Article Title
Luxe for less: how do consumers react to luxury hotel price promotions? The moderating role of consumers’ need for status

Citation

Abstract
As an emerging distribution channel, online discount websites are gaining popularity among luxury hotels. However, little guidance on the effectiveness of such price promotions in luxury hotels is provided in the extant literature. Building on the status consumption theories, we examine the joint effects of price promotions and need for status (NFS) on consumers’ attitudes toward the hotel as well as their intentions to return.

Methods
A 2 (price promotion: present vs. absent) × 2 (consumers NFS: low vs. high) quasi-experimental between-subjects design was used. Consumers’ NFS was measured using Eastman, Goldsmith, and Flynn’s (1999) scale.

Results
The results indicate that consumers who are high in NFS exhibit less favorable attitudes toward the luxury hotel and a lower likelihood to return on having learned that the hotel plans to implement price promotions through discount websites. On the contrary, customers who are low in NFS are unaffected by the presence of price promotions via discount websites. Therefore, luxury hotels that traditionally attract consumers high in NFS need to be aware that using price promotions via discount websites might have a detrimental effect on consumers’ perceptions of the hotel.

Conclusion
According to Piccoli and Dev (2012), many luxury hotels are using flash sale and discount websites as effective channels for price promotions. About 53 percent of upscale properties, 45 percent of upper upscale hotels, and 41 percent of luxury properties had used flash deals (Piccoli and Dev 2012). Despite the increasing popularity of discount websites, the results of the current study indicate that such a price promotion strategy can have a detrimental effect on high-NFS customers’ attitudes and intentions to return. Researchers conducted a quasi-experiment to examine the interaction effect of price promotion and NFS. The results suggest that customers high in NFS exhibited a less favorable attitude and a lower intention to return to the luxury hotel that they had booked after learning that the hotel plans to implement price promotions on discount websites. This finding lends support to prior research on consumers’
NFS and luxury consumption (Han, Nunes, and Drèze 2010; Yang and Mattila 2014). However, customers who were low in NFS showed similar levels of attitude and behavioral intention across the two price promotion conditions. This finding is consistent with the previous literature demonstrating that customers low in NFS are not motivated to dissociate themselves from less affluent consumers (Han, Nunes, and Drèze 2010).