



Article Title

How does hotel pricing influence guest satisfaction by the moderating influence of room occupancy?

Citation

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Abstract

This paper reports results from a study on the influence of hotel pricing on guest satisfaction in the context of room products and F&B products in Taiwanese international tourist satisfaction. It is found that the hotel pricing has a quadratic effect on guest satisfaction.

Methods

The dependent variables for hotel customer satisfaction, including room satisfaction (*SAT_RM*) and F&B satisfaction (*SAT_F&B*), are collected on the Agoda site. Due to the diversity of customers using the site, Agoda was also adopted in [Zhou et al. \(2014\)](#)'s customer satisfaction analysis. All independent variables related to hotel characteristics and market factors are from the monthly reports of international tourist hotel (ITH) operations published by the Taiwan Tourism Bureau in September 2014.

Results

The price paid by the guest increases, the guest is more likely to use price as an indicator of product quality. However, at some price level, the negative price effect from sacrifice will start to outweigh the positive price effect from product quality. Thus, guest satisfaction becomes negatively associated with room price. The results seem to imply that room price in the high room occupancy rate (a peak season) is treated as an indicator of sacrifice as the room price increases initially. As the maximum price threshold acceptable to the guests increases, the guest in a peak season increases uses room price as an indicator of product quality.

For the service quality, the empirical results indicate that room service quality increases guest satisfaction, while the effect of F&B service quality on guest satisfaction is not significant.

Conclusion

This study analyses the nature of the relationship between hotel pricing and guest satisfaction. The literature on price as signals of product quality is abundant but relatively little attention is paid to price as indicators of sacrifice. Our empirical evidence shows that a non-linear correlation between the hotel price and guest satisfaction seems to lend some support for the two-sign effect that price exercises on satisfaction, positive (quality) and negative (sacrifice). Furthermore, we find that the relationship between room price and guest satisfaction can be

affected by the moderating influence of room occupancy. The results may shed light on some managerial implications for pricing strategy in the hotel industry. Although hotel pricing might directly affect guest satisfaction, its effect will be depleted in a peak season (high occupancy), and vice versa. Therefore, hotel yield management may not just controls room inventory but also affects guest satisfaction.

Finally, this study has the limitations. To measure service quality, we employ the ratio of room staff per guest room as a proxy of hotel room service quality (SQ_RM). In hotel context, this variable is not related to quality