summarized. The next chapter will provide details about the data analysis, findings and a discussion of the findings.

## **CHAPTER IV**

### **RESULTS AND DISCUSSION**

This chapter presents the results of the current study according to the data analysis procedures outlined in the previous chapter. Firstly, sample characteristics, a traveler profile of the respondents and measurement item descriptions are presented. Secondly, exploratory and confirmatory analyses of the research model constructs are displayed. Thirdly, structural analysis of the research model and hypotheses tests are performed. Finally, discussion of the major findings are presented.

#### **RESULTS**

##### **Sample Characteristics**

A random sample of 1,500 cruise vacationers were surveyed in this study. After three mailings, a total of 392 usable surveys that represented a 26% response rate were obtained. Table 4.1 summarizes respondent characteristics. Female respondents represented a slightly higher percentage of the completed sample (approximately 54%) compared to male respondents (approximately 41%). The majority of the respondents were middle-aged (i.e., 36-55 years). The completed sample was composed of well-educated individuals. For example, approximately 80% of the respondents had at least some college education with 56% having completed a college education. As for income, the largest percentage (26%) noted that their income ranged between \$40,000 and \$79,000 per year.

**Table 4.1. Sociodemographic Profile of the Respondents**

<b>Sociodemographic Variables</b>	<b>N</b>	<b>%</b>
<b>Gender</b>		
Female	225	53.6
Male	<u>173</u>	<u>41.2</u>
	398	94.8
Missing	<u>22</u>	<u>5.2</u>
Total	420	100.0
<b>Age</b>		
18-35 years	45	10.7
36-45 years	98	23.3
46-55 years	135	32.1
56-65 years	53	12.6
66 years or older	<u>78</u>	<u>18.6</u>
	409	97.3
Missing	<u>11</u>	<u>2.7</u>
Total	420	100.0
<b>Income</b>		
Less than \$40,000	58	13.8
\$40,000 – 79,999	108	25.7
\$80,000 – 119,999	91	21.7
\$120,000 – 159,999	39	9.3
\$160,000 – 199,999	24	5.7
\$200,000 or over	<u>21</u>	<u>5.0</u>
	341	81.2
Missing	79	18.8
Total	420	100.0
<b>Education</b>		
High School	60	14.3
Vocational/technical	18	4.3
Some College	102	24.3
College	133	31.7
Graduate	<u>102</u>	<u>24.3</u>
	415	98.9
Missing	<u>5</u>	<u>1.1</u>
Total	420	100.0

### **Traveler Profile of Respondents**

The traveler profile of the respondents is shown in table 4.2. The sample was mostly experienced cruise vacationers. Approximately 60% of the respondents had taken at least three cruise vacations before this survey was administered. Winter and spring months seemed to be slightly more popular cruise vacation times compared to summer months. The cruise vacationers that made up the completed sample generally preferred October through May as their cruise vacation season as shown in Table 4.2. The majority of the respondents took their most recent cruise vacation in the year 2000. Because the sample was delimited to cruise vacationers who took their latest cruise vacation during the last year, those who took their most recent cruise vacation earlier than 2000 were eliminated from further analysis. Respondents generally traveled as couples or family (i.e. small groups) on large or mega size ships over a seven day or less period. As expected, five major cruise lines attracted the majority of the respondents in this study as shown in Table 4.2.

**Table 4.2 Traveler Profile of Respondents**

<b>Cruise Experience Variables</b>	<b>N</b>	<b>%</b>
<b>Total Cruise Vacations</b>		
Once	91	21.7
Twice	78	18.6
Three times	66	15.7
Four Times	64	15.2
Five times or more	<u>121</u>	<u>28.8</u>
Total	420	100.0
<b>The Month Most Recent Cruise Vacation was Taken</b>		
January	41	9.8
February	46	11.0
March	52	12.4
April	35	8.3
May	47	11.2
June	24	5.7
July	26	6.2
August	31	7.4
September	14	3.3
October	43	10.2
November	26	6.2
December	<u>29</u>	<u>6.9</u>
	414	98.6
Missing	<u>6</u>	<u>1.4</u>
Total	420	100.0
<b>The Year Most Recent Cruise Vacation was Taken</b>		
2000	254	60.5
2001	<u>165</u>	<u>39.3</u>
	419	99.8
Missing	<u>1</u>	<u>.2</u>
Total	420	100.0
<b>Number of People Traveled with</b>		
1-5	289	68.8
6-10	52	12.4
11-15	12	2.9
16-20	13	3.1
21-25	7	1.7
26 and more	<u>24</u>	<u>5.7</u>
	397	94.5
Missing	<u>23</u>	<u>5.5</u>
Total	420	100.0
<b>Group Composition</b>		
Single	22	5.2
Couple – Family	232	55.2
Interest group – Friends	<u>162</u>	<u>38.6</u>
	416	99.0
Missing	<u>4</u>	<u>1.0</u>
Total	420	100.0

**Table 4.2 continued**

<b>Cruise Experience Variables</b>	<b>N</b>	<b>%</b>
<b>Size of the ship</b>		
0-199	13	3.1
200-499	17	4.0
500-1199	88	21.0
1200-1999	169	40.2
2000 and more	<u>125</u>	<u>29.8</u>
	412	98.1
Missing	<u>8</u>	<u>1.9</u>
Total	420	100.0
<b>Days most recent cruise vacation lasted</b>		
1-7	327	77.8
8-15	84	20.0
16 and more	<u>5</u>	<u>1.2</u>
	416	99.0
Missing	<u>4</u>	<u>1.0</u>
Total	420	100.0
<b>Cruise line traveled with</b>		
Carnival	63	15.0
Holland America	39	9.3
Celebrity	21	5.0
Royal Caribbean	69	16.4
Princess	47	11.2
Norwegian	58	13.8
Disney	10	2.4
Other	<u>43</u>	<u>10.2</u>
	350	83.3
*Missing	<u>70</u>	<u>16.7</u>
Total	420	100.0

\* High number of missing observations on cruise line question was due to the confusion on “cruise company” term. Even though the intent was to document the name of the cruise line, a number of respondents left the question blank due to their confusion between cruise line and travel agency from whom they had purchased their vacation.

### **Analysis For Response Bias**

To examine non-response bias, a series of analyses were conducted. Firstly, the number of male and female respondents in the sample and in the returned surveys compared with a chi-square test (Table 4.1). A chi-square value of 2.09 with 1 degree of freedom was not significant at the .05 level, indicating that the number of males and females in the sample and the returned surveys is not significantly different.

**Table 4.3. Number of Male and Female Respondents**

	# of Responses	Sample	Total
Female	225	908	1133
Male	173	592	765
Total	398	1500	1898

In addition, the traveler profile of the respondents was compared to the traveler profile of the cruise vacationer population in the United States (Gruen, Summer & Acito, 2000) based on Cruise Lines International Association's (CLIA) market profile study reports. Overall, it was found that the traveler profile in this study with respect to duration and season of the cruise, group characteristics, ship size and cruise line representation reflected the United States cruise market well.

### **Description of Individual Measurement Items**

Initial analysis of the research model that comprises nine constructs was conducted with fifty-four measurement items. All items were measured on a seven-point scale. Table 4.4 summarizes the means and standard deviations of each item. With all items, except for perceived monetary price, 1 denotes a negative response (i.e., dissatisfied, low quality, disagree, low probability) and 7 denotes a positive response (i.e., satisfied, pleased, agree, high probability). The four perceived overall satisfaction items (i.e., items 1-4 in POS measurement) and all four perceived overall service quality items were reverse coded during data entry for consistency. The reverse coded items were asked in the survey in a format where 1 denoted a positive response while 7 denoted a negative response (see survey in Appendix). Unlike the values on the other items, higher values on perceived monetary price items indicated a negative response (i.e., high price, expensive, pricey).

Among the novelty, control and hedonics items, respondents gave higher scores to the hedonics items, showing slightly higher agreement on the hedonic aspects of their experiences. Standard deviations of the hedonics items were slightly lower compared to the standard deviations of the novelty and control items. This shows that wider ranges of responses were received for the novelty and control items compared to the hedonics items. In general, responses on the POS and the POSQ showed that respondents agreed that they were satisfied with their experiences and the quality of the service they received on the ship was acceptable. Similarly, mean scores on PTV items showed that, overall, respondents who received discounts and other price related benefits indicated their contentment with these benefits. With respect to the price of the cruise vacation, respondents, in general, perceived the package price they paid to be not very high and reasonable. Finally, values on the POCV and BI items ranged approximately between 4 and 7 (i.e., approximate standard deviations of 1.5 with a mean of 5.60 for both constructs), showing a general agreement with the items.

**Table 4.4. Descriptive Analysis Results for Individual Measurement Items**

<b>Factors and Variables</b>	<b>Mean</b>	<b>STD</b>	<b>Minimum</b>	<b>Maximum</b>
<b>Factor 1: Novelty (N: 420)</b>				
1. As though I was in a different world	5.30	1.30	1.00	7.00
2. That this was a memorable experience	5.94	1.28	1.00	7.00
3. A sense of escape or getting away from it all	6.15	1.04	1.00	7.00
4. Like I was on an adventure	5.45	1.35	1.00	7.00
5. That I was being stimulated or challenged in some way	4.59	1.44	1.00	7.00
6. That I was doing something thrilling	5.30	1.36	1.00	7.00
7. That I was having a once in a lifetime experience	4.86	1.68	1.00	7.00
8. Like I was doing something new and different	5.09	1.54	1.00	7.00
9. A feeling of romance	5.10	1.60	1.00	7.00
10. Like I had a chance to meet interesting people	5.53	1.24	1.00	7.00
Scale mean	5.33			
<b>Factor 2: Control (N: 420)</b>				
1. A sense of cooperation between the company and me	5.03	1.36	1.00	7.00
2. Like I played a role in or contributed to the service process	4.10	1.42	1.00	7.00
3. Like I could communicate freely with employees	5.33	1.50	1.00	7.00
4. Like I had some choice in the way things were done	4.75	1.46	1.00	7.00
5. That I had some control over the way things turned out	5.02	1.49	1.00	7.00
6. That my belongings were safe	5.84	1.25	1.00	7.00
7. That my privacy would be assured if I wanted it	5.79	1.18	1.00	7.00
8. A feeling of personal security	5.57	1.35	1.00	7.00
9. A sense of comfort	5.70	1.24	1.00	7.00
10. Like I was having a hassle free vacation	5.66	1.31	1.00	7.00
Scale mean	5.28			
<b>Factor 3: Hedonics (N: 420)</b>				
1. That I was doing something I really like to do	6.10	1.19	1.00	7.00
2. Like I was having fun	6.00	1.16	1.00	7.00
3. That I did something social	5.51	1.26	1.00	7.00
4. That I would want to share my experience with others after	5.81	1.25	1.00	7.00
5. Relaxed	6.17	1.15	1.00	7.00
6. Like I was having pleasurable dining experiences	5.96	1.25	1.00	7.00
7. Like I was having a festive vacation	5.40	1.27	1.00	7.00
8. Like I was being pampered	5.88	1.17	1.00	7.00
Scale mean	5.85			
<b>Factor 4: Perceived Monetary Price (N: 420)</b>				
1. Low – High	4.18	1.36	1.00	7.00
2. Inexpensive – Expensive	4.13	1.36	1.00	7.00
3. Bargain -Rip Off	3.40	1.30	1.00	7.00
4. Not pricey – Pricey	3.79	1.33	1.00	7.00
5. Reasonable – Unreasonable	3.40	1.32	1.00	7.00
Scale Mean	3.78			

**Table 4.4 continued**

<b>Factors and Variables</b>	<b>Mean</b>	<b>STD</b>	<b>Minimum</b>	<b>Maximum</b>
<b>Factor 5: Perceived Overall Satisfaction (N: 420)</b>				
1. Dissatisfied – Satisfied	5.91	1.31	1.00	7.00
2. Displeased – Pleased	6.05	1.20	1.00	7.00
3. Frustrated – Contented	5.96	1.27	1.00	7.00
4. Terrible – Delighted	5.96	1.21	1.00	7.00
5. Fell short of my expectations- Exceeded my expectations	5.25	1.52	1.00	7.00
6. Worse than I expected- Better than I expected	5.33	1.50	1.00	7.00
Scale Mean	5.74			
<b>Factor 6: Perceived Transaction Value (N: 283)</b>				
1. Taking advantage of a price-deal like this made me feel good	5.56	1.46	1.00	7.00
2. Beyond the money I saved, getting more vacation on a cruise for my money made me happy	5.50	1.51	1.00	7.00
3. I got a lot of pleasure knowing I saved money compared to a similar vacation on land	5.36	1.58	1.00	7.00
Scale Mean	5.47			
<b>Factor 7: Perceived Overall Service Quality (N: 420)</b>				
1. Service of high quality- Service of low quality	5.80	1.23	1.00	7.00
2. Superior service - Inferior service	5.64	1.29	1.00	7.00
3. Excellent overall service – Poor overall service	5.82	1.32	1.00	7.00
4. High standard service – Low standard service	5.74	1.30	1.00	7.00
Scale Mean	5.75			
<b>Factor 8: Perceived Overall Cruise Value (N: 420)</b>				
1. Compared to the price I paid, time and effort I spent, I think I have received good value	5.65	1.49	1.00	7.00
2. I feel that my last cruise vacation was worth the money and time I spent	5.72	1.59	1.00	7.00
3. Overall, my last cruise vacation was a good buy	5.74	1.44	1.00	7.00
4. I would value my last cruise vacation because it met my needs and expectations for a reasonable price	5.58	1.50	1.00	7.00
5. I think that given whole service features, my experience was good value for the money, time and effort I spent	5.63	1.53	1.00	7.00
Scale Mean	5.66			
<b>Factor 9: Behavioral Intentions (N: 420)</b>				
1. If I had to do it over again, the probability that I would choose the same cruise line as my last one is	5.34	1.79	1.00	7.00
2. The likelihood that I would recommend this cruise line to a friend is	5.70	1.64	1.00	7.00
3. How would you describe what you have told others about your most recent cruise vacation	5.79	1.26	1.00	7.00
Scale Mean	5.61			

### **Exploratory Factor Analysis**

Even though the measurement of five of the nine constructs in the research model has been firmly established in the literature, the novelty, control, hedonics (Otto, 1997) and PTV (Grewal, et al., 1998) constructs are still in their early development phase. Therefore, an initial exploratory factor analysis was conducted as the first step in the confirmation of the research constructs.

First, 28 items of novelty, control and hedonics were analyzed using exploratory factor analysis procedures. These analysis showed that a number of items crossload between the constructs indicating high levels of correlation between the constructs. Correlation analysis of the three PQE constructs showed that these three constructs were highly correlated (novelty - control, .76; novelty - hedonics .84, control - hedonics .93), which might result in multicollinearity or related problems during further analysis. Reisinger and Turner (1999) suggested use of data reduction methods such as principal component analysis to eliminate high correlation problems in the data. Therefore, a principal component analysis was conducted to select items that represented their constructs best. The analyses showed that the lowest Keiser-Meyer-Olkin (KMO) measure of overall sampling adequacy for different iterations was .91 supporting factor analysis of the data (Hair, Anderson, Tatham & Black, 1998).

Because the objective was "to retain the best item in a given conceptual pair, the item with the lowest loading, reliability coefficient and/or item-to-total correlation was dropped and an iterative sequence of deleting items with low loadings, recomputing alphas and item-total correlations, and so-forth was carried out until the cleanest structure with the highest loadings was obtained" (Otto, 1997, p. 154).

Table 4.5 shows the iterations and the results of the iterations of the principle component analysis for the PQE constructs. Initially, item 12 was eliminated from the analysis because it formed a separate, fourth factor when eigenvalues over one rule was applied. Furthermore, corrected item-to-total correlation for item 12 was .34, deemed not acceptable considering a threshold of .50 (Lankford & Howard, 1994).

**Table 4.5. Exploratory Factor Analysis Iterations and Results**

<b>Iteration</b>	<b>Results</b>	<b>KMO Measure of Sampling Adequacy</b>	<b>Bartlett's test of Sphericity</b>
One: 27 Items	- Three factors - Items 1, 2, 3, 9, 19, 20, 28 were dropped.	.95	p= .000 (Chi-square 7214.80, df= 351)
Two: 20 Items	- Three factors - Items 10, 13, 16, 18 were dropped.	.93	p= .000 (Chi-square 5135.05, df= 190)
Three: 15 Items	- Three factors - Item 17 was dropped.	.92	p= .000 (Chi-square 4136.13, df= 120)
Four: 14 Items	- Three factors - Final solution with 15 items.	.91	p= .000 (Chi-square 3860.62, df= 105)

Note: Factor extraction: Principal component analysis, Factor Rotation: Varimax.

During four iterations, items with ambiguous loadings (i.e. loading more than one factor and/or loading on a separate factor) and with loadings lower than .40 (Echter & Ritchie, 1993) were eliminated (Otto, 1997). Following four iterations, 15 out of 27 items loaded above .50 on a single factor and remained as the indicators of three PQE constructs. Table 4.6 shows the results of the final iteration that include item loadings, eigenvalues for the factors, percent of variance explained and reliability scores.

**Table 4.6. Final Solution of the Principal Component Analysis of Novelty, Control and Hedonics Scale Items**

Item	Hedonics	Novelty	Control
X4	.33	<b>.76</b>	
X5		<b>.69</b>	.38
X6	.40	<b>.73</b>	
X7		<b>.80</b>	
X8		<b>.85</b>	
X11	.42	.31	<b>.58</b>
X14		.34	<b>.80</b>
X15		.36	<b>.78</b>
X21	<b>.84</b>		
X22	<b>.81</b>		
X23	<b>.71</b>		
X24	<b>.72</b>	.41	
X25	<b>.80</b>		.33
X26	<b>.64</b>		
X27	<b>.60</b>	.41	
Eigenvalues	7.97 (53.16*)	1.55 (10.32*)	0.99 (6.62*)
Total variance explained	70.1%		
Scale alpha	.90	.89	.80

\* Variance explained by the factor.

Note1: Extraction Method: Principal Component Analysis, Rotation Method: Varimax.

Note 2: Loadings over .3 are shown.

Note 3: See Table 4.8 for a description of each item.

An analysis of the remaining 15 items for novelty, control and hedonics suggested that these items represented three PQE constructs well statistically and theoretically.

Analysis of construct correlations using the 15 remaining items showed that novelty, control, and hedonics are no longer as highly correlated (See Table 4.9; novelty - control, .72; novelty - hedonics .72, control - hedonics .73). In addition, the remaining items were found to be useful in their meaningful representation of their respective constructs. For example, 3 control items were directly related to the definition of the control construct in the literature. Therefore, a decision to eliminate the rest of the items was made and 15 of the initial 28 PQE items were selected for use in further analyses.

In addition to the PQE constructs, similar analysis was conducted with the PTV items. The main concern with the PTV items was whether they loaded on a separate

factor when they were analyzed with the POCV items (Grewal et al, 1998). Principal component analysis results indicated clearly that the PTV and POCV are separate constructs (Table 4.7). Therefore, it was decided that the PTV items could be used in further analysis with confidence.

**Table 4.7. Principal Component Analysis of PTV and POCV Scale Items**

Item	Factor 1	Factor 2
Y7		<b>.87</b>
Y8		<b>.92</b>
Y9		<b>.89</b>
Y14	<b>.92</b>	
Y15	<b>.92</b>	
Y16	<b>.94</b>	
Y17	<b>.92</b>	
Y18	<b>.95</b>	
Eigenvalues	5.63 (70.41*)	1.57 (19.65*)
Total variance explained	90.1%	

\* Variance explained by the factor.

Note 1: Extraction Method: Principal Component Analysis, Rotation Method: Varimax.

Note 2: See Table 4.8 for a description of each item.

In addition to novelty, control, hedonics and PTV, exploratory factor analysis was conducted as an initial check on POS, POSQ and POCV. POS, POSQ and POCV were analyzed in pairs to see if the items load on their respective constructs. Analysis showed that all the items load only on their respective constructs except for one POSQ item. The POSQ item, “Service of a very high quality – service of a very low quality” (Y10) was found to cross load with POS and removed from further analysis. All other items in other constructs were found to load highly on their respective constructs and were retained for further analysis. The remaining 40 items out of the initial 54 are shown in Table 4.8.

**Table 4.8. Remaining 39 Items Following Exploratory Factor Analysis Tests**

<u>EXOGENOUS FACTORS</u>	<u>ENDOGENOUS FACTORS:</u>
<u>Factor one: Novelty:</u>	<u>Perceived Overall Satisfaction</u>
X4: Like I was on an adventure	Y1: Dissatisfied - Satisfied
X5: That I was being stimulated or challenged in some way	Y2: Displeased - Pleased
X6: That I was doing something thrilling	Y3: Frustrated - Contented
X7: That I was having a once in a lifetime experience	Y4: Terrible - Delighted
X8: Like I was doing something new and different	Y5: Fell short of my expectations – Exceeded my expectations
	Y6: Worse than I expected – Better than I expected
<u>Factor two: Control</u>	
X11: A sense of cooperation between the company and me	<u>Perceived Transaction Value</u>
X14: Like I had some choice in the way things were done	Y7: Taking advantage of a price-deal like this made me feel good
X15: That I had some control over the way things turned out	Y8: Beyond the money I saved, getting more vacation on a cruise for my money made me happy
	Y9: I got a lot of pleasure knowing I saved money compared to a similar vacation on land
<u>Factor three: Hedonics</u>	
X21: That I was doing something I really like to do	<u>Perceived Overall Service Quality</u>
X22: Like I was having fun	Y11: Superior service - Inferior service
X23: That I did something social	Y12:Excellent overall service – Poor overall service
X24: That I would want to share my experience with others after	Y13: High standard service – Low standard service
X25: Relaxed	
X26: Like I was having pleasurable dining experiences	<u>Perceived Overall Cruise Value</u>
X27: Like I was having a festive vacation	Y14: Compared to the price I paid, time and effort I spent, I think I have received good value
	Y15: I feel that my last cruise vacation was worth the money and time I spent
<u>Perceived Monetary Price</u>	Y16: Overall, my last cruise vacation was a good buy
X29: Low - High	Y17: I would value my last cruise vacation because it met my needs and expectations for a reasonable price
X30: Inexpensive - Expensive	Y18: I think that given whole service features, my experience was good value for the money, time and effort I spent
X31: Bargain -Rip Off	
X32: Not pricey - Pricey	<u>Behavioral Intentions</u>
X33: Reasonable - Unreasonable	Y19: If I had to do it over again, the probability that I would choose the same cruise line as my last one is
	Y20: The likelihood that I would recommend this cruise line to a friend is
	Y21: How would you describe what you have told others about your most recent cruise vacation?

### Correlation analysis of the scales

After the exploratory factor analysis, construct correlations, which were presented in Table 4.9, were calculated based on three confirmatory factor analysis models.

Analysis of the CFA models was presented in the following section. As seen in Table 4.9, four correlations are relatively high and most correlations are moderately high (i.e., .40-.60 range). Correlations between PQE constructs were expected to be high because these three constructs as explained in the literature review section represent a common concept, perceived quality of experience (PQE). Furthermore, POS and hedonics were also highly correlated with each other suggesting the close relationship between the hedonic side of the cruise experience and the cruise vacationers' satisfaction. As seen in the table, the correlation between novelty and PMP was the lowest suggesting novelty of the cruise experience revealing very little information about the price of the vacation.

**Table 4.9. Correlations Between Exogenous and Endogenous Constructs in the**

#### **Research Model**

Constructs	1	2	3	4	5	6	7	8	9
1. Novelty	1.00	.72	.72	-.07	.25	.58	.43	.32	.38
2. Control		1.00	.73	-.20	.38	.61	.47	.42	.52
3. Hedonics			1.00	-.20	.40	.72	.52	.55	.63
4. PMP				1.00	-.32	-.19	-.11	-.34	-.16
5. PTV					1.00	.30	.20	.52	.26
6. POS						1.00	.69	.53	.67
7. POSQ							1.00	.35	.55
8. POCV								1.00	.55
9. BI									1.00

Note 1: Correlations are based on CFA models 1, 2 and 3. N= 392 for correlations that don't include PTV. N= 283 for correlations that include PTV.

### **Measurement Properties of the Scales**

Following Anderson and Gerbing's (1988) suggestion, the measurement part of the research model was analyzed before the structural model. Confirmation of the constructs in terms of their reliability and validity was necessary before the structural analysis was performed. If this purpose was not achieved then a number of problems (i.e., model fit related, significance related, etc.) might be encountered during the structural analysis of the model (Anderson & Gerbing, 1988).

#### **Reliability, Convergent Validity and Discriminant Validity of the Model Constructs**

Further tests of the measurement properties of the scales included reliability and validity assessments. Once nine research model constructs were shown that they were unidimensional and distinct from each other, then they could further be used in structural analysis with some confidence.

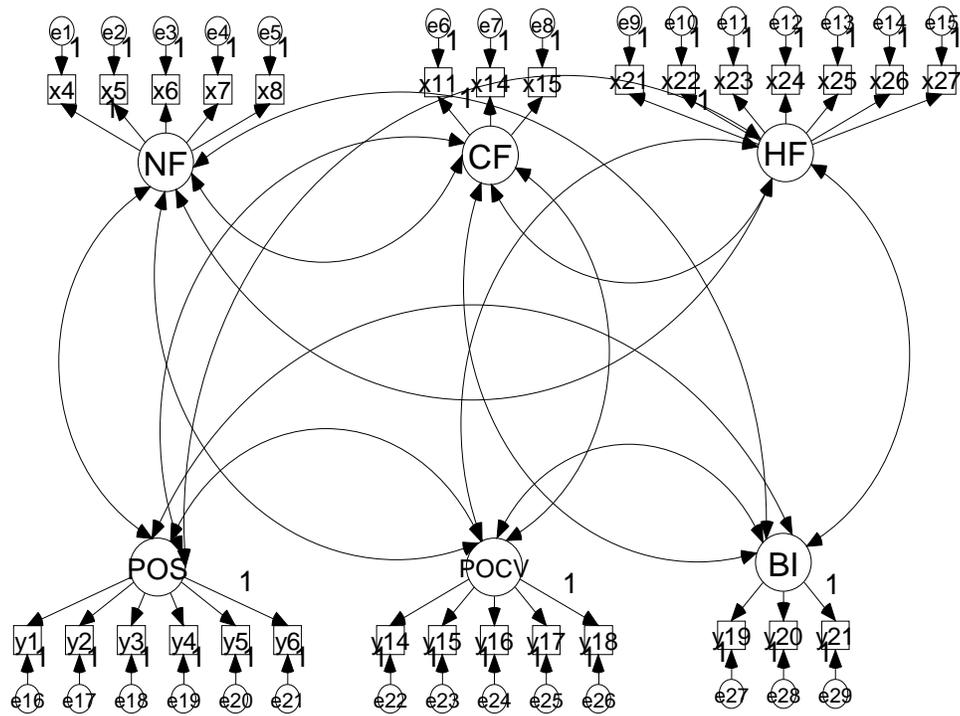
#### **Reliability of the Scales**

Cronbach alpha coefficients were used to assess scale reliabilities. These values are shown in Table 4.10. The reliability coefficients for nine scales ranged from .80 to .98. Considering the minimal acceptable levels for internal consistency (i.e. .70) (Nunnally, 1978), these values suggested that scales could be considered reliable and used for further analysis.

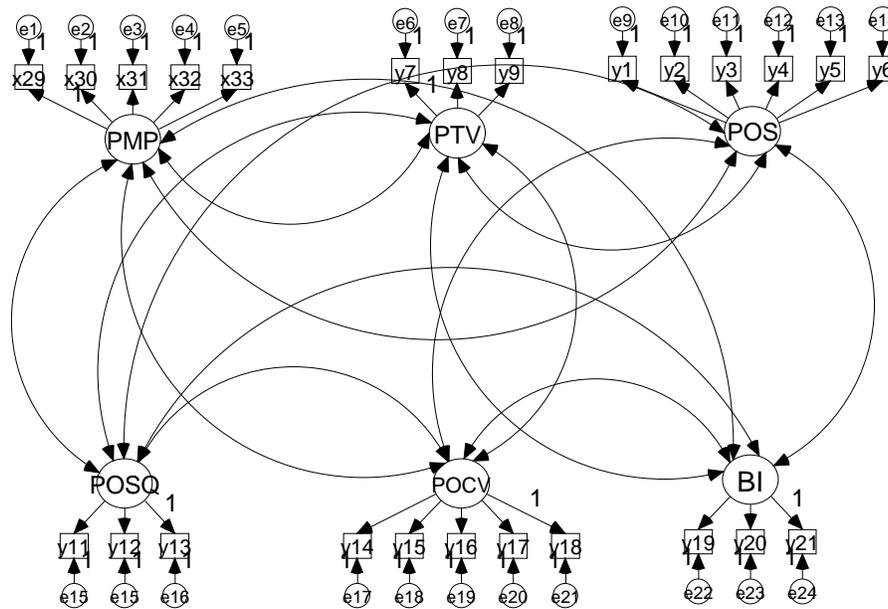
#### **Convergent and discriminant validity of the scales**

To test the convergent and discriminant validity of the constructs, three confirmatory factor analysis (CFA) models were run. Figures 4.1, 4.2 and 4.3 show the three CFA models tested.

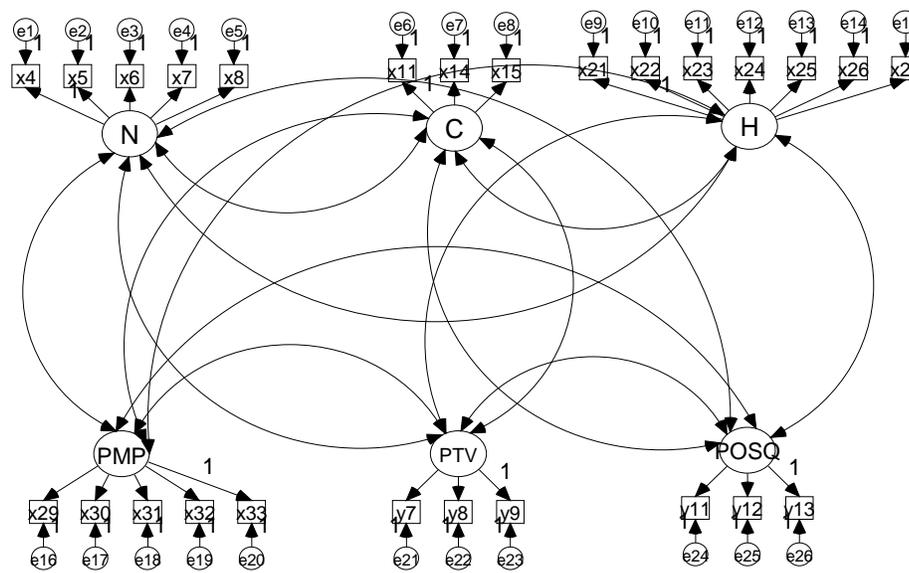
**Figure 4.1. Confirmatory Factor Analysis Model 1**



**Figure 4.2. Confirmatory Factor Analysis Model 2**



**Figure 4.3. Confirmatory Factor Analysis Model 3**



AMOS 4.0 (Arbuckle, 1997) was used to analyze the proposed confirmatory and structural models in the current study. The first two CFA models included the same constructs as the first two structural models analyzed in the coming section. A decision was made to separate the full CFA model with nine constructs and forty indicators into smaller models to eliminate the effects of model complexity and sample size. Reisinger and Turner (1999) argued that too large models might create interpretation and significance related problems. Smaller measurement models instead of larger ones have been tested in other behavioral research studies (Sujan, Weitz & Kumar, 1994). The purpose of running these CFA models was to find out whether the relationships between the proposed indicators and the constructs support convergent and discriminant validity tests. The fit of the three CFA models were acceptable in consideration with the complexity of the models (Sujan et al., 1994) (i.e., CFI indexes: model 1: .90, model 2: .90, model 3: .86). Table 4.10 shows the model constructs, standardized item loading values, item and scale reliability values, and average variance extracted values for the first two model constructs and items. For the third model, only average variance extracted (AVE) values were calculated and are shown in Table 4.11.

Convergent validity of the model constructs:

Analysis of the path coefficients from latent constructs to their corresponding indicators showed in all models that all of these values were significant at  $p < .001$ , indicating evidence for convergent validity (Sujan et al., 1994). In addition, as seen in Tables 4.10, and 4.11 average variance extracted values exceeded .50 for all constructs, showing that variance captured by constructs was larger than variance due to error

(Fornell & Larcker, 1981). This was also a confirmation for the convergent validity of the model constructs.

Discriminant validity of the model constructs:

Discriminant validity between the constructs can be established by analyzing average variance extracted values. Fornell and Larcker (1981) proposed that if the square of the path coefficient linking the two constructs, which were being examined for discriminant validity, was less than the average variance extracted value for the constructs, then discriminant validity between these constructs was established. In cases where path coefficient was not available, researchers have used correlation coefficient between the constructs (Sirohi et al., 1998). An examination of Tables 4.9, 4.10 and 4.11 shows that AVE values exceed square of the correlations between constructs in all cases. Therefore, discriminant validity between the constructs in four models was established.

**Table 4.10 Scale Reliability and CFA Analysis Results**

	SIL	I&SR	AVE		SIL	I&SR	AVE
<b>Model 1</b>				<b>Model 2</b>			
<i>NOVELTY</i>		.89	.56	PMP		.90	.67
X4	.86	.74		X29	.76	.58	
X5	.69	.48		X30	.84	.71	
X6	.89	.80		X31	.74	.55	
X7	.79	.62		X32	.88	.78	
X8	.74	.54		X33	.73	.53	
<i>CONTROL</i>		.80	.59	<i>PTV</i>		.92	.71
X11	.72	.52		Y7	.84	.71	
X14	.77	.59		Y8	.99	.98	
X15	.79	.62		Y9	.83	.69	
<i>HEDONICS</i>		.89	.56	<i>POS</i>		.95	.65
X21	.87	.70		Y1	.90	.80	
X22	.85	.72		Y2	.94	.89	
X23	.72	.54		Y3	.92	.85	
X24	.77	.61		Y4	.92	.85	
X25	.79	.62		Y5	.72	.52	
X26	.58	.35		Y6	.66	.44	
X27	.70	.53					
<i>POS</i>		.95	.62	<i>POSQ</i>		.92	.72
Y1	.88	.78		Y11	.72	.51	
Y2	.92	.84		Y12	.96	.91	
Y3	.90	.81		Y13	.97	.95	
Y4	.91	.82					
Y5	.72	.52		<i>POCV</i>		.98	.82
Y6	.68	.46		Y14	.93	.87	
				Y15	.94	.88	
<i>POCV</i>		.98	.84	Y16	.95	.90	
Y14	.94	.88		Y17	.95	.92	
Y15	.94	.90		Y18	.98	.96	
Y16	.95	.91					
Y17	.95	.90		<i>BI</i>		.90	.85
Y18	.98	.95		Y19	.93	.86	
				Y20	.97	.94	
<i>BI</i>		.90	.83	Y21	.75	.56	
Y19	.91	.84					
Y20	.96	.92					
Y21	.76	.58					

Note 1: Average variance extracted was calculated based on the formula provided by Fornell and Larcker

$$(1981). AVE = \frac{\sum_{i=1}^p \lambda_{yi}^2}{\sum_{i=1}^p \lambda_{yi}^2 + \sum_{i=1}^p Var(\varepsilon_i)}$$

Note 2: SIL: Standardized Item Loading, I&SR: Item and Scale Reliability, AVE: Average Variance Extracted

Note 3: Item reliability values in the table are squared multiple correlation values for each item. The squared multiple correlation value is considered as a lower bound estimate of the reliability (Arbuckle & Wothke, 1999).

Note 4: N for model 1:392, for model 2: 283

**Table 4.11. Third CFA Model Run for Convergent and Discriminant Validity Tests**

<u>Model 3</u>	<u>Average Variance Extracted (AVE)</u>
Novelty	.56
Control	.64
Hedonics	.65
PMP	.68
PTV	.71
POSQ	.72

Note: N for model 3: 283.

### **Model Fitting Procedure For Structural Models 1 and 2**

The research model presented in Figure 3.1 in the previous chapter was divided into two smaller models for testing. The same benefits of testing smaller models versus more complex models (i.e. minimizing the effects of model complexity and sample size) apply to testing structural models as well as CFA models (Reisinger & Turner, 1999). Figures 3.5 and 3.6, which were presented in the previous chapter show the structural models tested. Model 1 included the newly proposed relationships between novelty, control, hedonics, and other constructs especially with POCV. Therefore, this model was of main interest to the purposes of this study. Model 2 represents the relationships that generally have strong theoretical and empirical support from previous studies.

#### **Composite Indicators**

Analysis of the structural models was accomplished with single indicator constructs where single indicators represented mean composites for each respective scale (for an example of a model, see Pedhazur, 1997, p. 846). Analysis using single indicator models versus full structural equation models with all the indicators has become common in behavioral research to overcome sample size related problems (Chaudhuri & Holbrook, 2001). Examples of studies that have used composite scores are ample in

marketing research (e.g., Chaudhuri & Holbrook, 2001; Grewal et al., 1998; Sujan, Weitz & Kumar, 1994).

### Data Sets

Analysis of confirmatory factor analysis models and structural models was accomplished using two data sets; smaller of which was a reduced form of the larger data set. The larger data set included 392 observations while the smaller data set included 283 observations (see note below). To get the smaller data set, all the cases in the larger data set with brochure price response were deleted and the remaining 283 cases were retained. Analysis of the models that included PTV construct (i.e., CFA model 2, CFA model 3 and structural model 2) was performed using the smaller data set whereas analysis of models without PTV (i.e., CFA model 1 and structural model 1) was performed with the larger data set.

### Structural equation model assumptions and missing data

Before the assessment of the structural models, important assumptions about the structural models were checked to make sure that they were met. Structural equation models are sensitive to assumptions that might significantly modify the results of the analysis. Reisinger and Turner (1999) mentioned about 8 main assumptions of structural equation models, some of which include the linearity of the relationships, multivariate normality of distributions, lack of kurtosis, and skewness.

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Note: From the 420 observations, 28 were eliminated during CFA and structural analysis. This decision was made because each of the 28 observations didn't have any response on one of the constructs. One of the constructs that was left unanswered in a number of observations was PMP. The main reason for the non-response on the PMP items was that those respondents who didn't pay the cruise vacation themselves (i.e. gift, group pay etc.) declined to answer these questions.

These assumptions were checked with SPSS and a decision was made that the overall data ensured these assumptions.

In addition, a missing data analysis was performed to ensure that missing data would not bias the results. Missing data was replaced with means that were acquired using the expectation-maximization (EM) procedure, which was available in SPSS. Correlations of constructs in the smaller and larger data sets (i.e., data sets in which missing values were replaced versus data sets in which missing values were not replaced) were compared to see the influence of replacing missing data on the data sets. No significant difference was found between the correlations in the two data sets with and without missing data. Also, based on the suggestions of Tabachnick and Fidell (1996), all data analyses were performed with both data sets and no significant differences were found. Therefore, it was decided that the influence of replacing missing data was negligible.

#### Model assessments: Finding final models to be analyzed

Assessment of structural models 1 and 2 was accomplished through model parsimony and model fit analysis (Byrne, 2001). The purpose of these analyses was to achieve the most parsimonious model that provided the best fit among the alternatives. Therefore, relationships in the models were modified either by removing the existing insignificant relationships or by adding some new relationships to the model that were suggested by modification indexes. Modification of the relationships stopped as soon as a well fitting model was reached and that model was accepted as the final model to be analyzed for hypotheses testing. Byrne (2001) suggested that theory and statistical analysis should be considered simultaneously in finding final structural models.

Table 4.12 presents the results of the model fitting procedure for the three models that were analyzed for hypotheses testing. Two relationships in the models were removed (Control → POCV and PMP → POSQ) while two others were added as shown in Table 4.12. The fit indexes for the respective models are presented in Tables 4.15 and 4.16. Model 1 yielded an overall chi-square value of 5.45 (df: 3) with RMSEA= .05, GFI= .99, CFI= .99, all of which are acceptable levels of model fit (Byrne, 2001).

Model 2 exhibited a good fit to the data with a chi-square value of 4.67 (df: 4), and fit indexes as follows: RMSEA= .02, GFI= .99 and CFI= 1.00.

**Table 4.12. Model Assessments**

<u>Models</u>	<u>Initial Relationships</u>	<u>Modification</u>	<u>Reason for Modification</u>
<u>Structural Model 1:</u>			
Control → POCV	yes	removed	Model Parsimony (Insignificant coefficient)
Hedonics → BI	no	added	Model fit
<u>Structural Model 2:</u>			
PMP → POS	no	added	Model fit
PMP → POSQ	yes	removed	Model Parsimony

### Regression Analysis

Although indirect effects in structural models allow the researchers to evaluate the mediated role of constructs in the models, they don't show pure mediating effects between constructs due to the influence of other controlled variables. To test the precise mediating role of POS and PTV for hypotheses 2 through 7, a series of regression analyses were conducted as proposed by Baron and Kenny (1986) and reported in Tables

4.13 and 4.14. Table 4.14 shows the significance of the indirect effects in mediation analysis.

**Table 4.13. Regression Equation Tests for H1, H2, H3, H4, H5, H6 and H7**

Models	Equation 1: Mediator= f(Independent)	Equation 2: Dependent= f(Independent)	Equation 3: Dependent= f(Independent and Mediator)
	Coefficients for Independent Variables	Coefficients for Independent Variables	Coefficients for Independent Variables      Coefficients for Mediators
C→N→H	.627 (.617) (15.46)	<b>.520 (.643)</b> (16.56)	→ <b>.324 (.400)</b> (8.86)      .313 (.394) (8.71)
C→POS→POCV	.508 (.532) (12.40)	<b>.439 (.374)</b> (7.95)	→ <b>.185 (.158)</b> (3.05)**      .500 (.406) (7.87)
N→POS→POCV	.496 (.529) (12.32)	<b>.330 (.286)</b> (5.90)	→ <b>.041 (.036)</b> (.701)*      .580 (.472) (9.08)
H→POS→POCV	.768 (.651) (16.96)	<b>.742 (.512)</b> (11.77)	→ <b>.483 (.333)</b> (5.98)      .337 (.275) (4.93)
PMP→PTV→POS	-.303 (-.263) (-4.57)	<b>-.234 (-.254)</b> (-4.40)	→ <b>-.183 (-.199)</b> (-3.40)      .167 (.209) (3.57)
PTV→POS→POCV	.209 (.261) (4.54)	<b>.501 (.510)</b> (9.93)	→ <b>.409 (.416)</b> (8.53)      .441 (.358) (7.35)
PMP→PTV→POCV	-.303 (-.263) (-4.57)	<b>-.381 (-.336)</b> (-5.98)	→ <b>-.246 (-.217)</b> (-4.20)      .445 (.453) (8.76)

Notes: \* Not significant at .05 level. \*\* Significant at .002 level. All other coefficients are significant at .001 level. Values in the parentheses in the first rows are standardized coefficients. Values in the parentheses in the second rows are t-values.

**Table 4.14. Tests for the Amount of Mediation**

Mediation In coefficients	Difference	z-value	p-value
C→N→H	.196	7.58	.001
C→POS→POCV	.254	6.63	.001
N→POS→POCV	.289	7.29	.001
H→POS→POCV	.259	4.73	.001
PMP→PTV→POS	-.051	-2.77	.002
PTV→POS→POCV	.092	3.84	.001
PMP→PTV→POCV	-.135	4.03	.001

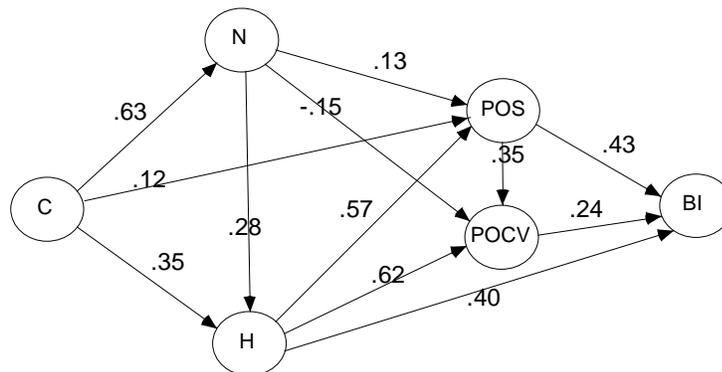
## Hypothesis Tests

### Hypothesis 1

*Control and hedonics are directly and indirectly (through novelty) related.*

This hypothesis was supported. Table 4.15 and Figure 4.4 show path estimates for structural model 1. The direct relationships between control and novelty, novelty and hedonics and also control and hedonics were all significant ( $p < .000$ ), indicating that control and hedonics were not only directly related but also indirectly related (Kline, 1998). Table 4.13 also showed the partial mediation between control and hedonics through novelty (i.e. a decrease in the coefficient of control from .52 to .32). In the structural model, the indirect effect between control and hedonics through novelty was .17, suggesting that hedonics was expected to increase by .17, given a change of 1 in control on a seven point scale via its effect on Novelty (Kline, 1998).

**Figure 4.4. Structural Model 1**



**Table 4.15. Path Estimates for the Proposed Perceived Cruise Product Value Model  
(Structural Model 1)**

Paths in the Model	<u>Unstandardized Relationship Estimate</u>			<u>t-value</u>	<u>p-value</u>	<u>SMC</u>
	Direct	Indirect	Total			
Control → Novelty	.63	-	.63	15.53	.000	.38 (N)
Control → Hedonics	.35	.17	.52	9.79	.000	.51 (H)
Control → POS	.12	.39	.51	2.36	.02	.46 (POS)
Control → POCV	-	.41	.41	-	-	.32 (POCV)
Control → BI	-	.53	.53	-	-	.53 (BI)
Novelty → Hedonics	.28	-	.28	7.83	.000	
Novelty → POS	.14	.16	.30	3.02	.002	
Novelty → POCV	-.15	.28	.13	-2.33	.021	
Novelty → BI	-	.27	.27	-	-	
Hedonics → POS	.57	-	.57	8.99	.000	
Hedonics → POCV	.62	.20	.82	6.88	.000	
Hedonics → BI	.40	.44	.84	5.67	.000	
POS → POCV	.35	-	.35	5.04	.000	
POS → BI	.43	.08	.51	7.43	.000	
POCV → BI	.24	-	.24	5.68	.000	
<u>Absolute fit measures</u>						
Chi-square		5.45 (df: 3)				
GFI		.99				
RMSEA		.05				
<u>Incremental fit measures</u>						
Null Chi-square		8253.92 (df: 21)				
AGFI		.96				
NNFI (TLI)		.99				
<u>Parsimonious fit measures</u>						
CFI		.99				
IFI		.99				
RFI		.99				

Note 1: N: 392. Single indicators that represent mean scores for the scales were used for the analysis. Error variances were fixed at zero.

Note 2: t and p values in the table correspond to direct effects.

Note 3: SMC: Squared Multiple Correlations. SMC values correspond to the endogenous variables in the parentheses beside them.

Note 4: GFI: Goodness of fit index, RMSEA: Root mean square error of approximation, AGFI: Adjusted goodness of fit, NNFI: Non-normed fit index, CFI: Comparative fit index, IFI: Incremental fit index, RFI: Relative fit index.

Hypothesis 2:

*Novelty and perceived overall cruise product value are directly and indirectly (through hedonics and perceived overall satisfaction) related.*

This hypothesis was supported. Table 4.15 shows a significant indirect effect between novelty and POCV through hedonics and POS. Figure 4.4 shows the direct and indirect paths between novelty and value. Kline (1998, p.150-151) suggested based on Cohen and Cohen's (1983) argument that "if all of its component path coefficients are significant, then the whole indirect effect can be taken as significant, too." The direct relationships between novelty and hedonics ( $p < .000$ ), novelty and POS ( $p < .002$ ), hedonics and POS ( $p < .000$ ), novelty and POCV ( $p < .02$ ), hedonics and POCV ( $p < .000$ ) and POS and POCV ( $p < .000$ ) were all significant, suggesting the mediational role of POS between novelty and POCV, controlling for hedonics. The indirect effect between novelty and POCV, .28, showed the change in POCV for one point change in novelty through hedonics and POS. Regression analysis in table 4.13 revealed no information for the measurement of pure mediated effect because the coefficient for novelty for the model where POCV was regressed on novelty and POS ( $t = .70$ ) was spurious. The reason for this result was that all the variation in POCV explained by novelty was also explained by POS. Therefore, novelty became insignificant once it was controlled with POS (Tabachnick & Fidell, 1996). Tabachnick and Fidell (1996, p. 161) commented,

"The significance tests are sensitive only to the unique variance of an independent variable adds to R-square. A very important independent variable that shares variance with another independent variable in the analysis may be nonsignificant although the two independent variables in combination are responsible in large part for the size of R-square. An independent variable that is highly correlated

with dependent variable but has a nonsignificant regression coefficient may have suffered just such a fate."

Table 4.18 shows the R-square values for a series of regression tests. POS explained 22% of the variance in POCV when POCV was regressed on POS in simple regression, and adding Novelty to the equation (i.e., regressing POCV on POS and novelty) did not change explained variance in POCV.

### Hypothesis 3

*Control and perceived overall cruise product value are directly and indirectly (through novelty, hedonics and perceived overall satisfaction) related.*

This hypothesis was partially supported. The results shown in Table 4.15 and Figure 4.4 suggest a full mediation rather than a partial mediation between control and POCV. The direct relationship between control and POCV became insignificant once it was controlled with novelty, hedonics and POS. The regression analysis for mediation in table 4.15 showed a partial mediation. The relationship between control and POCV did not disappear ( $p < .002$ ) when it was controlled with POS. In other words, control and POCV are directly and indirectly related when this relationship is only controlled with POS. However, the direct relationship between control and POCV disappeared once other control variables in addition to POS (i.e., novelty and hedonics) were introduced and mediation reduced to full mediation. The indirect effect between control and POCV was strong, .41, which suggested that control and POCV were only indirectly related through novelty, hedonics, and POS.

#### Hypothesis 4

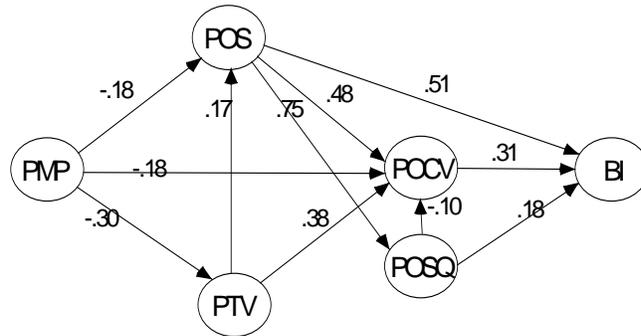
*Hedonics and perceived overall cruise product value are directly and indirectly (through perceived overall satisfaction) related.*

This hypothesis was supported. Hedonics and POCV were both directly and indirectly related as shown in Table 4.15. The total effect between hedonics and POCV was .82, and .20 of this effect was transmitted through POS. Table 4.13 showed that once POS controlled, the direct effect between hedonics and POCV reduced from .74 to .48. The test of this mediation as shown in table 4.14 proved highly significant providing support for the existence of mediation between Hedonics and POCV.

#### Hypothesis 5

*Perceived monetary price and perceived overall satisfaction are indirectly (through perceived transaction value) related.*

This hypothesis was partially supported. According to the results presented in Table 4.16 and Figure 4.5, there was a partial mediation between PMP and POS. In other words, as PTV was controlled, the relationship between PMP and POS did not disappear and stayed significant, suggesting a partial mediation. The pure mediated effect, as shown in Table 4.13, was -.05 and this effect was significant according to the test of amount of mediation ( $p < .002$ ). Most of the effect of PMP on POS was direct effect (-.18) despite the existence of the indirect effect.

**Figure 4.5. Structural Model 2**

**Table 4.16. Path Estimates for the Proposed Perceived Cruise Product Value Model  
(Structural Model 2)**

Paths in the Model	Unstandardized Relationship Estimate			t-value	p-value	SMC
	Direct	Indirect	Total			
PMP → PTV	-.30	-	-.30	-4.58	.000	.07 (PTV)
PMP → POS	-.18	-.05	-.23	-3.41	.001	.11 (POS)
PMP → POSQ	-	-.18	-.18	-	-	.49 (POSQ)
PMP → POCV	-.18	-.20	-.38	-3.22	.001	.41 (POCV)
PTV → POS	.17	-	.17	-3.58	.000	
PTV → POSQ	-	.13	.13	-	-	
PTV → POCV	.38	.07	.45	7.89	.000	
PTV → BI	-	.25	.25	-	-	.52 (BI)
POS → POSQ	.75	-	.75	16.35	.000	
POS → POCV	.48	-.08	.40	5.93	.000	
POS → BI	.51	.26	.77	6.59	.000	
POSQ → POCV	-.10	-	-.10	-1.40	.162	
POSQ → BI	.18	-.03	.15	2.72	.007	
POCV → BI	.31	-	.31	6.62	.000	
Absolute fit measures						
Chi-square		4.67 (df: 4)				
GFI		.99				
RMSEA		.02				
Incremental fit measures						
Null Chi-square		5466.55 (df: 21)				
AGFI		.98				
NNFI (TLI)		1.00				
Parsimonious fit measures						
CFI		1.00				
IFI		1.00				
RFI		1.00				

Note 1: N: 283. Single indicators that represent mean scores for the scales were used for analysis. Error variances are fixed at zero.

Note 2: t and p values in the table correspond to direct effects.

Note 3: SMC: Squared Multiple Correlations. SMC values correspond to the endogenous variables in the parentheses beside them.

Note 4: GFI: Goodness of fit index, RMSEA: Root mean square error of approximation, AGFI: Adjusted goodness of fit, NNFI: Non-normed fit index, CFI: Comparative fit index, IFI: Incremental fit index, RFI: Relative fit index.

### Hypothesis 6

*Perceived transaction value and perceived overall cruise product value are directly and indirectly (through perceived overall satisfaction and perceived overall service quality) related.*

This hypothesis was supported. In the path analysis, all the direct relationships that made up the PTV-POCV indirect relationship were significant except for the direct relationship between POSQ and POCV (Figure 4.5). Similar to the spurious relationship between novelty and POCV, the relationship between POSQ and POCV in the path analysis was also spurious. Consistent with theory, POSQ had a significant positive effect on POCV in the simple regression (see Table 4.17 for results). However, once POSQ was controlled with POS, relationship became insignificant because of the fact that POS explained all the variance in POCV that was explained by POSQ (Tabachnick & Fidell, 1996). POS explained approximately 22% of the variance in POCV and adding POSQ into the equation didn't change explained variance in POCV (see Table 4.18). Regression results in Tables 4.13 and 4.14 showed that POS was a significant mediator between PTV and POCV. The direct effect between PTV and POCV, .501 reduced to .409 once POS was controlled, revealing a mediation effect of .092 (See table 4.14).

**Table 4.17. Regression Analysis of POS, POSQ and POCV**

Dependent Variables	Predictors	Unstandardized Coefficients*	Standardized Coefficients	p-value	R-square
1. POCV	POS	.574 (.065)	.467	.000	.218
2. POCV	POSQ	.340 (.066)	.295	.000	.087
3. POCV	POS	.628 (.091)	.511	.000	.220
	POSQ	-.071 (.085)	-.062	.404	

\* The values in parentheses are standard errors.

**Table 4.18. Regression Analysis to Test the Relative Effects of the Independent****Variables**

Independent Variable(s)	Dependent Variable (POCV)
N	.08
C	.16
H	.26
POS	.22
N, POS	.22
POS, POSQ	.22

Note: Values in the table represent R-square values.

Hypothesis 7

*Perceived monetary price and perceived overall cruise product value are directly and indirectly (through perceived transaction value, perceived overall satisfaction and perceived overall service quality) related.*

This hypothesis was supported. The direct effect between PMP and POCV was -.18 ( $p < .001$ ) (Table 4.16, Figure 4.5). The indirect effect between PMP and POCV was -.20 transmitted through PTV, POS and POSQ. In other words, PMP and POCV were not only directly related but also indirectly related through PTV, POS and POSQ (Note: The relationship between POSQ and POCV was spurious). Table 4.14 also showed the significance of the indirect effect between PMP and POCV through PTV ( $p < .001$ ).

## Discussion

Overall, the results presented in this chapter supported the validity of the research model. The results suggested that the perceived overall value of a leisure travel product (i.e., cruise vacations) was not only inferred by cognitive elements such as service quality and price but also affective elements such as novelty, control and hedonics. Validity of the research model supported the arguments made by Bolton and Drew (1991) who proposed that “the customer’s value function is more complex [than a tradeoff between a single overall quality construct and sacrifice]” (p. 383-384). As shown in the tests of the research model, the strongest predictor of the POCV was the hedonic aspect of the cruise vacations. Prediction of POCV with only PMP and POSQ would thus eliminate the most important predictor of POCV in the research model and achieve biased results for the understanding of the perceived value construct for leisure travel products.

The influence of affective elements on overall value was found to be both direct and indirect through overall satisfaction. Results of the study showed that affect was not only a separate and significant antecedent of overall satisfaction (Dube-Rioux, 1990; Mano & Oliver, 1993; Oliver, 1997), but also that of overall value for leisure travel products. The role of overall satisfaction as a mediator between affective factors and the overall value brought two separate findings in the literature together, and helped explain how affect and overall value were related. Consistent with previous findings, affect, in general, was directly and positively related to overall satisfaction (Dube-Rioux, 1990). Also, POS was directly related to POCV (Naylor, 1996; Petrick et al., 2001). As the results of this study showed, affect and POCV were directly related but this relationship was also dependent upon overall satisfaction. The existence and strength of the mediation

depends on the nature of the affective factor. As shown in Tables 4.13, 4.14, 4.15, and 4.16, POS fully mediates the relationship between control and POCV, while it partially mediates the effects of novelty and hedonics on POCV.

The test of hypothesis one showed that hedonics could strongly be predicted by control and novelty where novelty acted as a partial mediator in the control → hedonics relationship. This finding supported Otto's (1997) finding that control was a strong predictor of both novelty and hedonics. The role of control as an antecedent to novelty and hedonics could be explained with the theory of leisure experience. In previous studies, it was found that the quality of leisure experience depended very much on freedom of choice (Mannell & Kleiber, 1997). Freedom of choice, or lack of constraints, was the main underlying condition for leisure experiences and it acted as a precursor to quality leisure experience. Similarly, freedom of choice was fundamental to high quality tourist experiences because tightly controlled experiences will reduce tourist satisfaction (Smith, 1994).

The test of hypothesis one also introduced the existence of the novelty → hedonics relationship, which wasn't tested in Otto's (1997) study. The tourism motivation theory could hint at the nature of the relationship between novelty and hedonics. Compared to hedonics, perceptions of novelty are more specific to context or the individual, therefore varying in intensity from experience to experience or from person to person (Lee & Crompton, 1992). In other words, not every leisure traveler may be motivated by a novel or unique experience, or by a novel destination, but every tourist desires pleasure, fun and enjoyment in his/her travel experience. Plog's (1977) classification of personalities of tourists essentially points to the validity of this argument.

Also, Smith and Godbey (1991) pointed out the central role of hedonics in leisure, recreation and tourism conceptualizations. Consequently, more novel experiences may result in higher hedonic feelings if novelty was a part of the traveler's motivation, but more hedonic feelings do not necessarily result in perceptions of novelty.

The test of hypothesis two showed that novelty and POCV were directly and negatively related, controlling for hedonics and POS, while novelty and POS were directly and positively related. These results clearly point to the difference between POS and POCV. Overall satisfaction was defined as the "fulfillment response, the degree to which the level of fulfillment is pleasant or unpleasant" (Oliver, 1997, p. 28). Oliver (1999) also called satisfaction "the pleasurable fulfillment." Overall value on the other hand was defined as an evaluation of a product based on a comparison of what was received (i.e., benefits) to what was given (i.e., sacrifices) (Zeithaml, 1988). It is widely accepted in the value literature that value is directly related to cost of the product in terms of "the give part", and, in more simplistic terms, it represents the reasons money was spent. The relationship between novelty and POS could be positive while the relationship between novelty and POCV could be negative if a novel experience is not the main reason the money was spent. In this case, even though novelty adds to a cruise vacationer's satisfaction positively, it may not add or even decrease the value of the vacation because novelty was not the main reason the money was spent. The results of this study suggested that, for the sampled cruise vacationers, as the cruise vacation became more novel, their value perceptions deteriorated. In one respondent's words, "more novelty was not why I spent my money, rather I wanted a more usual, ordinary vacation for my money" could be the reasoning of the respondents. Recall that novelty

was operationalized with words like adventure, challenge, thrill, new, and different. Specifically, it seemed that vacationers opted for a hedonic experience rather than a novel one for their money. The nature of the sample could also help explain this finding. Around 80% of the vacationers had taken at least two cruise vacations, suggesting that the majority were experienced cruise vacationers. Also, 95% traveled with others, the majority of whom were family or friends. It seems quite possible that most respondents were simply looking for a good time rather than an adventurous, different experience. Future studies are needed to truly understand the relationship between novelty and overall value since this study was the first to explore this relationship in the context of cruise travel.

The test of hypothesis three suggested that control does not have a direct effect on POCV, but its effect on POCV goes through novelty, hedonics, and POS. This finding is consistent with recent findings in retail that the dominance factor in Mehrabian and Russells' (1974) pleasure-arousal-dominance (PAD) typology should be viewed as a precursor to the other dimensions (Bateson & Hoffman, 1999). For novelty, hedonics, and POS, control was an immediate influence, but for POCV, control was a secondary influence. When cruise vacationers articulated their satisfaction with their most recent cruise vacation, they placed heavy emphasis on the control side of the experience, but when they thought about the value of the experience, other factors that were directly related to the main reasons they spent their money (i.e., hedonics) played a role, leaving control as a secondary influence on their value perceptions. The direct relationship between control and POS contradicts with the findings of Otto (1997) who did not find

support for a direct relationship between control and POS. Instead, Otto found that hedonics was a strong mediator between control and POS.

Compared to novelty, control, PMP, PTV and POS, hedonics was the most important predictor of POCV. As the test of hypothesis four indicated, the majority of the respondents placed heavy emphasis on the hedonic part of their cruise experiences, suggesting a direct and indirect relationship (through POS) between hedonics and POCV. Hedonics was the key factor for both POS and POCV. This finding supports previous research regarding the role of pleasure on postpurchase evaluations. For example, findings in general and services marketing with respect to affective states and satisfaction relationships suggest that a key determinant of overall consumer satisfaction was pleasure (Mattila and Wirtz, 2000; Oliver, 1993; Oliver, Rust & Varki, 1997; Westbrook, 1987, Westbrook & Oliver, 1991, Wirtz & Bateson, 1999). The significant relationships between hedonics and POS and POCV suggest that the role of pleasure on postpurchase evaluations seems more comprehensive than it was found before.

The strong relationship between hedonics and POCV also supported Babin et al.'s (1994, p.645) argument that they “consider value from [an] experiential perspective, recognizing that it is related intimately to hedonic responses as well as other more tangible consequences.” It also provided evidence for Oliver’s (1999, p. 47) argument that “hedonic consumption is pursued by consumers and one must assume that the resulting effects and more distinct emotions provide a sense of value to these individuals.” Current research showed that the emotional aspects of the consumption play an important role in defining the value perceptions of consumers (Sweeney & Soutar, 2001). As the context of consumption becomes more emotionally oriented (i.e., leisure

travel product consumption), the role of hedonics becomes more important in predicting value perceptions.

Consistent with the findings of Petrick et al. (2001), Naylor (1996), Bolton and Drew (1991), current study results showed that POS was a significant predictor of POCV. As pointed out in earlier chapters, causality between perceived overall satisfaction and perceived overall value remains controversial in the literature, because research studies lack true causal tests as in the case of this study. However, comparative tests in this study supported the proposed directionality (i.e., POS → POCV) by showing that POS was a stronger predictor of POCV compared to the opposite (i.e., path coefficients of .37 and .48 respectively for structural model 1 and model 2 versus those of .18 and .22 for models in which directionality between POS and POCV reversed). Oliver (1996) argued that satisfaction can be a precursor to value. Oliver commented that “some of the value derived from consumption would be satisfaction based, [in other words] the more satisfaction received the greater the value received in consumption” (p. 144). This research exemplified this notion and provided support for POS → POCV relationship.

Results of the study also support the findings of Grewal et al. (1998) in that PTV was a significant predictor of POCV. PTV and POCV were found to be related directly and also indirectly through POS and POSQ. Even though a majority of the perceived value studies in services marketing have ignored PTV as an important predictor, the results of this study clearly showed that cruise vacationers are aware of the discounts and monetary benefits, and they consider these benefits when they think about the overall value of their vacation.

The relationship between PMP and POS was an unexpected finding as hypothesis five was partially supported in favor of a partial mediation versus full mediation. PMP was found to influence POS directly as well as indirectly through PTV. Although the direct relationship between PMP and POS was unexpected, recent literature suggested that such a relationship might exist. Varki and Colgate (2001) found contradicting evidence on two separate data sets. However, they argued that they favor the significant relationship between perceived price and satisfaction considering their two separate measurements of PMP. In the data set where they found the significant relationship they operationalized PMP relative to prices in other establishments and they proposed this was a more valid way of measuring price. One explanation for the direct relationship between PMP and POS could be that as those cruise vacationers who received discounts paid less for their vacations, they would be more easily satisfied and their satisfaction with the whole experience would increase.

Results in terms of the relationship between PMP and POCV were also consistent with the existing literature. PMP influenced POCV directly and indirectly through PTV, POS and POSQ. Unlike the PMP → POCV relationship, the direct relationship between PMP and POSQ was found to be insignificant. PMP influenced POSQ only through PTV and POS. In addition, for cruise vacationers, POS seemed to be a very significant indicator of the quality of the services they received. Results showed a powerful effect of POS on POSQ.

As expected, POS, POCV and POSQ were highly significant predictors of behavioral intentions. In addition to these three predictors, data revealed hedonics as another significant predictor of behavioral intentions. The role of hedonics in predicting

behavioral intentions along with POS, POCV and POSQ may be an indication of the nature of leisure travel products. It seems that the level of good time a vacationer had by itself might be a good indication of what his/her future behaviors might be. The relationship between hedonic responses to consumption experience and behavioral intentions needs further analysis to find out if this relationship holds in different consumption contexts. Oliver et al. (1997) found that an important predictor of behavioral intentions was the pleasure experienced during consumption. Oliver et al. used two samples composed of patrons of a recreational wildlife theme park and a symphony concert.

POS was clearly the most important predictor of behavioral intentions followed by Hedonics, POCV and POSQ. Unlike current findings, in two recent studies, Brady and Cronin (2001) and Cronin et al. (2000) found that service value was a slightly better predictor of behavioral intentions compared to overall satisfaction. Contradictory findings between current study and Cronin and his colleagues' findings may suggest that the importance of satisfaction and value for future intentions might vary depending on the context factor. Cronin and his colleagues tested their value models in various service settings (see table 2.2) while the current study utilized only cruise vacations. It is possible that satisfaction compared to value plays a greater role on behavioral intentions in highly affective consumption environments. For the cruise vacation purchases, it seems that affective responses are stronger predictors of behavioral intentions than cognitive responses. This finding may be found differently as the tests of these relationships are replicated in different contexts where the influence of affective reactions is not as effective on postpurchase evaluations.

### **Chapter Summary**

The data analysis and data analysis results were presented in this chapter. The chapter started with a presentation of demographic characteristics and a travel profile of respondents. Then, item descriptions were summarized. Before the structural analysis of the models and hypotheses tests, both exploratory and confirmatory analysis of model constructs was performed. Finally, discussion of the major findings was presented. The following chapter will include recommendations for theoreticians and practitioners. It will also address limitations of the research study.

## CHAPTER V

### IMPLICATIONS AND RECOMMENDATIONS

#### Theoretical Implications

The purpose of this study was to develop and test a perceived value model for leisure travel products. The research model presented in chapter three was developed as an extension of previous perceived value models and tested with empirical research. Among the seven factors proposed to be related to perceived value (POCV), six were found to have direct influences on POCV. While four of the factors had positive influences on POCV (i.e. hedonics, PTV, POS, POSQ), two of them, PMP and novelty, were found to have negative influences on POCV. Findings indicated that affective factors are highly important predictors of perceived value for leisure travel products.

From a theoretical perspective, this research expanded the perceived value literature by demonstrating the important role of affective factors on perceived value construct for experiential services. Most previous perceived value models were developed and tested for tangible goods and functional services, and models developed for experiential services were generally extensions of these models. A general limitation of the models tested for experiential services was that they focused on the relationships between cognitive factors and perceived value and, therefore, neglected the role of affective factors (Note: only some studies tested POS as an antecedent of perceived value). For example, models developed by Brady and Cronin (2001), Petrick et al. (2001), Cronin et al. (2000), Kashyap and Bojanic (2000), Oh (2000) and Wakefield and

Barnes (1996) were all tested using experiential services (completely or in part) but neglected the role of affective factors on perceived value.

Compared to the perceived value models that were developed for tangible goods (i.e. Chang & Wildt, 1994; Dodds et al., 199; Grewal et al., 1998; Sweeney et al., 1999), the current model suggests that in addition to perceived price, perceived quality, and perceived transaction value, other factors such as novelty, hedonics and overall satisfaction contribute directly to the perceived value of leisure travel products. Those researchers who developed perceived value models for tangible goods consumption did not propose affective factors as main predictors of perceived value, probably due to the nature of tangible product consumption. Buyers of tangible products generally look for qualities that are directly related to the use of these products, such as the durability of a product. Therefore, for a tangible product buyer, the most important factors to infer value may be the quality and the price of the product. However, for an experiential product buyer it seems that hedonic aspects of the consumption are also important parts of value. It is important to note, however, that many tangible products are purchased for emotional benefits expected from using these products (i.e. recreational products). The value of a basketball, for example, may be in how much fun is experienced by using this product. Therefore, findings of this study may be generalized for tangible product consumption in that affective influences may act as important indicators of the value perceptions of certain tangible product buyers.

Models that were developed to predict the perceived value of service purchases were mostly extensions of tangible goods value models. These models proposed service quality and perceived price as the most important predictors of perceived value of service

value perceptions. In addition to perceived service quality and perceived price, perceived satisfaction was proposed in some models as an important predictor of perceived value (e.g. Bolton & Drew, 1991). A general limitation of the service value models was to ignore the role of affective influences on the perceived value. Although affective influences may be limited in highly functional services, they can be expected to be important in experiential services. Even though the role of affective factors on value perceptions can be expected more strongly in experiential service consumption, this influence may be visible in a variety of service settings. For example, many dentist offices are designed to be fun places for waiting patients, especially for children. Dental service providers encourage hedonics to be a part of the service evaluation even though main factors in this evaluation are highly functional (i.e., quality of the dental work etc.). The role of affect on service and retail customers' evaluations has been studied (Bateson & Hui, 1992; Donovan & Rossiter, 1982; Hui & Bateson, 1991; Mattila & Wirtz, 2000; Wirtz & Bateson, 1999) using environmental psychology perspectives on people's affective reactions to their environments (Mehrabian & Russell, 1974). The general proposal of these studies was that contact with physical environments in different service settings results in different affective responses and these affective responses influence service customers' evaluations and future behaviors (Bitner, 1992; Mattila & Wirtz, 2000; Wirtz, Mattila & Tan, 2001). Findings of the studies that explored affective reactions to physical environments in services suggest that different affective dimensions (i.e., pleasure, arousal, dominance) influence customer satisfaction and future behavioral intentions. Recently, Mattila and Wirtz (2000) showed that pre-consumption affective reactions to different service environments, which were pleasure and arousal, influence

satisfaction and behavioral intentions. Current study findings support these findings in that affective responses of cruise vacationers influence their post-purchase evaluations of cruise services.

Study findings also indicate that the relationship between affective factors and value and the relationship between affective factors and overall satisfaction differ from each other. The relationships between the three affective factors and overall satisfaction were positive and significant regardless of the type of affective factor while the relationships between affective factors and value differed based on the type of affective factor. This finding has important theoretical implications for leisure travel researchers. Positive affective factors such as novelty, control and hedonics seem to contribute to leisure travelers' overall satisfaction regardless of the nature of affective response. Previous research on vacation satisfaction showed that overall satisfaction with vacation experience is a positive factor of a variety of affective responses (Lounsbury & Hoopes, 1985; Ross & Iso-Ahola, 1991). For leisure travel experience evaluations, type of affective response doesn't seem to be important when it comes to the significance of their influence on overall satisfaction evaluations. However, when it comes to their relationships with overall value evaluations, type of affective response seems to be important. For example, novelty and value were found to be negatively related, probably suggesting that a more familiar and usual experience was desired more than a novel experience for the respondents of this study. Control was found to influence value perceptions indirectly through overall satisfaction, suggesting that more control will first influence satisfaction perceptions rather than value perceptions. Also, hedonics was found to influence value perceptions directly and positively, indicating the role of

hedonic experience on creating higher value perceptions. One of the implications of these findings for leisure travel behavior modeling is that modeling affective influences as one composite factor may create biased results especially in terms of leisure travel product value modeling. Measuring each affective factor separately appears to be essential in modeling their relationships with other evaluative constructs such as satisfaction, value and behavioral intentions.

In addition to affective factors, perceived transaction value was found as a significant predictor of overall satisfaction and overall value. Previously, perceived transaction value was tested and found as a significant predictor of perceived value in only a few studies (Grewal et al., 1998). No service value studies to the author's knowledge have looked at the role of PTV on overall satisfaction and overall value so far. Positive influence of PTV on satisfaction and value clearly suggests that service value studies should consider the role of PTV on satisfaction and value. Study results suggest that satisfaction received from price deals on costly vacations should be considered as an important influence on satisfaction and value evaluations of leisure travel products.

Consistent with previous studies of perceived value, POS, POSQ and POCV were found as significant predictors of behavioral intentions. In addition to these factors, findings showed that hedonics alone could substantially predict behavioral intentions. This finding points to the importance of core benefits offered for behavioral intentions predictions. It seems that the core benefit of a leisure travel product (i.e., hedonics) may alone act as a significant determinant of future behavioral intentions. Leisure travel researchers should consider factors that represent core products as predictors of behavioral intentions. The role of hedonics on behavioral intentions in addition to POS,

POSQ and POCV is consistent with previous service and retail research findings related to the affective response → behavioral response relationship. Those studies that used Mehrabian and Russell's (1974) pleasure-arousal-dominance (PAD) approach to predict future behaviors in services and retailing research frequently found pleasure dimension as the main factor that predicts future behaviors and/or behavioral intentions (Bateson & Hui, 1992; Donovan & Rossiter, 1982; Hui and Bateson, 1991; Mattila & Wirtz, 2000). Current study findings along with previous research findings in services and retail marketing suggest that hedonic factors should be considered as important predictors of leisure traveler's behavioral intentions.

### **Implications For Management**

Today, managers as well as academicians recognize the importance of consumers' value perceptions, their influence on evaluating products, and making future purchase decisions (Barlow & Maul, 2000; Gale, 1994; Weinstein & Johnson, 1999; Woodruff & Gardial, 1996). Consumers are becoming more value conscious, trying to buy the product that will give more benefits for less sacrifice. To meet the demands of value conscious customers, managers should understand what defines value of their products in their customers' minds. This research study expanded the value models for leisure travel products and brought about important findings, which will help leisure travel managers to understand what derives value perceptions of leisure travelers.

The tested research model showed that overall value perception is a complex phenomenon that is inferred by a number of factors. In addition to main factors that indicate value for services such as service quality, overall satisfaction and perceived price, other factors were included in the model and were found highly significant in their

influence on leisure travelers' value perceptions. These factors were control, novelty, hedonics, and PTV.

For highly experiential products such as cruise vacations, control plays an important role in the evaluation of the service experience. Control acts as a precursor to other factors such as novelty, hedonics, satisfaction and value. Results of this research show that control doesn't influence overall value directly but it influences overall value indirectly through novelty, hedonics and overall satisfaction. In other words, when leisure travelers evaluate the value of the service they purchased, control is a secondary factor after overall satisfaction, hedonics and novelty. Even though control does not have a direct effect on overall value, it has a strong indirect effect. Therefore, for example, higher control perceptions will lead to higher overall satisfaction perceptions, which in return, will lead to higher overall value perceptions.

Experiential service customers would like to see an environment in which they have options to choose and have a sense of control over things around them. Bateson (2000, p.138) suggested "giving more choice to the consumer in the service encounter" as one alternative to improve their control perceptions. A recent program created by Norwegian Cruise Line exemplifies the role of control on creating a more satisfactory cruise vacation (Norwegian Cruise Line [NCL], 2002). Norwegian Cruise Line calls the new program "Freestyle Cruising" and explains "Our goal is to provide you with freedom of choice. Whether you're dining, enriching your mind or body, or just plain relaxing, NCL has created a world of options for you. Choose Italian or Asian cuisine, resort or formal wear, dine early or late, with old friends or new - we'll leave it up to you".

Control appears to be an important factor for tightly organized package vacations. Relaxing the requirements of these package vacations and offering more choices will result in more satisfactory experiences, and in return, this will increase value perceptions. For first time buyers, leisure travel companies can show how much control their first time vacationers will have during their vacation in the advertising messages. These messages will help answer questions in travelers' minds and increase the chances of purchase. Experienced customers can be reminded with messages that focus on the efforts of the company in providing more control to their repeat customers. For example, for repeat cruisers, cruise companies can prepare informatory messages about the new programs that provide more relaxed environments. In addition, leisure travel companies can educate their employees about their customers' control needs. Although company rules and regulations create limits for customers, employees can be given authorities for certain situations that will result in less controlled environments for customers.

Compared to control and hedonics, novelty seems to be a more complicated factor in its effects on other variables. The influence of novelty on overall satisfaction and value seems to differ based on respondent characteristics. Although, overall, novelty was a desirable attribute in terms of overall satisfaction, it was not a desirable attribute in terms of overall value perceptions for the respondents of this study. One explanation for this result may be that the majority of the respondents were experienced cruise vacationers and they were simply looking for a hedonic experience rather than a novel experience for their money. These findings imply that leisure travel managers need to understand what their customers are looking for in their experiences. Segmenting the customer base can help identify the specific needs of the various customer groups. For example, experienced

customers may expect a different experience compared to new customers. Cruise companies should try to understand if the vacations they offer are perceived as novel, and also, if novelty is desired by their customers. Cruises that are perceived as novel can be offered to those vacationers who desire novelty whereas ordinary cruises can be offered to those vacationers who place less emphasis on novelty. Instead of offering the same cruise experience to all vacationers, different cruises can be designed for different target segments (i.e., experienced and new vacationers). By doing so, it is likely that both satisfaction and value perceptions can be enhanced by the experience offered.

Another finding in terms of novelty was its relationship with hedonic perceptions. Advertising messages can be designed in a way that novelty-seeking travelers are targeted with novel vacation offers where hedonic messages are transmitted simultaneously.

Compared to novelty, control, PMP and PTV, hedonics was the most important factor for satisfaction, value and behavioral intentions. Results suggest that creating an environment full of fun, social interaction and pleasure results in higher satisfaction feelings, higher value perceptions about the vacation, and also higher intentions to return and recommend to others. Carnival cruise line uses the term “Fun Ships” for their cruise ships to emphasize the importance of the hedonic part of the cruise experience. Managers of leisure travel companies should emphasize the level of fun and enjoyment their customers can get with their products to reach higher levels of satisfaction, value and future intentions. Unlike control and novelty, creating higher levels of hedonic perceptions improves the perceptions of satisfaction, value and behavioral intentions directly and positively. Therefore, managers of leisure travel companies should spend

considerable time in designing vacation experiences that are perceived to be full of fun, relaxation and enjoyment.

One of the factors that wasn't studied before in services marketing area was the transaction value of the services. The results of this study showed that transaction value perceptions of cruise vacationers influence satisfaction and value perceptions of the cruise vacationers significantly. The roles of getting price deals and saving money through specials were tested in product marketing studies before and they were found to result in higher value perceptions about the goods purchased. Similarly, results of this research showed that cruise vacationers were aware of the discounts they received and they considered these money related benefits when they thought about the overall value of the vacation they purchased. Transaction value perceptions were found to influence value perceptions more than overall satisfaction perceptions since both of these factors are money related. Managers of leisure travel companies may utilize price related benefits to a greater extent to enhance their customers' perceptions about their products. Advertising messages can show that the price deals are real and make buying vacations easier.

Results also suggested that overall satisfaction impacts future behaviors more than hedonics, overall value and service quality perceptions. Even though four of these constructs lead to higher behavioral intentions, overall satisfaction and hedonics are the two most important factors affecting cruise vacationers' future behaviors. This result suggests cruise companies that most important reason experienced cruisers cruise again is their satisfaction with their previous experiences. Although value is an important factor for cruise vacationers' future intentions, satisfaction and hedonics perceptions seem to be

more important factors for purchasing and recommending intentions. Study findings suggest that cruise companies should stress on their past customers' satisfaction with their experiences in their advertising messages.

### **Recommendations for Future Research**

This research showed the role affect plays on leisure travelers' value perceptions by testing an extended model of value. Research results suggested that even though a general affect → value relationship exists, this relationship depends on the nature of the affective experience and its combined role with other factors, especially overall satisfaction. Affective influences on value are a very new research stream and future researchers are encouraged to continue delving into these relationships. This research looked at the influence of three main affective factors that make up the subjective leisure experience, which were novelty, control and hedonics on value perceptions. Future research studies that will analyze the relationships between affective constructs and value are necessary to understand how they influence value in different contexts. A key variable that seems to be explored in detail was hedonics for experiential service product evaluations. For leisure travel purchases, hedonics seems to play a greater role on satisfaction, value and behavioral intentions than it was thought to.

Similar to affective influences, monetary factors also play an important role in predicting value perceptions of leisure travelers. Because this study was the first to look at the impact of PTV on value for leisure travel purchases, future studies are needed to explore the nature and measurement of PTV for experiential service evaluations.

Consistent with previous studies, perceived price and overall service quality were found to be the two important antecedents of value. However, as a new finding, price

perceptions were found to influence overall satisfaction and this result needs to be explored in more detail in future studies. Even though some new evidence came out for the price → satisfaction relationship (Varki & Colgate, 2001), future studies are warranted to find out the nature of this relationship.

### **Limitations of the research study**

Main limitations of this study included design and specification issues (Kenny, et al., 1998). The causal relationships proposed in the research model were tested with a one time study, while a true test of the causality would measure constructs in different time periods. Therefore, all the causal relationships proposed in the research model were only tested based on statistical analysis, leaving appropriate time order and alternative explanation requirements of the causal analysis unanalyzed. Kenny et al. (1998) argued that mediational analysis could suffer from such techniques, where initial variable and mediator variable and also mediator variable and outcome variable are measured too close in time. For mediation to occur both paths (i.e. paths between initial variable and mediator and mediator and outcome variable) should be relatively large. And also, close measurement of the variables in mediation may increase or decrease the size of causal paths tested in mediation. Proximal measurement of variables could also lead to multicollinearity effects, which are misleading factors for mediational analysis.

In terms of specification issues, mediation suffers if reverse causal effects occur between variables (Kenny et al., 1998). Reverse causal effects are not tested in this study for the purpose of simplification. Most of the time reverse causal effects are difficult to measure, and further tests of the causal assumptions are needed.

Another limitation of this study was related to the sample size that resulted from time and monetary concerns. Although the sample size for the purposes of this study was decided acceptable, it has to be noted that structural equation models require large samples for powerful analysis.

A further limitation was that personality character was not measured. As pointed out in the discussion of the results section, the relationship between novelty and others (i.e. POS, POCV) may depend on an individual's personality character where the individual's desire for novelty may interfere with the significance of these relationships. To understand the moderating effect of individual character on the relationships that novelty has with other factors, future studies are needed.

Finally, because substantive interpretation and statistical significance tests guided the data analysis, results should be interpreted with caution. Replication of the findings with future studies is necessary to reach a more grounded interpretation of the theoretical relationships and concepts.

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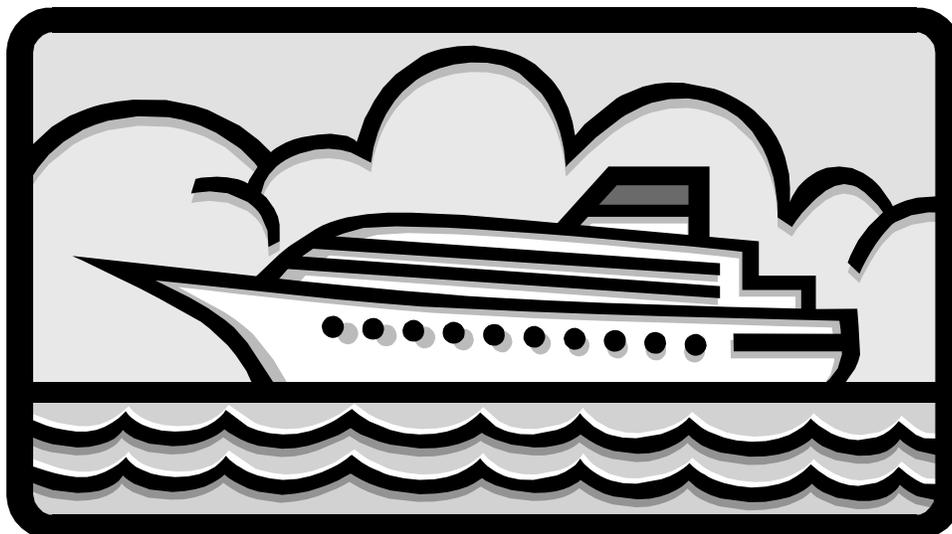
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**APPENDIX**

**SURVEY OF CRUISE VACATIONERS**

## SURVEY OF CRUISE VACATIONERS



Hello, my name is Teoman Duman and I am a graduate student at Penn State. I am conducting research regarding cruise vacationers' perception about the quality, price and value of a cruise vacation.

The success of this study is dependent on individuals like you responding to the questionnaire. If you choose to respond, you can be assured of complete confidentiality. Your answers will only be used when they have been combined with the answers of other respondents. The identification number located on the questionnaire is used for mailing purposes only. The mailing list will be destroyed when the study is complete.

Please note that your participation in this study is voluntary. If you do not feel comfortable with a question, skip it and go on to the next question. You have the right to discontinue your participation at any time. If you do choose to participate, please complete the enclosed questionnaire and return it to us in the postage-paid envelope. By completing and returning the questionnaire, you have indicated your consent to participate in the study.

In advance, thank you for participating in this study. If you have any questions about this study, please contact:

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**PLEASE NOTE: It is very important that the person who is listed on the address label fill out this survey.**

**PART ONE: GENERAL CRUISE EXPERIENCE**

This part includes general questions about your cruise experience(s).

1. How many times have you taken a cruise vacation?  
 Once     Twice     Three times     Four times     Five or more times
2. When did you take your most recent cruise vacation?  
 Month    and     Year
3. a) Please indicate the number of people (including yourself) who traveled with you on your most recent cruise vacation.  
  
       ↓  
 b) How would you describe the composition of the group who traveled with you? (Check all that apply)  
 Single     Couple     Family with children     Interest Group  
 Friends     Other, please describe
4. a) Overall, how satisfied are you with your most recent cruise vacation?  
 Very satisfied    1-----2-----3-----4-----5-----6-----7    Very Dissatisfied
- b) Overall, how do you feel about your most recent cruise vacation?  

Very pleased	1	2	3	4	5	6	7	Very displeased
Contented	1	2	3	4	5	6	7	Frustrated
Delighted	1	2	3	4	5	6	7	Terrible
- c) How would you rate the overall quality of service you received during your most recent cruise vacation?  

Service of a very high quality	1-----2-----3-----4-----5-----6-----7	Service of a very low quality
Superior service in every way	1-----2-----3-----4-----5-----6-----7	Inferior service in every way
- d) To what extent did your most recent cruise vacation meet your expectations?  

Fell short of my Expectations	1-----2-----3-----4-----5-----6-----7	Exceeded my Expectations
Worse than I expected	1-----2-----3-----4-----5-----6-----7	Better than I expected
5. What was the size of the ship you traveled on during your most recent cruise vacation?  
 (Please check one category.)  
 0-199 passengers (very small)                       1200-1999 passengers (large)  
 200-499 passengers (small)                               2000 and more passengers (mega size)  
 500-1199 passengers (medium)
6. How many days did your most recent cruise vacation last?
7. From which cruise company did you purchase your most recent cruise vacation?

**PART TWO: YOUR PERCEPTIONS ABOUT THE QUALITY OF YOUR VACATION**

Please circle the number that best represents how you feel about your most recent cruise vacation. Use the scale below to guide your responses.

Strongly disagree	Moderately disagree	Slightly disagree	Neutral	Slightly agree	Moderately agree	Strongly agree
1	2	3	4	5	6	7

During my most recent cruise vacation I felt,

	Strongly disagree			Neutral			Strongly agree
As though I was in a different world	1	2	3	4	5	6	7
A sense of comfort	1	2	3	4	5	6	7
Like I was having a hassle free vacation	1	2	3	4	5	6	7
Like I played a role in or contributed to the service process	1	2	3	4	5	6	7
Like I was having a festive vacation	1	2	3	4	5	6	7
That it was a memorable vacation	1	2	3	4	5	6	7
A feeling of personal security	1	2	3	4	5	6	7
Like I was having fun	1	2	3	4	5	6	7
A feeling of romance	1	2	3	4	5	6	7
That I had some control over the way things turned out	1	2	3	4	5	6	7
That my privacy would be assured if I wanted it	1	2	3	4	5	6	7
That I was doing something thrilling	1	2	3	4	5	6	7
I had pleasurable dining experiences	1	2	3	4	5	6	7
A sense of escape or getting away from it all	1	2	3	4	5	6	7
Like I was on an adventure	1	2	3	4	5	6	7
That I was being stimulated or challenged in some way	1	2	3	4	5	6	7
Like I had some choice in the way things were done	1	2	3	4	5	6	7
Like I had a chance to meet interesting people	1	2	3	4	5	6	7
That I would want to share my experience with others after the cruise	1	2	3	4	5	6	7
That I was having a once in a lifetime experience	1	2	3	4	5	6	7
Like I was doing something new and different	1	2	3	4	5	6	7
A sense of cooperation between the cruise company and me	1	2	3	4	5	6	7
That I did something social	1	2	3	4	5	6	7
Like I could communicate freely with employees	1	2	3	4	5	6	7
That my belongings were safe	1	2	3	4	5	6	7
That I was doing something I really like to do	1	2	3	4	5	6	7
Relaxed	1	2	3	4	5	6	7
That I was being pampered	1	2	3	4	5	6	7

**PART THREE: YOUR PERCEPTIONS ABOUT THE QUALITY OF SERVICE**

The following two items refer to the service you received during your most recent cruise vacation. Considering *the service you received from the cruise personnel and the condition of the facilities on the cruise ship*, please circle the number that best describes your feelings about each item.

Excellent overall service	1-----2-----3-----4-----5-----6-----7	Poor Overall service
A high standard of service	1-----2-----3-----4-----5-----6-----7	A low standard of service

**PART FOUR**

In this section, the statements refer to the costs associated with your most recent cruise vacation. Please circle the number that best describes your feelings about each item. Use the scale below to guide your responses.

Strongly disagree	Moderately disagree	Slightly disagree	Neutral	Slightly agree	Moderately agree	Strongly agree
1	2	3	4	5	6	7

1.

	Strongly disagree			Neutral			Strongly agree
Compared to the price I paid and the time and effort I spent, I received good value	1	2	3	4	5	6	7
Overall, my cruise experience was a good buy	1	2	3	4	5	6	7
I value my cruise experience because it met my needs and expectations for a reasonable price	1	2	3	4	5	6	7
Given all the cruise service features, my cruise experience was good value for the money	1	2	3	4	5	6	7
My cruise experience was worth the money and time I spent	1	2	3	4	5	6	7

2. What was the total price of your most recent cruise vacation? \$ \_\_\_\_\_

↓

2a. Overall, how would you rate the price of this vacation?

Very low	1	2	3	4	5	6	7	Very high
Very inexpensive	1	2	3	4	5	6	7	Very expensive
A real bargain	1	2	3	4	5	6	7	A real rip off
Not pricey at all	1	2	3	4	5	6	7	Very pricey
Very reasonable	1	2	3	4	5	6	7	Very unreasonable

2b. Was this price a **reduced price** (discounts due to cruise specials, group rates, early booking savings, kid's sail free offers, last minute savings, special offers or deals, coupons, etc.) or the **brochure price** (regular price with no savings)?

\_\_\_\_\_ Reduced price (please answer 2c)      \_\_\_\_\_ Brochure price (go to PART FIVE)

2c. If this was a **reduced price**, to what extent would you agree or disagree with the following statements?

	Strongly disagree	1	2	3	Neutral	4	5	6	Strongly agree
Taking advantage of a price-deal like this made me feel good	1	2	3	4	5	6	7		
Beyond the money I saved, getting more vacation on a cruise for my money made me happy	1	2	3	4	5	6	7		
I got a lot of pleasure knowing I saved money compared to a similar vacation on land	1	2	3	4	5	6	7		

## PART FIVE

We are also interested in your plans for future cruise vacations. Please circle the number that best describes your feelings about each item.

1. a) If I had to do it over again, the probability that I would choose the same cruise line as my last one is,

Very low      1-----2-----3-----4-----5-----6-----7      Very high

- b) The likelihood that I would recommend this cruise line to a friend is,

Very low      1-----2-----3-----4-----5-----6-----7      Very high

2. How would you describe what you have told others about your most recent cruise vacation?

All negative      1-----2-----3-----4-----5-----6-----7      All positive

## PART SIX: BACKGROUND INFORMATION

The questions below are about you personally and will help us learn about cruise vacationers. The answers to these questions will be kept confidential.

1. What is your age? \_\_\_\_\_
2. What is your gender?      \_\_\_\_\_ Male      \_\_\_\_\_ Female
3. What was your approximate household income before taxes in 2000? (Please check only one.)

\_\_\_\_\_ Less than \$40,000  
 \_\_\_\_\_ \$40,000 to \$79,999  
 \_\_\_\_\_ \$80,000 to \$119,999  
 \_\_\_\_\_ \$120,000 to \$159,999  
 \_\_\_\_\_ \$160,000 to \$199,999  
 \_\_\_\_\_ \$200,000 or over

4. What is the highest level of education you've completed?

\_\_\_\_\_ High school  
 \_\_\_\_\_ Vocational or technical school  
 \_\_\_\_\_ Some College  
 \_\_\_\_\_ College  
 \_\_\_\_\_ Graduate

Thank you for completing this questionnaire. Please return it in the enclosed, postage-paid envelope to Teoman Duman, 201 Mateer, University Park, PA 16802

## VITA

### TEOMAN DUMAN

**Education**    **Ph.D. in Leisure Studies, August 2002.** Concentration area: Consumer behavior in leisure travel. School of Hotel, Restaurant and Recreation Management, The Pennsylvania State University, State College, Pennsylvania.

**M.S. in Hotel, Restaurant and Tourism Administration, May 1997.** School of Hotel, Restaurant and Tourism Administration, University of South Carolina, Columbia, South Carolina.

**B.S. in Hotel, Restaurant and Tourism Management, May 1992.** School of Hotel, Restaurant and Tourism Management, Mersin University, Mersin, Turkey.

#### Honors and Awards

**Full Government Scholarship, February 1994 – August 2001.** By Turkish Ministry of Education to pursue MS and PhD education in the US.

**Graduate Student of the Year, May 1997.** Department of Hotel, Restaurant and Tourism Administration, University of South Carolina, Columbia, South Carolina.

**Experience**    **Research Assistant, 1996.** Institute of Tourism Research, University of South Carolina, Columbia, South Carolina.

**Graduate Assistant, 1993.** Gaziosmanpasa University, Niksar, Tokat, Turkey.

**Trainee, 1986.** Salamis Bay Hotel, North Cyprus.