EXAMINING THE EFFECTS OF BUNDLING STRATEGIES ON TRAVELERS' VALUE PPERCEPTION AND PURCHASE INTENTION OF A VACATION PACKAGE

Yueying Xu

Dissertation submitted to the Faculty of
Virginia Polytechnic Institute and State University
in partial fulfillment of the requirements for the degree of

Doctor of Philosophy

in

Hospitality and Tourism Management

Committee Chair: Ken W. McCleary

Committee Members:

Muzaffer S. Uysal
James E. Littlefield
Pamela A. Weaver

May 28, 2009
Blacksburg, Virginia

Key words: Bundling Strategies, Perceived Value, Acquisition Value, Transaction Value, Functional Value, Vacation Package

EXAMINING THE EFFECTS OF BUNDLING STRATEGIES ON TRAVELERS' VALUE PPERCEPTION AND PURCHASE INTENTION OF A VACATION PACKAGE

Yueying Xu

ABSTRACT

The offer of vacation packages is a marketing tool called bundling, selling at least two separate products at one single price (Guiltinan, 1987). Sellers adopt bundling strategies in order to sell more at lower costs, to contract consumer surplus, and to create value for consumers. Consumers purchase a package based on the trade-off between the perceived benefits and costs involved in purchasing the package compared to assembling different products/service. In other words, the perceived value of the package is the reason for consumers to purchase a package or not.

The study serves two purposes. One is to examine the dimensionality of perceived value as a construct, in the pre-purchase stage. The other is to investigate the relationships between bundling strategies and perceived value, and perceived value and purchase intention of a vacation package. Bundling strategies taken by sellers include how many items to put in a package and what price discount for the package compared to the sum of all separate products. The findings of the study show that perceived value in service setting is composed of perceived acquisition value and perceived functional value, instead of perceived acquisition value and perceived transaction value proposed by scholars such as Thaler (1985) and Grewal et al. (1998). This is one of the theoretical contributions by the study. Another contribution of the study is the exploratory

examination of the interaction effect between pricing strategies and product strategies for a bundle. The study provides evidence that bundles without a discount are perceived as having very low value and consumers expect a discount, large or small, from buying a bundle. And the larger the number of products in a package, the larger the discount size consumers expect to get.

DEDICATION

This dissertation is dedicated to my husband, Si Chen, for his inspiration, love, and support, and my daughter, Catherine Kaixing Chen, who was born in the first summer of my doctorate study and made me a strong student and mother.

AUTHOR'S ACKNOWLEGMENTS

I would first like to thank my committee chair, Dr. Ken McCleary, for all of his support and direction in guiding me through the past four years of doctoral study, and making this dissertation possible. He has been patient and supportive to me all the time, even when my ideas were not mature and convincing yet, which gave me confidence to move on. And his valuable suggestions and opinions kept me on the right track. I'd also like to thank my other committee members: Dr. Pam Weaver, Dr. Muzzaffer Usyal, and Dr. James Littlefield, for their contributions to the completion of this work. Your input was so important and helpful. I also want to thank my fellow graduate students at the HTM department of Virginia Tech who participated in the focus group study and offered great ideas in the early phase of this dissertation. Your friendship has made my life in Blacksburg more enjoyable. Finally but not the least, I thank the staff members in the HTM office, Barbara, Sandy, and Andrea, for their help and support throughout the past four years.

TABLE OF CONTENTS

List of Tables

List of Figures

CHAPTER I: INTRODUCTION

Research Objective

On-line travel agents such as Orbitz or Travelocity offer vacation packages with one whole price. The number of items (or components) in these packages could range from only two items (such as hotel +flight) to an all-inclusive package tour. To meet the needs of customers' brand preference, travel agents offer a 'combine your own package' option to potential travelers with which travelers can pick a preferred brand for each product component. However, these package offers are not always welcomed by consumers. Many travelers shop around and assemble their tourism products from different vendors. They don't take the package offer from one agent. Behind these customers' behaviors, there may be various explanations, but the major reason could be the trade-off between the perceived benefits and costs involved in purchasing a package compared to assembling different products/service. In other words, the perceived value of the package is not high enough for customers to make a purchase decision.

The offer of vacation packages is a marketing tool called bundling, selling at least two separate products at one single price (Guiltinan, 1987). Although there is no available data on the percentage of sales on packages versus sales on single items, obviously, these two product forms have their own markets. Then the question is why people buy what they buy. What contributes to their evaluation of a bundling offer and finally their decision making?

Harris and Blair (2006a; 2006b) looked at the possible factors influencing consumers' preference for bundled products to un-bundled products. They found that the perceived benefits by purchasing a bundle are reduced search and assembling costs and lower risk of compatibility among products. According to their studies, consumers are attracted to a bundled offer because of the benefits it can provide: saved search cost including time, money, and efforts; saved assembling cost; lower compatibility risk; and volume discounts. Furthermore, many times a bundle will be offered at a discounted packaged price so consumers can get some monetary savings from purchasing a bundle. However, purchasing a bundle also involves risks: waste risk because of non use of some components in the bundle; lost choice freedom; and the risks that some items in the bundle may not be desirable. Gourville and Soman's study (2001) shows that bundling can reduce actual product consumption because bundling tend to diminish the effect of sunk-costs. Therefore, when consumers make a decision on whether to buy a bundle or to assemble the components by themselves, they will need to balance the benefits and the costs associated with a bundling offer. Harris and Blair's studies suggest that the trade-off between benefits and risks involved in purchasing a bundle will guide consumers' decision making.

Meanwhile, perceived value as a construct has long been extensively examined in the marketing literature. But the operationalization of perceived value remains an issue. There is no an agreed-upon opinion of whether perceives value is unidimensional or multidimensional and how many dimensions it should have if it's multidimensional. There are basically three streams with regards to the dimensionality of perceived value:

unidimensional value (e.g. Gale, 1994); 2-dimensional value consisting of acquisition value and transaction value (e.g. Thaler, 1985; Yadav & Monroe, 1990; Grewal et al., 1998; Sheng, 2004); and multi-dimensional value consisting of emotional value, social value, price, quality/performance, epistemic value, etc. (e.g. Sheth et al., 1991; Sweeney & Soutar, 2001; Petrick, 2002). Then under what circumstances should we use which scale to measure the construct? There is a need to make clear the conceptualization and operationalization of the construct of perceived value.

The study started with the theory that perceived value has two components: Acquisition Value (AV) and Transaction Value (TV). The objective of this study is twofold: one is to refine and validate the measurement scales of AV and TV, based on Grewal et al.'s (1998) study; the other is to explore the effects of bundling strategies taken by sellers on travelers' value perception of a vacation package. Specifically, strategies of how many product components to be included in one package, and the pricing of a package compared to the sum of all separate items, will be investigated for their effects on the perceived value of the vacation package. The relationship between the value perception and purchase intention of a package will also be examined. Being able to answer these questions will help marketers better understand the psychology and behavior of travelers. Understanding what influences travelers' preference for packages will bring various benefits to service providers including increased sales, lowed transaction costs, and better target marketing, etc.

Key Concepts

Vacation Package as a Bundled Offer

A vacation package with two hotel room nights, a flight ticket, and a rental car at one price; a value meal with appetizer, entrée, and desert; and a season ticket for football games are all examples of bundling strategies. The concept of bundling was first developed in the goods industry in the 1960s. Nowadays, the practice of bundling is pervasive in the marketing arena of every industry. Stremersch and Tellis (2002) claimed that bundling does not have consistent, universally accepted definitions. Among the various definitions are "selling goods in packages" by Adams and Yellen (1976, p. 475); "the practice of marketing two or more products and/or services in a single 'package' for a special price' by Guiltinan (1987, p. 74); and "the selling of two or more products and/or services at a single price" by Yadav and Monroe (1993, p. 350).

A bundle is different from a product. A pair of shoes should not be treated as a bundle of a left and a right shoe, as Salinger (1995) did. Bundling is to put two or more separate products together and sell them as a package at one price. Meanwhile, although the terms price bundling and product bundling have been used interchangeably by researchers and practitioners, Stremersch and Tellis (2002) argued that they are two different strategies. The two strategies have unique focuses, with the former trying to exploit the 'heterogeneity in consumers' reservation prices' (Stremersch and Tellis, 2002, p. 60) whereas the latter aiming to create added value to consumers. However, most of the time marketers employ both strategies to achieve marketing goals. People have the perception

that the price of a bundle should be and is lower than the sum of the items in the bundle. But in the case of product bundling, the price can be at least the same as, if not higher than, the sum of the items since bundling creates new value. For example, a basket of baby stuffs with nice wrapping is a good gift for a baby shower. A busy customer who knows nothing about babies will be glad to pick this package and doesn't mind paying a higher price.

Bundling may take different forms: pure bundling or mixed bundling. Mixed bundling further has forms of tie-in, add-on, mixed-joint, mixed-leader etc. Table 1 is a summary of bundling terms usually used in the literature (adopted from Stremersch and Tellis, 2002; Adams and Yellen, 1976).

Table 1: Bundling Terms

Term	Definition	Examples
Bundling	The sale of two or more separate products in one package	Opera season ticket
Price Bundling	The sale of two or more separate products in one package at a discount, without any integration of the products	Luggage sets
Product Bundling	The integration and sale of two or more separate products at any price.	Multimedia sound system, PC, all-inclusive vacation package.
Pure Bundling	A strategy in which a firm sells only the bundle and not the items separately	
Mixed Bundling	A strategy in which a firm sells both the bundle and the items separately.	

Sheng (2004) summarized previous research about bundling and classified it into four streams: (1) the economic analyses of bundling, (2) marketing research about the optimality of bundling using an applied economic approach, (3) the psychology of consumer judgment and choice of bundling based on application of prospect theory and mental accounting theory, 4) consumer evaluations of bundling. The first two streams of literature focus on the seller-side: the motivation of why sellers adopt the practice of bundling and how sellers can optimalize the bundle price (e.g. Ansari, Siddarth, & Weinberg, 1996; Chung & Rao, 2003; Gourville & Soman, 2001; Venkatesh & Mahajan, 1993). The last two streams are about understanding consumers' psychological and behavioral responses to the bundling practice and there is a need for more research according to Sheng (2004). The current study will go along with the fourth stream: consumer evaluations of bundling.

Perceived Value

Nowadays, in the fiercely competitive marketplace, companies that constantly offer great values to consumers have strategic competitive advantages over their counterparts. Woodruff (1997) claimed that customer value would be the next source for competitive advantage in the 21st century. But what is value and what constitute value? Different consumers may have different judgments on a same offer due to various factors, such as their personality or income level. It is critical to marketers to understand consumers' perception of value of a marketing offer. Actually, Gallarza and Saura (2006) state that "consumer behavior is better understood when analyzed through perceived value" (p. 437).

There is a diversity of ways to define the concept of value. The early conceptual proposal made by Zeithaml (1988) –"the overall assessment of the utility of a product based on the perceptions of what is received and what is given"-is the "most universally accepted definition of perceived value, inside and outside the tourism literature" (Gallarza & Saura, 2006, p. 439). This definition conceptualized perceived value as a trade-off between 'get' and 'give' elements. Adopting Zeithaml's (1988) perspective, Yadav (1990) defines perceived value as buyers' overall evaluation associated with purchasing the product at its actual price. It consists of transaction value and acquisition value. Some other definitions of value/customer value include "Customer value is market perceived quality adjusted for the relative price of your product"(Gale, 1994, p. xiv); "Buyers' perceptions of value represent a tradeoff between the quality or benefits they perceive in the product relative to the sacrifice they perceived by paying the price" (Monroe, 1990, p. 46)

Jayanti and Ghosh (1996) argued that most research involving perceived value had conceptualized the construct from two complementary theoretical perspectives: one rooted in social psychology and marketing literature and the other rooted in economic literature The first perspective views perceived value mainly as a behavioral outcome based on post-consumption experiences and proposes perceived quality as a leading indicator of perceived value (Zeithaml, 1988). The second perspective examines perceived value from a predominantly utilitarian point of view and proposes transaction and acquisition utilities as determinants of perceived value (Thaler, 1985), while consumers' price perception is the key determinant of transaction and acquisition utilities (Urbany, Bearden, & Weinberg, 1988).

Although there has not been universal agreement among researchers regarding the definition of the construct of perceived value, it has been accepted by many researchers that perceived value is a subjective construct which varies between customers (Parasuraman, 1997), between cultures (Assael, 1995), and very importantly, at different times (Gardial, Clemons, Woodruff, Schumann, & Burns, 1994; Ravald & Gronroos, 1996; Sanchez, Callarisa, Rodriguez, & Moliner, 2006; Vantrappen, 1992). Pararuraman and Grewal (2000) postulate that perceived value changes during different stages of a purchase. Therefore, perceived value should be conceived as a dynamic variable because consumers' evaluation of a product or service may be different for different moments: experienced before purchase, at the moment of purchase, at the time of use, and after use. (Gardial et al., 1994; Sanchez et al., 2006)

The current study takes the utilitarian perspective defining perceived value as a combination of transaction utility and acquisition utility. In the pre-purchase phrase, the perception of the value of a marketing offer will be determined by the perception of its transaction value and the perception of its acquisition value. Definitions of acquisition and transaction value are adopted from the literature. Grewal et al. (1988) proposed that positive transaction value enhances buyers' evaluations of the value of acquiring the product. They argued that buyers' perceptions of transaction value are situation specific and their assessments of acquisition value are more holistic evaluations of the product value. Examination of the relationship between the two constructs (transaction value and acquisition value) is of interest in the situation of product bundles, namely travel packages.

Research Significance

The need to determine factors that drive consumers' preferences for product bundles has been described as a pressing issue in the bundling literature (Stremersch and Tellis, 2002). From a seller's perspective, besides offering satisfactory price quality, the bundling strategies such as with what price, what and how many product components to bundle, and in what form, are the tools to increase attractiveness of any bundle. Some previous studies have investigated the effects of price information and the complimentarity among bundle components on consumers' evaluation of a bundle (e.g. Harris & Blair, 2006b; Sheng, Parker, & Nakamoto, 2007). But these studies only looked at bundles of 2 product components with a discounted price. In reality, there are so many bundles consisting of more than 2 components, such as value meals and all-inclusive tour. When the number of components in a bundle increases, consumers' judgment of the price may change and evaluation of the complimentarity among the components becomes more complicated, and therefore the total perceived value of the bundle will be different. Also in the market place, the bundled price is not always lower than the sum of the separate components, i.e. there is not always a discount for a bundle. In that case, what effects will the price have on the evaluation of the bundle? Previous studies have not explored these situations. The current study tries to fill these gaps.

Many studies (e.g. Janiszewski & Cunha, 2004; Kaicker, Bearden, & Manning, 1995; Sheng, 2004; Yadav, 1995; Yadav & Monroe, 1993) explain how consumers perceive the value of the bundle based on two economic theories: prospect theory developed by Kahneman & Tversky (1979), and mental accounting theory developed by Thaler (1985).

However, these studies mostly focus on tangible products. In the tourism industry, package tours have the form of a product bundle. According to Matovic and McCleary's (2003) study, one of the marketing tactics many hotel companies employ to differentiate their products is to create alliance between hotel companies and ancillary providers of product and service such as airlines, travel agents, credit card companies, rent-a-car agencies and web-based retailers. With the alliance tactic, companies can bundle their products in one package with lower costs so that they can increase their sales volume and bring more benefits to consumers at the same time.

Tourism products are different from goods (tangible) products in that most of them cannot be felt or seen before consumption. Therefore, risks involved in purchasing tourism products are usually higher compared to tangible goods. Furthermore, the amount of money involved in purchasing tourism products is usually high, especially in the case of international travel. All these characteristics may make the decision-making process for vacation packages different from that for goods product bundles.

Another contribution that the current study tries to make is to clarify the measurement issues of perceived value in the field of service bundles. Measurement scales developed by earlier studies (Grewal et al., 1998; Yadav and Monroe, 1993) have been applied to the field of tourism and hospitality industry (Al-Sabbahy, Ekinci, & Riley, 2004; Petrick & Backman, 2002a) but validity has been showed to be problematic. Further examinations need to be done.

Statements of Problem and Theoretical Framework

Most often, the components in a vacation package are complementary products or services meeting people's different needs in accommodation, meals, entertainment, etc. while away from home. In this meaning, vacation package is more a marketing tool using product bundling strategy. But in order to encourage travelers to buy the packages, sellers often advertise 'get a discount by purchasing a package', so they are using price bundling strategy too. Therefore, the bundled price could be lower than, higher than, or the same as the sum of items in the package. Price information has been proved to have an impact on buyers' product evaluation by previous studies (e.g Dodds, Monroe, & Grewal, 1991; Grewal, Krishnan, Baker, & Borin, 1998; Grewal, Monroe, & Krishnan, 1998)

Problem statement 1: It is proposed that the comparison between the packaged price and the sum of all items in the package will affect consumers' evaluation of the bundle. It's assumed that in the case of vacation package offerings, the total of the selling prices of the separate items will be used as a reference when buyers evaluate the price element of the package. Therefore, a price comparison between the packaged price and the sum of all separate prices is proposed to have an impact on the evaluation of the package.

Problem Statement 2: As for bundling form, most of the travel agents are using mixed bundling strategies, i.e. offering both bundled packages at one price and single items separately. Buying a package means buyers will have to accept all the items in the package at the time they pay. They lose the freedom to make separate decisions for different products at different timings, to choose other products, or to change mind for

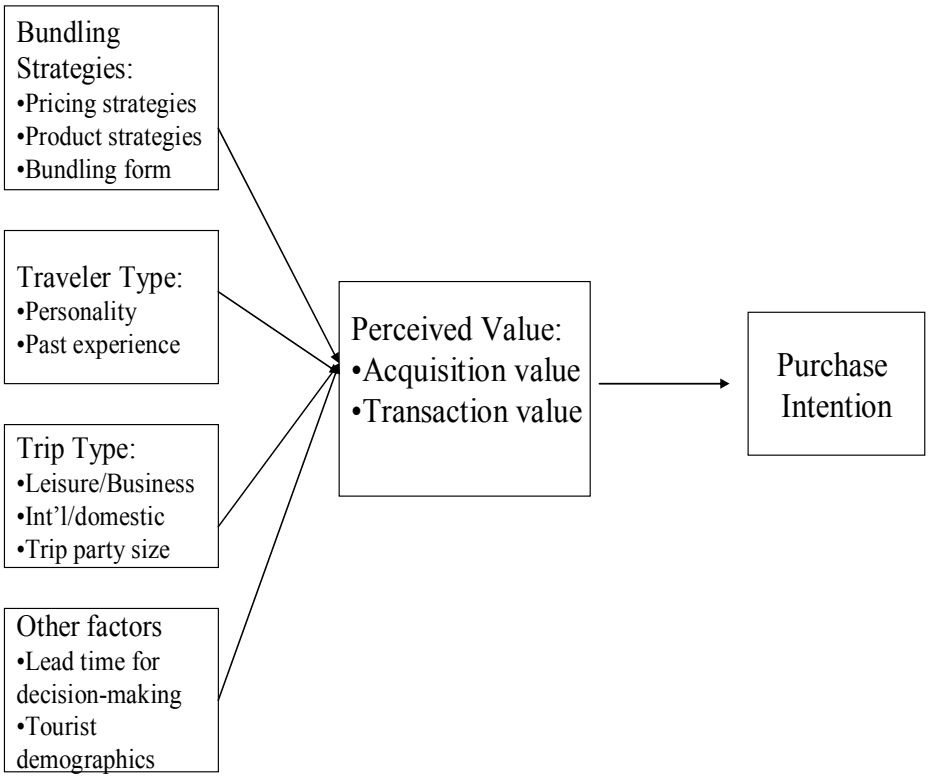
specific items in the package at a later time. In this perspective, the more items included in a package, the less the package will be attractive to the buyers. On the other hand, however, buying a package can save searching cost and assembling cost for buyers. The more items in the package, the more costs saved. Therefore, the number of items in a package will have an important impact on buyers' decision making. Hence, it is proposed that the number of items in a vacation package will have an impact on travelers' evaluation of the package.

Problem Statement 3: It is postulated that the price comparison and the number of items in a package do not have a direct impact on travelers' final purchase decision, but rather impact the purchase intention through an evaluation process of the bundled offers. That is, the value perception of a package will have a mediating effect on travelers' purchase intention.

Besides sellers' (travel agents') bundling strategies (bundling form, the number of items in the bundle, and pricing strategies, there are other factors influencing travelers' evaluation of a package such as lead time to make a final decision, number of people in the travel party, and travelers' past travel experience (e.g. traveling experience and/or experience with buying packages). Other possible factors influencing travelers' preference for a tour package are trip type (e.g. domestic trip or international trip; size of traveling party; tourist type (e.g. allocentric or psychocentric; travelers' personality); and tourist demographics (such as income, age and education).

Figure 1 presents an overall model incorporating the relationships among the following constructs: the above mentioned factors influencing buyers' preference for a package, perceived value composed of perceived acquisition value and perceived transaction value, and purchase intention.

Figure 1: The Theoretical Framework



But in the current study, the effects of sellers' bundling strategies (particularly the price comparison between packaged price and sum of and the number of items in the package) on the perceived value of the bundle and then on the purchase intention are of particular interest. The other strategy, bundling form, will not be investigated because pure bundling strategy is rarely used in the tourism industry. Mixed bundling strategy is favored by travel agents because it can bring more profits than pure bundling strategy does. Impacts of the other factors such as trip type and traveler type will be controlled out by research design.

As a boundary and for the purpose of practical manipulation, sellers in this study refer to travel agents (physical and online) who offer different kinds of tourism products/services to the leisure travel market. In one sense, travel agents don't produce specific products and therefore do not have direct control over the products. They combine tourism products from the lodging industry, travel industry, and restaurant industry. They have to pick what are available from the industry and present them to the customers. In this case, bundling strategies are very important to them. Product bundling can offer a differentiating advantage to a travel agent. For a package of seven days to the Caribbean, the combinations of the products offered by different agents will be very different. Obviously, knowing travelers' perception of the value of a package would be helpful to travel agents on marketing decisions of what to bundle in a package and how to price the bundle.

In this study, a package is used interchangeably with a bundle. A bundle means selling two or more separate products together at a single price. For example, an all-inclusive international travel package, a hotel room and an air ticket, and a rental car and amusement park tickets are all considered a package or a bundle. However, a hotel room for four nights, or a rental car for a week, is not considered a vacation package in the study, although they are typical price bundling strategies in the real world.

Chapter Summary

Bundling strategies taken by sellers will have an impact on buyers' evaluation of the bundle and then on their purchase intention. Price bundling and product bundling are integrated as a marketing tool which is employed by sellers to create value for buyers. Travel agents can offer their products/service in the form of mixed bundling (both packages and separate items are available for travelers' choice) and pure bundling (products are only available in the package). Discounts on the packages are often offered but not always. The number of items included in the packages can be from two to infinite.

Evaluation of any product offer including a bundled offer is personal and situational. Perceived value is a dynamic construct, changing during different stages of a purchase. Measurement of perceived value should consider the contexts within which the evaluation judgment is made: the timing of a purchase (before purchase, during purchase, or after purchase and consumption)

Measuring perceived value is difficult because the definition and the dimensionality of the construct are controversial. A time dimension should be consider when studying the concept of perceived value since perceived value changes throughout the whole purchase process. Following Grewal et al. (1988)'s two-dimensional definition of perceived value in the pre-purchase stage, the current study will measure the two components, namely perceived acquisition value and perceived transaction value, by adopting the 12-item measurement scale developed by Grewal et al.(1988):

To summarize, the objectives of the study are:

1. To refine the measurement scale for perceived value.
2. To investigate the impacts of different bundling strategies on buyers' value perception (consisting of perceived acquisition value and perceived transaction value) of a vacation package.

3. To investigate the relationships between perceived acquisition value and perceived transaction value of a vacation package.
4. To explore the relationships between perceived value of a package and purchase intention.

CHAPTER II: LITERATURE REVIEW

Bundling as a Marketing Practice

Bundling is a widely used marketing strategy in today's market. In service settings, the rationale for bundling is based on two realities: one is the cost structure of a high ratio of fixed to variable costs and a high degree of cost sharing, and the other is the interdependence of most service businesses in terms of demand (Thaler, 1985). It is hoped that by using bundling strategy, sellers can extract consumer surplus (i.e., reservation price less actual price). The consumer surplus associated with an attractive product in a package will compensate for the consumer deficit associated with a less attractive product (Janiszewski & Cunha, 2004; Schmalensee, 1984).

Much of the behavioral research on bundling is grounded in two economic theories: prospect theory (Kahneman and Tversky, 1979) and mental accounting theory (Thaler, 1985). Prospect theory found that subjects when offered a choice formulated in one way might display risk-aversion but when offered essentially the same choice formulated in a different way might display risk-seeking behavior. Because the value function for losses is steeper than that for gains, losses "loom larger" than gains. For instance, a loss of $100 is felt more than a gain of $100. Mental accounting suggest that people perceive multiple gains as more rewarding and multiple losses as more punishing than a single gain and a single loss of the same amount. The implications entailed from the above principles have great impacts on bundling strategies, such as integrating all price information in a single bundle price rather than present it in a list of separate product prices, and separating the

bundle discount in multiple savings rather than present it as a single saving so as to lower price sensitivity and increase purchase likelihood (Yadav & Monroe, 1993).

The bundling literature contains inconsistencies in the use of terms and ambiguity about basic principles underlying the phenomenon (Stremersch & Tellis, 2002). There is much confusion in the bundling literature. According to Stremersch and Tellis, this confusion was thought to be caused by several problems. First, bundling did not have consistent, universally accepted definitions. Second, the distinction between a product and a bundle was not clear. Third, the domain of bundling strategies was not clear.

Guiltinan's (1987) definition of bundling has been broadly used " the practice of marketing two or more products and /or services in a single 'package' for a special price". Yadav and Monroe's definition is similar, "the selling of two or more products and/ or services at a single price." Adam and Yellen (1976) define bundling as "selling goods in packages". According to Adam and Yellen, there are two main types of bundle offers: pure bundle and mixed bundle. In a pure bundling strategy, only a bundle of items is offered for sale, and buyers do not have the opportunity to purchase the individual items. In a mixed bundling strategy, on the other hand, a buyer can either purchase the bundle or the individual items.

Therefore, in general, a seller can choose from three alternative strategies to offer her/his products or serviced (Schmalensee, 1984): pure components (the seller prices and offers the component products/services as separate items, not as bundles), pure bundling, or

mixed bundling. But it is believed that mixed-bundling strategies are more profitable than pure bundling strategies (Adams & Yellen, 1976; Schmalensee, 1984; Venkatesh & Mahajan, 1993; Yadav & Monroe, 1993). Sheng (2004) further classified mixed bundling into a mixed-leader bundle and a mixed-joint bundle. In a mixed-leader bundle, the price of one product in the bundle is discounted while the other product is listed at a regular price. In a mixed-joint bundle, only a single price is set for the bundle. Following are generic examples of mixed-joint and mixed-leader bundles (Sheng, 2004, p. 10):

A Mixed-Joint Bundle

Regular Price	Bundle
A: $200	Buy A and B as a set at $250
B: $100	

A Mixed-Leader Bundle

Regular Price	Bundle
A: $200	Buy A at $200 and B at $50 as a set
B: $100	

In Stremersch and Tellis's research, they defined bundling as the sale of two or more separate products in a package at any price (The term 'product' refers to both goods and services) and thought that bundling has strategic importance. They further clarified that bundling has two strategic focuses: product versus price bundling. Price bundling was defined as "the sales of two or more separate products in a package at a discount, without any integration of the products" (p.56). The authors argue that under this practice, bundling itself does not create added value to consumers, and thus a discount must be

offered to motivate at least some consumers to buy the bundle. Product bundling was defined as the integration and sale of two or more separate products or services at any price. Product bundling of existing products may be optimal because it creates added value for consumers, saves costs, and creates differentiation in highly competitive markets. The research also formulates clear rules for evaluating the legality of each of the bundling strategies and proposes a framework of twelve propositions that suggest which bundling strategy is optimal in various contexts.

Optimal Pricing of a Bundle

From the standpoint of a seller, optimally pricing a product bundle is an important way to maximize the seller's profits. Venkatesh and Mahjan (1993) proposed a probabilistic approach to pricing a bundle of products or services. Their focus is on situations in which consumer decision making is on the basis of multiple criteria. For model development and empirical investigation they consider a season ticket bundle for a series of entertainment performances such as sports games and music/dance concerts. In this case, they assume consumer purchase decisions to be a function of two independent resource dimensions, namely, available time to attend performances and reservation price per performance. Using this information, the model suggests the optimal prices of the bundle and/or components (individual performances), and corresponding maximum profits under three alternative strategies: (a) pure components (each performance is priced and offered separately), (b) pure bundling (the performances are priced and offered only as a bundle), and (c) mixed bundling (both the bundle and the individual performances are priced and

offered separately). They apply their model to price a planned series of music/dance performances. Results indicate that a mixed bundling strategy provided the relative prices of the bundle and components are carefully chosen.

Siddarth, Ansari and Weinberg (1996) determined the optimal number of items to be included in a service bundle for a profit-maximizing firm that uses pure components, pure bundling, or mixed bundling strategies. When applied to Venkatesh and Mahajan's (1993) data, the number of events held is shown to have a substantial impact on firm profits. The authors also studied the pricing strategies of a nonprofit organization that seeks to maximize usage subject to a nondeficit constraint. Using the same data, the authors found that compared to a profit maximizing firm, a usage-maximizing nonprofit organization (1) charges lower prices, (2) holds more events, and (3) takes fixed costs into account in setting prices. For the distributions considered by Venkatesh and Mahajan (1993), there is a reversal in the order of preferred strategies, with the pure-bundling strategy dominating the single ticket strategy, though mixed bundling is still the most preferred strategy. In addition, the authors find that attendance is not maximized by offering the greatest possible number of events. The effects of alternative objective functions, such as surplus maximization, and additional bundling policies (adding bundles consisting of only some of the events scheduled) are also examined.

Chung and Rao (2003) developed the comparability-based balance model, which is a unified framework for modeling bundle choices. The model can be employed for any bundle, regardless of the heterogeneity of bundle components, under a pure bundling

strategy. The conjoint model and balance model are special cases of the general model. The authors use mixture distributions in a hierarchical Bayesian framework to incorporate consumer heterogeneity in a more flexible manner than the extant approaches such as latent-class and random-coefficient models. The empirical tests of the model show that most attribute effects are significant and consistent with the model's predictions. The model is superior to those that do not consider the issues of comparability of attributes, latent-class structure, and heterogeneity among respondents. The authors showed how the model can be used to find market segments for bundles with heterogeneous products in multiple product categories, to estimate individual reservation prices for bundles, and to determine the optimal bundle prices for different market segments.

Mazumdar and Jun (1993) examined how consumer evaluations of multiple price changes differ from the evaluation of a single price change of an equal amount. Consistent with Thaler's (1985) theory about segregation versus integration of gains and losses, the authors find that multiple price decreases are evaluated more favorably than a single price decrease and multiple price increases are evaluated more unfavorably than a single price increase. However, these effects are moderated by consumer price uncertainty and relative magnitude of the prices being evaluated. Because price-uncertain consumers consider higher ranges of prices acceptable, they are less unfavorable to multiple price increases and more favorable to multiple price decreases than certain consumers. Moreover, when the magnitude of one price is very small relative to other

prices, consumers' preference for multiple price decreases (relative to a single price decrease) is reduced. However, this effect is not found when there are price increases.

To replicate and extend the study done by Mazumdar and Jun (1993), Kaicker, Bearden, & Manning (1995) investigated the effects of discrepancies between price expectations and selling prices on consumer preference for purchasing products priced separately or together. Consumers form a feeling of gain or loss based on the comparison of the selling price and their price expectations (both internal and external reference prices). Five gain/loss conditions (i.e., multiple gains, mixed gains, mixed losses-net loss low, mixed losses-net loss high, and multiple losses), in which prices for two complementary products were presented using component and bundle pricing strategies, were investigated. Predictions regarding consumers' pricing strategy preferences were derived from prospect theory. Findings suggested that study participants derived greater value from component pricing than bundle pricing when confronted with multiple gain and mixed losses-net loss high outcomes. In contrast, mixed gains and mixed losses-net loss low conditions resulted in a preference for bundled pricing over component pricing. Contrary to predictions, subjects preferred component pricing when faced with multiple losses.

Practice of Bundling in Tourism Industry: Vacation Package

The practice of bundling is pervasive throughout the hospitality and entertainment industries. Resort hotels offer vacation packages, restaurants offer fixed-price dinners,

and theater companies offer season tickets to their upcoming plays. But there are not many studies on why customers prefer packages over separate items, or vice versa.

A couple early studies on vacation packages were done in the late 80s (Kale, McIntyre, & Weir, 1987; Sheldon & Mak, 1987). Sheldon and Mak (1987) presented a choice model to explain a traveler's choice of vacation mode. The possible modes considered were independent travel, travel on an inclusive package tour, and travel on a basic package tour. The model was tested using logit analysis and survey data on travel to the Hawaiian Islands. The results indicated that purchasers of package tours are likely to be elderly, be intent on visiting several destinations, contain few people in the party, intend to make short visits, and be first-time visitors to the destination. The authors hypothesized in their study that the more components added to a package, the fewer people would buy the package. But they didn't effectively explain why nor did they test the hypothesis. They just offered a possible explanation: when there were more components in a package, required amount of taste convergence in the package tour increased, and then fewer people would buy it. The study also compared the prices and found that basic package tours (accommodation and transportation only) provided a bigger discount (15%) to the consumer than did inclusive tours including transportation, accommodations, meals, a full program of sightseeing and entertainment, and a tour guide (3.8%).

Nowadays, since travelers can combine their own packages and choose their favorite brands and products/service, the problem related to taste convergence is no longer an issue. But assigning larger discount to basic package tours than to packages with more

components is still adopted by many travel agents. For example, the packaged price of Orbitz's vacation packages of "hotel +flight" is usually 5% lower than the unpackaged price of the two items. But the price of packages of "hotel + flight + rental car" is almost the same as, and sometimes higher than, the unpackaged price. The reason for that is probably because putting products into one package involves more costs to the sellers. But there is no research on that.

Kale, Mclntyre and Weir (1987) examined the travel preferences of the youth segment and compared these preferences to representative tour offerings targeted to the 18 to 35 age group. Owing to its size, affluence, and spending habits, the 18 to 35 age group is a viable segment for packaged tours marketing. The authors concluded that the current emphasis on the activities component in a tour package for the youth segment is misplaced; potential travelers in this age group place a higher value on free time, flexibility, exposure to the local culture, and the opportunity to visit scenic attractions.

Yoon and Shafer (1997) profiled the different characteristics of all-inclusive package segments and independent travel arrangements segments. The study examined if there were significant differences between travel parties who preferred an all-inclusive travel package and those who preferred independent travel arrangement. Through a telephone interview survey of 702 American travel parties visiting warm weather destinations, the researchers compared the characteristics of those who preferred inclusive packages with those who favored independent travel arrangements. The sun-spot-destination resort market was one of the most important and growing segments of the contemporary

tourism market. The variables of interest in these comparisons were; socio-demographic characteristics, travel-related characteristics, determinant attributes and lifestyle characteristics. Results indicated that there are significant differences in terms of age distributions, employment status, preferred destinations, length of stay, several lifestyle characteristics and preferences for physical and psychological aspects (determinant attributes) of the resort. Tourists who preferred an all-inclusive package were more socially interactive, took vacations mainly to relax and were more solicitous, as compared to tourists who preferred independent travel arrangements. Respondents who preferred independent travel arrangements were more self-confident and often sought solitude.

By using several examples of product bundling in service industry (a ski package, theater plays, and season tickets for Shakespeare Festival), Gourville and Soman (2001) proved that bundling strategies have negative effects on product consumption: reducing actual consumption which in turn can hurt repeat sales, peripheral sales, and resource-use planning. As the bundling degree or the size of the product bundle increases, consumers' attention to the cost of individual items with that bundle decreases, creating the perception that any given item is essentially free. That means bundling "masks' the cost of a purchased product and as a direct result, the likelihood of a consumer's using one or another item within the bundle decreases. The explanation is that it is difficult for people to allocate costs across items in a bundle and the sunk-cost pressure to consume the products decrease. For organizations that rely upon secondary sales (such as food, beverage, or souvenir sales) or rely upon repeat purchases, a decrease in consumption of this type can have direct financial implications. Therefore, the authors suggest that

management highlight the price of individual items within the purchased bundle in order to encourage product use. In a more passive fashion, a service provider could anticipate actual consumption given the naturally occurring mix of bundled and unbundled transactions. If there is a larger proportion of a bundled transaction, a higher no-show rate should be expected and allocation of staff and facilities should be adjusted. Management could also maximize attendance by practicing a form of yield management by anticipating the percentage of no shows and offering an appropriate number of standby tickets.

With the research on hedonic price theory serving as background, Thrane's (2005) study examined how the overall price of a sun-and-beach package tour was determined by choice of tour operator, choice of destination, hotel star rating, and a number of different attributes characterizing the package tour. In addition, the study drew attention to a particular problem in previous price hedonic tourism research: the possible endogeneity of the hotel star rating variable. To address this issue, a hierarchical regression procedure was adopted. This procedure permitted the tracing of the attributes' possible indirect effects on overall package tour prices through the hotel star rating variable. The results help consumers identify those package tour attributes that they have to pay extra for as opposed to those that they do not, and at the same time provide tour operators with a useful instrument for strategic pricing.

In a recent research, Rewtrakunphaiboon and Opperwal (2008) found that the information format of package holidays, specifically, the presence of package information details and

the type of package heading, didn't have an significant effect on customers' destination choice. Based on previous research, the authors proposed that package information presentation could influence consumer evaluation and their intention to visit and choice of destinations. They tested the hypotheses in two replications of the same conjoint experiment, one among students and one among respondents from the general public. In the experiment, four attributes with two levels for each attribute were revealed as package information to the respondents. The four attributes were hotel star rating, number of nights, price, and name of travel agent. Results showed that variation in package presentation format, either with detailed information about the package, or with different headings, would not influence consumers' evaluation of holiday package offers and their choice of the destinations.

Perceived Value, Perceived Acquisition Value and Perceived Transaction Value

Definitions

Value is a very subjective concept. In the simplest sense, a good value implies a low price for high quality product or service. However, there is no shared standard among consumers of what a low price is and what stands for high quality. To this extend, value is actually only a personal subjective assessment.

Zeithaml (1988) defined perceived value as "the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given" (p.14).

Within this definition, four diverse meanings of value were identified: (1) value is low price, (2) value is whatever one wants in a product, (3) value is the quality that the consumer receives for the price paid, and (4) value is what the consumer gets for what they give. The author claimed that "What constitute value appears to be highly personal and idiosyncratic" (p.13). Most of the research done has focused on the fourth meaning (Bojanic, 1996). In her study to explore the relationships between consumers' perceptions of price, quality and value, Zeithamal found that perceived quality leads to perceived value, which leads to purchase intentions. Moderating variables of perceived value included perceived sacrifice (non-monetary price), extrinsic attributes (i.e., reputation of the product/service) and intrinsic attributes (i.e., how the purchase makes you feel).

Adopting a customer perspective, Woodruff defined customer value as "a customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations" (Woodruff, 1997, p. 142). The author proposed that there are two types of value: desired customer value and received customer value. For received customer value, customers use attribute-, consequence-, and goal-level criteria to judge the value they actually received from a product. Value is related to price and quality, but "is more individualistic and personal than quality and therefore a higher level concept than quality" (Zeithaml 1988, p.13).

Holbrook and Corfman (1985) maintain that value perceptions are situational and hinge on the context within which an evaluation judgment occurs. Vantrappen (1992) argues that the value customers expect from a product would vary not only across customers but also within the same customer over time: "Each customer represents a `segment of one-once' " (p. 59). Adopting Woodruff's definition of customer value, Parasuraman (1997) posits that the nature and determinants of customer value may change over various stages of a customer's association with a company because of the roles and relative importance of attribute-, consequence-, and goal-level criteria at various stages. There are four types of customers: first-time customers, short-term customers, long-term customers, and defectors. He argued that customers' criteria for assessing value may become increasingly abstract as new buyers progress toward becoming long-term customers. He further explained that "the attributes that motivate a customer's initial purchase of a product may differ from the criteria that connote value during use right after purchase, which in turn may differ from the determinants of value during long-term use." (p.157)

Most research involving perceived value has conceptualized the construct from two complementary theoretical perspectives: one rooted in social psychology and marketing literature and the other rooting in economic literature (Jayanti and Ghosh, 1996). The first perspective views perceived value mainly as a behavioral outcome based on post-consumption experiences and proposes perceived quality as a leading indicator of perceived value (Zeithaml, 1988). The second perspective examines perceived value from a predominantly utilitarian point of view and proposes transaction and acquisition utilities as determinants of perceived value (Thaler, 1985), while consumers' price perception is

the key determinant of transaction and acquisition utilities (Urbany, Bearden and Weilbaker, 1988).

The two perspectives do not contradict with each other. Rather, they have a complementary nature. One of the implications from the two theoretical perspectives is that perceived quality (at the post-consumption phrase) and perceived price (through the purchase-consumption process) are major indicators of consumers' value perception. Adopting an integrated perspective of perceived value, Jayanti and Ghosh (1996) proposed a model that combines the behavioral and utilitarian perspectives, with perceived quality, price-based transaction utility, and price-based acquisition utility as exogenous variables, and perceived value as the endogenous variable. However, a time dimension in consumers' evaluation process was neglected in this integrated perspective. That might be the reason that it was difficult to separate acquisition utility from perceived quality and acquisition utility was proved to be redundant in the integrated model. By the behavioral perspective, perceived quality determines perceived value. But perceived quality in pre-purchase experience must be different from that in the post-consumption experience, especially in the context of service.

According to Thaler (1985), overall utility (value) of transactions is composed of acquisition utility and transaction utility-acquisition utility (value) 'depends on the value of the good received compared to the outlay', while transaction utility (value) 'depends solely on the perceived merits of the deal' (p. 205).

Based on Thaler's theory, Yadav (1990) defines transaction value as buyers' perception of savings associated with purchasing the product at its actual price, and acquisition value as buyers' perceived benefits of the product relative to its actual price. Acquisition value is based upon a comparison of the sale price with the price the buyer is willing to pay for the utility. Transaction value is based on a comparison of the sale price with the buyer's internal reference price. Transaction value and acquisition value add up to constitute the overall perceived value in a commercial transaction. Grewal, Monroe et al. (1998) also decomposed perceived value into two theoretical components: perceived acquisition value and perceived transaction value. The authors combined past acquisition value-based models (e.g. Dodds et al., 1991; V. Zeithaml, 1988) and defined acquisition value as perceived net gains from the trade-off between benefits and sacrifices. With this definition, acquisition value was "positively influenced by the product benefits and negatively influenced by the money given up to obtain the product (i.e. the selling price)" (p. 48). The definition took into account both price and quality of a product or service, as Urbany and Bearden (1990) had argued. Transaction value was defined as "the perception of psychological satisfaction or pleasure obtained from taking advantage of the financial terms of the price deal" (p. 48). Therefore, transaction utility (value) is judged on the basis of price information. It is determined by the difference between the consumers' internal reference price and price offered within the context of a special deal.

Parasuraman and Grewal (2000) further conceptualized perceived value as a dynamic construct consisting of four value types: acquisition value, transaction value, in-use value and redemption value. They define acquisition value as the benefits received for the

monetary price given, and transaction value as the pleasure the consumer receives for getting a good deal. In-use value is the utility derived from utilization of the product/service, while redemption value is the residual benefit received at the time of trade-in or end of life (products) or termination (for service). Among the definitions, "the relevance of each of the four dimensions are different during varying times of the product/services life (i.e., acquisition and transaction value are most salient during purchase, while in-use value and redemption value are more pertinent after purchase)" (Petrick, 2002, p121).

To summarize, in the pre-purchase stage, perceived value consists of two components: acquisition value and transaction value. Acquisition value or utility represents the perceived economic gain or loss associated with a purchase, and it is a function of product utility and the purchase price. Transaction value or utility concerns perceived pleasure or displeasure associated with the financial aspect of a purchase, and it is determined by comparing the selling price to internal reference prices (Thaler, 1985; Monroe & Chapman, 1987; Grewal et al., 1998).

Measurements

Although the theory of perceived value goes back to late 1970s, empirical approaches are recent (Sweeney et al., 1998). Operational definitions of perceived value were hampered by the wide spectrum of other constructs involved in the formation of value judgment and by the usual effects of individual psychological factors. The confusions between value

with quality, satisfaction, and price make the measurement of perceived value even more difficult. Perceived benefits, perceived price, monetary price, psychological price, behavioral price are all concepts that are associated with conceptualization of perceived value (Al-Sabbahy et al., 2004). Personal response factors such as perceived characteristics of products, interest in product, individual needs, motives, expectation, personality, and social status (Ateljevic, 2000) compound the difficulties of value measurement

There are debates on the dimensionality of perceived value. Perceived value is commonly measured by using a self-reported, unidimensional measure asking respondents to rate the value they received for their purchase (Gale, 1994). Petrick (2002) identified two problems related to the one-dimensional measurement of perceived value: (1) unidimensional measurement assumes that consumers have a shared meaning of value but that may not be true, (2) unidimensional measurement gives no specific direction on how to improve value.

Researchers have taken different perspectives in their efforts to measure the construct and so they came up with different numbers of dimensions. Of course, some of the dimensions overlap. For example, Sweeney and Soutar's (2001) perceived value scale (PERVAL scale) identifies four dimensions: emotional value, social value, and two types of functional value (price/value for money and performance/quality). And Petrick (2002)'s scale measuring the perceived value of a service came up with five dimensions: quality, emotional response, monetary price, behavioral price, and reputation. Other

researchers (Dodds et al., 1991; Grewal, Monroe et al., 1998; Thaler, 1985) took the stand a priori that value consists of only two dimensions: acquisition value and transaction value.

In 1991, Sheth, Newman and Gross developed a theory focusing on consumption value to explain why consumers make the choices they do: why to buy or not to buy (or to use or not to use) a product; why they choose one type of product over another type; and why they choose any brand over another of the same type. The theory identifies five consumption values influencing consumer choice behavior: functional value, conditional value, social value, emotional value, and epistemic value. The authors brought up three propositions in their theory of consumption values: (1) consumer choice is a function of multiple consumption values; (2) the consumption values make differential contributions in any given choice situation; (3) the consumption values are independent. The article provides some base for later research on the dimensionality of value. However, the author didn't define the concept of consumption value, neither did he explain why he included these five dimensions in his model.

Kantamneni and Coulson (1996) utilized undergraduate business students to identify potential measurable dimensions of a product's perceived value. Four distinct factors of perceived value were identified: societal value, experiential value, functional value and market value. Societal value was termed to be the product's benefit/value to society. Experiential value was related to the senses: if the product feels, smells and looks good.

Functional value was related to whether or not the product is reliable and safe, and market value was the product's worth regarding price for value.

Sweeney, Soutar and Johnson (1998) presented another multi-dimensional scale for the measurement of perceived value of a tangible product. The study employed exploratory factor analysis of 29 items generated from literature and resulted in four dimensions of a product's perceived value: quality, emotional response, price, and social value. Quality referred to how well the product was made, and emotional response to how a product made the consumer feel. Price was operationalized as whether or not the money paid for the product was reasonable, and social as the impression that the purchase of the product had on others.

Three years later, Sweeney and Soutar (2001) developed a so-called PERVAL scale to be used to assess customers' perceptions of the value of a consumer durable good at the brand level. The authors based their study on the 5-dimension definition of consumer value proposed by Sheth et al. (1991) and identified four dimensions for their research. The four dimensions are: quality, price, emotional value and social value. The scale development process started with the development of an initial set of items with six focus groups of Australian consumers. After three stages of data collection, validity tests, and reliability tests, the study finally came up with a scale of 19 items with accepted validity and reliability, and stable factor structure.

Among the scholars devoting to the study of perceived value in service, James F. Petrick is worth noting, especially in studying perceived value of service and tourism settings. He conducted a wide range of research on measurement of perceived value (Petrick 2002), comparing first-timers' and repeaters' perceived value (Petrick, 2004), investigating selected factors' impact on perceived value (Petrick, Backman, & Bixler, 1999), and examining the relationship between perceived value and post-purchase behaviors (Petrick, 2003; Petrick & Backman, 2002a, 2002b).

Service researchers argue that there is need for a different scale to measure the perceived value of a service (Ganyanti & Ghosh, 1996; Petrick, 1999; Petrick, 2002) since there exist different characteristics of service from tangible products: intangibility, perishability, heterogeneity, and inseparability (Lovelock, 1983). By adopting Zeithaml's (1988) definition of perceived value, Petrick (2002) conceptualized a priori perceived value as a multi-dimensional construct, including the dimensions of quality, emotional response, monetary price, behavioral price, and reputation. Fifty-two items were acquired from various scales developed by other researchers related to the construct of perceived value. Eight expert judges were selected to form a panel to refine and edit the initial 52 items for content validity and the resultant scale consisted of 25 items. Two samples of cruise passengers were selected to complete the questionnaires. Confirmatory factor analysis (CFA) was employed to validate the a priori scale with five dimensions. Results demonstrated a valid and reliable five dimensional scale for measuring perceived value of a service.

While many other multidimensional scales have been created for measuring perceived value of products, SERV-PERVAL developed by Petrick was the first multidimensional tool for the measurement of perceived value of a service (Petrick, 2003). Pertick in 2003 investigated the reliability and validity of the SERV-PERVAL scale in a tourism setting, and then analyzed how well factors of perceived value predict perceived value, satisfaction, and intentions to repurchase. Results revealed that the scale shows good reliability and validity, and that SERV-PERVAL factors are related to cruise passengers' post-cruise cognitive assessments. However, it should be noted that the author stated in the article that he was developing a scale to measure the perceived value after customers completed a purchase. Therefore, SER-PERVAL is only suitable to measure perceived value of service in the post-purchase stage.

The aforementioned studies do not approach the issue of measuring perceived value on the same ground: the evaluation context, or more specifically, the timing of purchase. Petrick and his colleague even applied Grewal et al.'s (1998) scale developed for pre purchase situations to post purchase situations (Petrick & Backman, 2002b).

Sweeney and Soutar (2001) claimed that their PERVAL scale applies to both pre purchase stage and post purchase stage. But based on the discussion of the above mentioned literature, the possibility of one single scale to measure perceived value in two different situations seems slim. Actually, the authors developed the scale from a sample of respondents who had seen the product but didn't buy it and then purified the scale on another sample. There are no empirical studies testing the scale on a pre purchase context.

Grewal, Monroe et al. (1998) developed scales to measure the two determinants of perceived value: perceived transaction value and perceived acquisition value. Likewise, a few studies (Al-Sabbyhy, Ekinci, & Riley, 2004; Jayanti & Ghosh, 1996; Petrick & Backman, 2002b) in the hospitality and tourism literature have attempted to use both transaction value and acquisition value to explained tourists' perceived value.

To develop scales measuring transaction value and acquisition value, Grewal, Monroe et al. (1998) used a bicycle as an offer. Buyers' acquisition value of the bicycle was measured using nine Likert statements that built on past scales of perceived value (e.g., Dodds et al, 1991). Some of the items are: "I feel that acquiring this bicycle meets both my high-quality and low-price requirement," "I would value this bicycle as it would meet my needs for a reasonable price;" and "This bicycle would be a worthwhile acquisition because it would help me exercise at a reasonable price." (p. 51). The authors considered the essence of transaction value to be the pleasure buyers get from finding and taking advantage of a price deal. Hence they measured perceived transaction value using the following three Likert statements: "Taking advantage of a price-deal like this makes me feel good;" "I would get a lot of pleasure knowing that I would save money at this reduced sale price;" and "Beyond the money I save, taking advantage of this price deal will give me a sense of joy" (p.51). It needs to be noted that the two scales were developed to measure the perceived value of a tangible, single-item product – a bicycle. They may not be applicable to the value measurement for intangible products (services), or to the value measurement for a bundle of products/services.

More recently, Al-Sabbahy et al. (2004) applied the two-dimensional value scale developed by the aforementioned study to the hospitality services: hotels and restaurants. The 12-item perceived value scale developed by Grewal et al. (1998) was adapted to the evaluation of hotel and restaurant services. Modification of the scales included: changing the tense of the statements from present to past to capture post-consumption evaluation, and rewording some of the statements so as to suit the attributes of hotels and restaurants. The scale was applied to two samples, one of hotel customers and the other of restaurant customers. For both of the samples, the authors tested the reliability and validity of the scale. One of the items in the acquisition value scale was deleted in order to achieve higher reliability. However, although the 11-item scale was found to be reliable, the two-dimensional model was not valid because a poor fit was obtained in the SEM analysis. The validity of transaction value was very poor. The authors concluded that in the context of hospitality services, perceived value was in fact unidimensional. But they made a mistake because the two-dimensional scale of perceived value was developed by Grewal et al. (1998) to measure value perception in the pre-purchase phrase and Al-Sabbahy et al. applied it to measure the value in the post-purchase phrase. Since perceived value is a dynamic construct and varies at different times (experienced before purchase, at the moment of purchase, at the time of use, and after use) (Ravald & Gronroos, 1996; Parasuman & Grewal, 2000; Petrick, 2002; Sanchez et al., 2006), the disagreement on the dimensionality of the construct can be attributed to the different timing of evaluation. In other words, since value changes over time, the dimensionality of value may not be the same through out the whole purchase process.

Al-Sabbahy et al. (2004) argued that the acquisition value concept represented the essence of perceived value while transaction value was characterized as "additional value beyond that provided by acquisition value" (Grewal et al., 1998, p 48). They explained that conceptually, the definition of transaction value (the perception of psychological satisfaction or pleasure obtained from taking advantage of the financial terms of a price deal) makes it hard to separate from acquisition value. Moreover, the operationalization of transaction value with three items by Grewal et al. also imposed a problem since only the first part of the definition (i.e. psychological satisfaction or pleasure) was measured. To solve the problem, Al-Sabbyby et al. provided a suggestion that assessing the customers' perception of the service price as compared to their reference price could be an approach to measure the actuality of transaction value.

To study post-purchase perceived value, Sanchez et al. (2006) developed a scale of measurement of the perceived overall value of a purchase of a tourism product, where the tourists evaluate not only the consumption experience but also the purchase experience. By drawing up the items from a qualitative study and following the structure proposed by Sweeny and Soutar (2001), the authors used a 40-item scale as an initial measurement. The refined scale consists of 24 items grouped in to six dimensions: (1) functional value of the travel agency (installations); (2) functional value of the contact personnel of the travel agency (professionalism); (3) functional value of the tourism package purchased (quality); (4) functional value price; (5) emotional value; and (6) social value. The research identified both cognitive components and affective components in the perceived

value variable. Cognitive components are related to the traditional view of perceived value, as being a comparison between "getting" and "giving", while affective components related to the internal feelings toward "not only the product but also the sales outlet" (Sanchez et al. 2001, p.405) generated by the experience of purchase and consumption. The tourist's memory of the price paid was considered the most important of all the cognitive components.

In a study of tourist values concerning war-related tourism by Lee, Yoon and Lee (2007), a multi-dimensional scale of perceived value was developed and the three underlying dimensions of tourist's perceived value were functional value, overall value and emotion value.

Relationships among Perceived Value and Other Constructs (Service Quality, Satisfaction, Purchase/Repurchase Intention, and Loyalty)

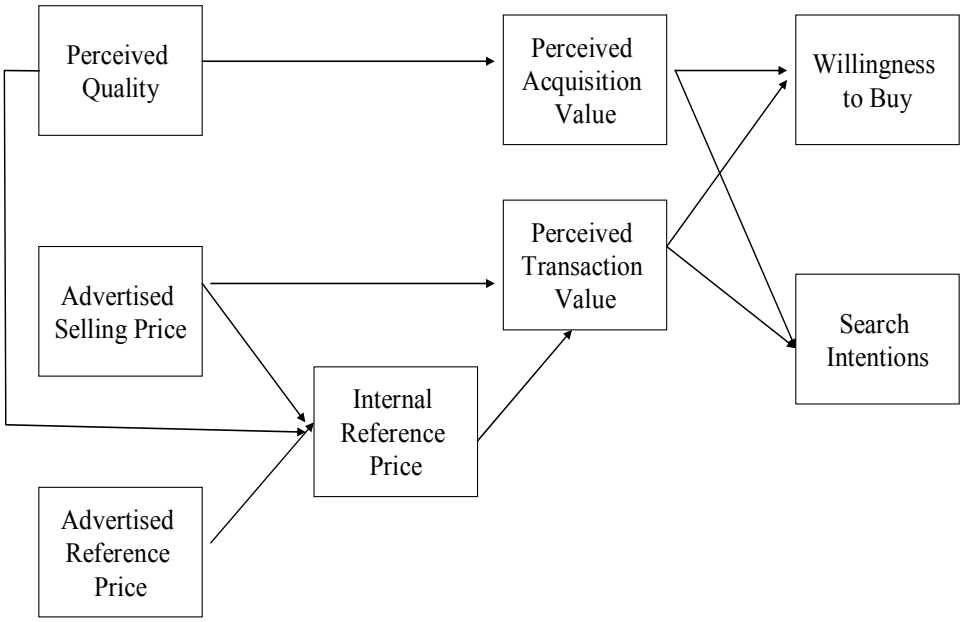
Zeithaml (1988) states that "quality and value are not well differentiated from each other and form similar constructs such as perceived worth and utility" (p.471). Sanchez et al. (2006) claimed that perceived quality is an antecedent of perceived value.

In the research by Grewal et al. (1998), the relationships among six constructs were tested. These six constructs are Internal Reference Price, Perceived Quality, Perceived Transaction Value, Perceived Acquisition Value, Search intentions, and Willingness to buy (Figure 2). Two studies with different samples were conducted, both of which used a

2X2 between-subjects experimental design. In Study 1, the subjects were undergraduate students, while in Study 2, the subjects were staff employees at the same university. The results of their studies include: acquisition value has considerable influence on buyers' willingness to buy; perceived transaction value influences willingness to buy and intentions to search through its effect on perceived acquisition value; and perceived transaction value is a function of the selling price and buyers' internal reference price (i.e. average market price estimate and fair price estimate).

Service quality, perceived value and customer satisfaction have been suggested to have an influence on customers' post-purchase behavior (Tam, 2000). Tam's research aims to examine the crucial role these variables play in shaping post-purchase behavior within the context of restaurant the industry. Data were collected by means of self-administered questionnaires. The results of structural equation modeling revealed that customer satisfaction had the strongest effect on behavioral intentions, followed by perceived value. The effect of service quality on behavioral intentions was mediated through customer satisfaction.

Figure 2: The Model of the Effects of Price Comparison Advertising on Perception of Value



(Source: Grewal, Monroe et al., 1988)

The results of Lee, Yoon and Lee (2007)'s research indicate that perceived value has a significant and positive effect on tour satisfaction of the tourists, which in turn influences tour recommendation to other tourists. The authors developed a scale from both a literature review and qualitative research with real tourists to measure tourists' perceived value of a Korean DMZ (demilitarized zone) as a tourism destination, which resulted in a 15-item scale. By using factor analysis, three dimensions of perceived value were developed: functional value, overall value, and emotional value. Tests with structural equation modeling found that the dimension of overall value has the largest influence on tour satisfaction among the perceived values, followed by functional value, and then emotional value.

Ryu, Han and Kim (2008) emphasized the significant role of image and value as key strategic variables in explaining customer post purchase behaviors. Their study showed that the inclusion of image and value in addition to customer satisfaction in one model not only highlights the importance of restaurant image and value, but also provides a more comprehensive understanding of their effect on both customer satisfaction and behavioral intentions. This also suggests that restaurant image, value, and customer satisfaction should be included when measuring customers' behavioral intentions in the quick-casual segment. The results indicate that overall quick-casual restaurant image significantly influences perceived value, and overall quick-casual restaurant image and perceived value had a significant role in influencing customer satisfaction. Additionally, overall quick-casual restaurant image, perceived value, and customer satisfaction are significant predictors of customers' behavioral intentions. Finally, customer satisfaction

can act as a partial mediator in the relationship between overall quick-casual restaurants image/perceived value and behavioral intentions.

Moliner, Sánchez, Rodríguez, and Callarisa (2007) proposed that relationship quality needs to be considered when measuring the lifetime value of a customer. The indicators that determine the construct of relationship quality are satisfaction with the relationship, the customer's trust and the customer's level of commitment. The paper investigated how the postpurchase perceived value of a tourism package influences the relationship quality with a travel agency. Gummesson posits the existence of a causal link between perceived value and relationship quality. The results show that the tourist's satisfaction is the key variable in the relationship quality. Affect plays a fundamental direct role in long-term valuation, while cognition is more influential in the short term.

One study (Chen & Tsai, 2008) examining the drivers of TV-shopping customer loyalty, hypothesized that perceived value and satisfaction have positively direct effect on loyalty, and that satisfaction mediates the value–loyalty relationship. The findings show that the effect of perceived value on satisfaction is supported but, surprisingly, the effect of satisfaction on loyalty is not supported. The results imply that TV-shopping customer loyalty can be generated by enhancing a customer's perception of product/service value. Although offering higher product/service value can lead to higher customer satisfaction, the mediation effect of satisfaction on the value–loyalty relationship, which is frequently evident in other studies, does not exist in our study's setting. The authors concluded that value creation appeared to be an effective strategy to retain customers. They suggested the TV-shopping channels either provide accurate and clear product comparison

information among competitors in the TV program or select the travel product providers with good reputation in marketplace as alliance.

Consumers' Evaluation of Bundles

Extensive studies have been done on bundling, among which is research about consumer evaluation of bundling. Evaluation of any marketing offers including bundling offers could be affected by consumer knowledge (Sujan, 1985), by consumers' purchase plan (Suri & Monroe, 1995), by extrinsic product cues (Teas & Agarwal, 2000), by pricing and discounts (Dodds et al., 1991; Grewal, Krishnan et al., 1998); and by brand name or store name (Grewal, Krishnan et al., 1998; Simonin & Ruth, 1995). Meanwhile, it has also been proved by previous research that the perception of value has an influence on consumer's purchase decision making (Della Bitta, Monroe, & McGinnis, 1982; Dodds et al., 1991; Grewal, Monroe et al., 1998; Tam, 2000).

Effects of Price Information on Evaluation

In the consumer behavior literature, researchers have explored the processes people employ to value overall bundles and items within bundles (Harlam, Krishna, Lehmann, & Mela, 1995; Yadav & Monroe, 1993). These works suggest that price bundling often can and should decrease price sensitivity and increase purchase likelihood of purchase.

Yadav and Monroe (1993) tried to examine buyers' perceptions of savings when they evaluate a bundle offer and to test the relative effects of savings offered on individual items and of savings offered directly on a bundle of items. Based on Thaler's (1985) proposal that the overall utility of single-item transactions could be conceptualized as composed of acquisition utility and transaction utility, the authors extended the conceptualization to the case of bundle offers and suggested that buyers' overall utility of a bundle offer could be explored by investigating the factors that influence acquisition utility and transaction utility. However, Yadav and Monroe focused their research on the formation of buyers' transaction utility (value) because they were concerned with how sellers should present price information in a bundle to enhance buyers' perceived transaction value. Hence, they presented three different frames to examine which frame is theoretically more plausible:

Frame 1: Total transaction value is only the perceived additional savings on the bundle.
Frame 2: Total transaction value is a combination of perceived additional savings on the bundle and perceived savings offered on the items if purchased separately. (Savings on the items and additional savings on the bundle are perceived as two separate savings).
Frame 3: Total transaction value is perceived as a comparison of the sum of the items' regular prices to the bundle price (Savings on the items and the bundle are not perceived separately but jointly).

Results from a laboratory experiment support Frame 2 as the most likely way buyers form perceptions of savings in the type of bundle offers, a bundle of two luggages. They

also found that additional savings offered directly on the bundle have a greater relative impact on buyers' perceptions of transaction value than savings offered on the bundle's individual items.

Below are the definition and the operationization of transaction value by Yadav and Monroe (1993, p. 353 & p.357).

Total transaction value: The perception of overall savings associated with purchasing the bundle of items as a set.

1. Overall, if I bought both A and Bas a set, the deal I would be getting is …
2. Overall, buying both A and B as a set appears to be good bargain.
3. Overall, if I bought both A and B as a set, I would be taking advantage of an attractive price reduction.

Items' transaction value: The perception of savings associated with purchasing all the bundle items separately.

1. Even if I bought both A and B separately at their sale prices, I would still be saving a lot of money
2. Even if I bought both A and B separately at their sale prices, I would still be getting a good bargain
3. Even if I bought both A and B separately at their sale prices, I would still be taking advantage of an attractive price reduction

4. Even if I bought both A and B separately at their sale prices, the deal I would be getting will be …

Bundling transaction value: The perception of additional savings associated with purchasing all the bundle items as a set, versus purchasing them separately.

1. Compared to the cost of buying both A and B separately at their sale prices, the additional savings I can get by buying both A and B as a set are
2. Compared to the cost of buying both A and B separately at their sale prices, buying both A and B as a set costs much less
3. Compared to the cost of buying both A and B separately at their sale prices, buying both A and B as a set saves me a lot of money
4. Compared to the cost of buying both A and B separately at their sale prices, buying both A and B as a set offers very attractive savings

Yadav (1994) maintained that people scan a bundle to identify the most important or focal product, evaluate this product at its price, and then move on to evaluate other products in the bundle, updating the bundle evaluation as they proceed. He developed and tested a model of bundle evaluation in which buyers anchor their evaluation on the item perceived as most important and then made adjustments on the basis of their evaluation of the remaining items. Two computerized laboratory experiments were conducted and the results suggest that people tend to evaluate bundled items in a decreasing order of perceived importance and then make adjustments to form the overall evaluation of the

bundle. The study also found that a price reduction on the preferred item is more effective for enhancing bundle evaluations than an equivalent discount on the less preferred item.

Simonnin and Ruth (1995) investigated the effects of bundling on consumers' reservation prices for the bundle and its components including a new product (i.e., the primary product) and a tie-in product. Based on a quasi-experimental procedure (n = 180) involving mixed-product bundles of personal care products, the study examined the effect of the product combination, the form of the bundle (whether a within- or between-brand bundle), and attitudes toward the brand(s) as important determinants of consumers' evaluation of the bundle itself. The results show that prior attitudes toward the component brands significantly affect the evaluation of the bundle, which, in turn, mediates the influence of these prior attitudes on consumer reservation prices for the bundle itself and, subsequently, for both the new product and the tie-in individually.

Janiszewski and Cunha Jr. (2004) claimed that the evaluation of a bundle offer is sensitive to the framing of the prices and discounts in the presentation of the offer. They proposed that price discount framing (i.e., assigning discounts to individual products in the bundle) would have an effect on the evaluation of the bundle via its differenctial impact on the perceived value of the individual product offers in the bundle. The authors considered the weighted additive model developed by Yadav (1994) to have some shortcomings: (1) it's often difficult to anticipate which product in a bundle is the most important one to the consumers, and (2) the model implicitly assumes a constant utility function. Hence, by combining the weighted additive model and the reference-dependent

model which relies on a value function (Tversky & Kahneman, 1991), the authors conducted six experiments to examine the influence of price discount framing on the bundle evaluation. The results of the experiments provide evidence that consumers subjectively value individual products in a bundle and then sum these values to arrive at an overall evaluation of the bundle.

Harlam et al. (1995) looked at the factors influencing consumers' purchase intention for a bundle. Their article concentrates on some tactical issues of bundling, such as which types of products should be bundled, what price one can charge for the bundle, and how the price of the bundle should be presented to consumers to improve purchase intent. By using an interactive computer experiment conducted among 83 Master of Business Administration (MBA) students to test the proposed hypotheses, the study's findings suggest that: (1) bundles composed of complements have a higher purchase intent than bundles of similar or unrelated products, (2) consumers are more sensitive to a bundle price increase than to a bundle price decrease of equal amounts, (3) different presentation formats for describing the price of the bundle influence purchase intention, and (4) more familiar subjects respond to different presentations of equivalent bundles in different ways than less familiar subjects. But there is no evidence to prove that bundles composed of similarly priced items have higher purchase intent than bundles composed of unequally priced products.

Sheng (2004) argued that a common limitation in existing research about bundling is that current research efforts primarily focus on transaction value, examining how consumers

may use price information to evaluate the bundle (Yadav & Monroe, 1993), while consumer evaluations of an offer can be decomposed into two forms of utility (values): acquisition utility and transaction utility (Thailer, 1985). He further argued that research on bundling had ignored the effects of the bundle on evaluations of individual bundle components in the market. He thought that a bundling offer changed the environment in which an individual product was evaluated. Drawing from mental accounting, reference price, attribution and categorization theories, Sheng proposed that bundle price discounts will influence perceived prices and quality of the individual bundle components, thus influencing purchase intentions. By investigating how these bundling effects interplay with the forms of bundling, complementarities and brand images of bundle components, the empirical results of the study indicate that the impact of bundle price discount on evaluations of individual bundle components varies across bundling forms. In a mixed-joint bundle, the price discount increases consumer perceptions of the regular price of bundle components, but does not change quality perceptions. In a mixed-leader bundle, the price discount hurt consumer price and quality evaluations of the discounted product, but increased the undiscounted product's perceived quality. These effects are moderated by complementarity and the brand images of bundle components. Implications of these findings for marketing researchers and managers are presented along with suggestions for further research.

Noting that the effects of price bundling on post purchase consumption behavior had received almost no attention, Soman and Gourville (2001) examined the phenomenon of transaction decoupling of costs and benefits caused by bundle pricing strategy. The

authors built their research based on the sunk-cost literature (e.g. Arkes & Blumer, 1985; Thaler, 1980, 1985). Sunk-cost effect has been defined by Arkes and Blumer as the "greater tendency to continue an endeavor once an investment in money, time, or effort has been made" (1985, p.124). Thaler (1980) noted that a family is more likely to brave a snowstorm and drive to that a basketball game when they have paid $40 for tickets than when they have received those same tickets for free. Similar to mental accounting, sunk-cost effect is a violation of rational economics (Thaler, 1985; Soman & Gourville, 2001).

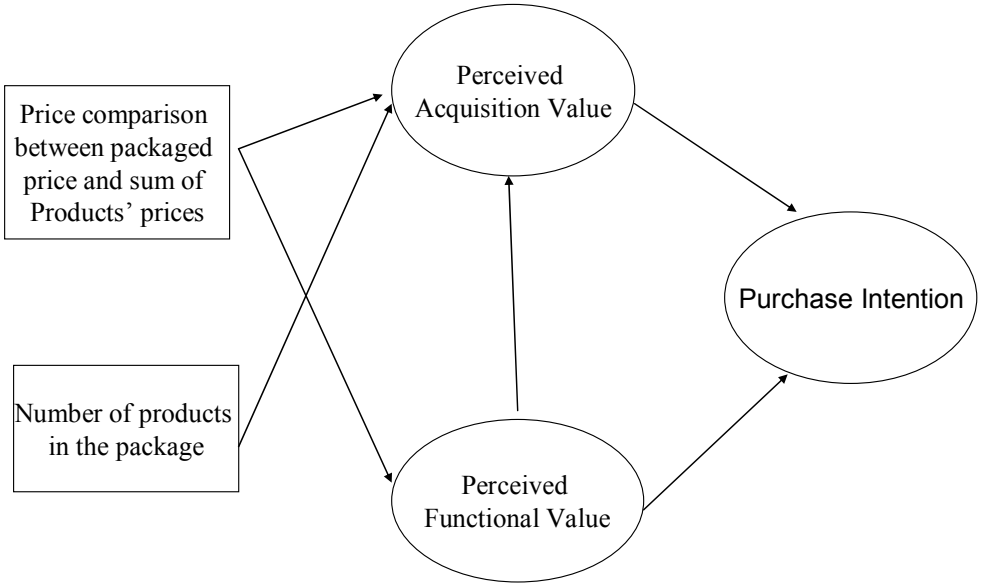
However, the practice of price bundling strategy may have an effect on transaction decoupling. To illustrate an example of and relationship between bundling and sunk-cost effect, Soman and Guourvill (2001) gave the following scenario: one customer paid $40 for each of four day lift tickets to different vendors and another paid $160 for a four-day ski pass. Both men have enjoyed three days of skiing in perfect conditions. But the forth day had bad ski weather. Under this situation, the second customer was found to be more likely to give up skiing than the first customer because the sunk-cost effect had been moderated by the ambiguity inherent in a bundled transaction. The results of the four studies designed to test this relationship show that under the influence of the effects of transaction decoupling (the disassociation of a product's costs and benefits as a result of price bundling), consumers are found to be more likely to forgo consumption and demand less compensation for an individual benefit that is purchased as part of a bundle. From another way of thinking, this may help explain the study done by Venkatesh and Mahajan (1993) who found that consumers who were less sure of use were less likely to purchase

bundled tickets for a series of musical performances, presumably because the risk of wasting money on an unattended performance reduced the value of the bundle.

Most often, the components in a vacation package are complementary products or services meeting people's different needs in accommodation, meals, entertainment, etc. while away from home. In this meaning, vacation package is more a marketing tool using product bundling strategy. But in order to encourage travelers to buy the packages, sellers often advertise 'get a discount by purchasing a package', so they are using price bundling strategy too. Therefore, the bundled price could be lower than, higher than, or the same as the sum of items in the package. Price information has been proved to have an impact on buyers' product evaluation by previous studies (e.g Dodds et al., 1991; Grewal, Krishnan et al., 1998; Grewal, Monroe et al., 1998)

Based on the literature review, the theoretical model (Figure 3) is presented to be empirically tested. It is proposed that the comparison between the packaged price and the sum of all items in the package will affect consumers' evaluation of the bundle. The selling prices of the separate items will be used as a reference when buyers evaluate the price element of the package.

Figure 3: The Proposed Model



Therefore, the first proposition and two hypotheses are developed as following:

Proposition 1: The price comparison between the packaged price of a vacation package and the sum price of the separate items in the package will have an effect on consumers' value perception of the package.

H1: The greater the discount of a packaged price off the sum of the separate items in the package, the higher the perceived acquisition value of the package.

H2: The greater the discount of a packaged price off the sum of the separate items in the package, the higher the perceived transaction value of the package.

Effects of Product Benefits and Costs on Value Perception

From an intrinsic perspective of understanding consumer behaviors, Harris and Blair (2006b) argued that it is critical to examine the factors that might drive consumer preference for bundles versus individual items. To inspire more research on utilities and disutility associated with bundling from a consumer perspective, the two scholars conducted a study to examine one possible driver of bundle preference: reduced search and assembly costs. It was projected that the perceived value of a bundle may be influenced by utilities or disutilities created by the act of bundling. A bundle may carry costs or benefits for consumers over and above the sum of their parts. Costs might include reduced freedom of choice and heightened risk of waste. For example, Kinberg

and Sudit (1979) argued that although bundled vacation packages may be less costly for a business to provide, the lower freedom of choice (compared with a la carte offerings) makes them less valuable to consumers, and the resulting need to discount packages may make them less profitable.

Harris and Blair (2006a; 2006b) were interested in how marketers can increase consumer preference for bundled items. They examined the effect of functional compatibility risk on consumers' preference for product bundles vis-à-vis separate items. The authors argue that there are two reasons why consumers may associate the purchase of a bundle with less risk than the purchase of separate components. First, some products in the bundle may be viewed as less risky because of an implied endorsement from a bundling partner (Simonin & Ruth, 1995). Second, consumers may perceive that a bundle is more likely to perform well than non-bundled items (or less likely to perform poorly) because the products in the bundle are designed to go together. In a laboratory experiment, 90 undergraduate business students were asked to choose bundled or unbundled stereo equipment after reading product information that either did or did not prime fears of functional compatibility risk. The results indicate that heightening the salience of functional compatibility risk may be a practical way for marketers to increase consumers' choice of bundled products, particularly among consumers who are more uncertain of their product knowledge. These results have practical implications for marketers attempting to increase sales of product bundles. The salience of functional compatibility risk could be raised by using a neutral third party source to heighten fears of incompatibility. Assuming that concern about functional compatibility is warranted, a

manufacturer or retailer could draw on available third party information (such as the Consumer Reports information used in this study) to highlight the risk in marketing materials and/or point of purchase displays. Salespeople could also highlight functional compatibility risks to the customer. A retailer or manufacturer could also use a customer's existing concerns of functional compatibility risk to gain competitive advantage by offering bundled options.

Benefits coming with bundles might include reduced compatibility risk in the case of deficient product knowledge (Harris and Blair, 2006b) and lower search or assembly effort (Harris & Blair, 2006a). In Harris and Blair's (2006a) research, three focus groups were conducted to find out what people like and dislike about bundles. Participants said that bundling limits freedom of choice and often results in a set of items that is less desirable than if the items had been self-assembled, but it also provides a useful, value-adding service for people who do not have the time or skills to assemble items themselves. The ability of bundling to reduce search time and decision complexity drew widest agreement among participants. Results of the subsequent two experiments provide empirical evidence that bundles are preferred by consumers in circumstances in which search costs are reduced by the choice of a bundle.

In the case of a vacation package, the products/services usually meet a traveler's various needs while away from home, therefore, functional compatibility risk should be not a big concern. However, search costs including time and energy involved in assembling a vacation package will be a burden for many travelers. A package with all the necessary

products/services will save non-monetary costs and will be attractive to these travelers. The more items in a package, the more search costs will be saved for the travelers. At the same time, however, the more items included in a package, the less freedom of choice and the less flexibility in trip arrangement can the travelers have. Therefore, it is proposed that the package size (i.e. the number of items in a package) plays an important role in travelers' evaluation of the package.

According to the definitions of acquisition value and transaction value, the impact of package size has only impacts on acquisition value, but not transaction value which is influenced only by the price aspect of a bundle. Formally Proposition 2 and Hypothesis are proposed as following:

Proposition 2: The number of items in a package will have an impact on the value perception of the package.

> *H3: The number of items in a package has a curvilinear relationship with the perceived acquisition value of the package. (After the two pretests, this hypothesis was changed.)*

Furthermore, the package price will interact with the number of items in affecting the perceived acquisition value. The following proposition and hypotheses are therefore proposed:

H4: There is an interaction effect between the number of items and the price comparison between the package price of a vacation package and the sum price of the separate items on the perceived acquisition value of the package.

It should be noted that the influence of item number will only take place on perceived acquisition value and should not be related to the perceived transaction value which can only be perceived when consumers feel a 'good deal' with price discount involved.

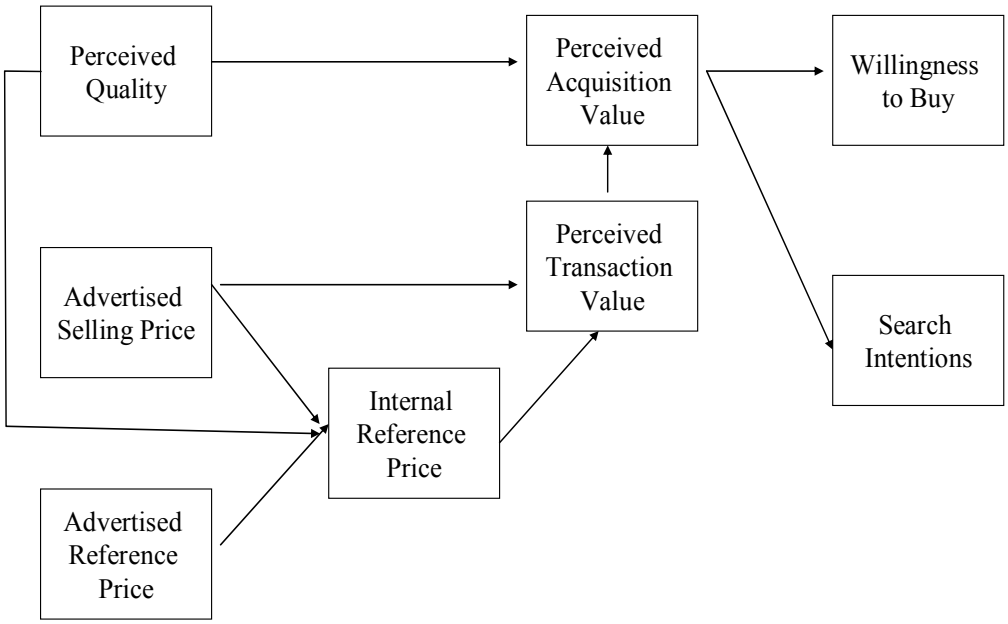
Relationship between Perceived Acquisition and Transaction Value

It was assumed by some scholars that perceived acquisition value and perceived transaction value were independent of each other (Monroe & Chapman, 1987; Thaler, 1985). Grewal, Monroe et al. (1998)'s study examined the possibility that the two components of perceived value are not independent constructs and one of the two components is an antecedent of the other.

Grewal, Monroe et al. argued that perceived transaction value enhanced buyers' perception of acquisition value. In the absence of a price promotion, buyers' perceptions of value are formed from a mental trade-off between perceived quality (or benefits) and price (Dodds et al., 1991; V. Zeithaml, 1988). The authors therefore postulated that buyers would perceive a price promotion as enhancing the overall value of an acquisition. Thus in their adjusted model (Figure 4), they suggested that perceived acquisition value was a function of perceived quality and perceived transaction value. The empirical testing

showed that perceived transaction value had a positive influence on perceived acquisition value, and the effects of perceived transaction value on purchase and search intentions were mediated by perceived acquisition value.

Figure 4: The Alternative Model of the Effects of Price Comparison Advertising on Perception of Value



(Source: Grewal, Monroe et al., 1988)

The above model and the tested relationship between perceived transaction value and perceived acquisition value were set in a situation of a single-item tangible product. In the context of a bundling offer – a vacation package, the relationship between the two constructs is postulated to hold true. Hence the 5th hypothesis is proposed:

H5: The higher the perceived transaction value of a vacation package, the higher the perceived acquisition value of the package.

Purchase Intention of a Package

The theory of planned behavior (Ajzen, 1991) indicates that behavioral intention is a very powerful predictor of actual behavior. Purchase intention has been used as an alternative measure to purchase behavior since "intension provides a link between consumers' reactions to products and their acquisition or use of the products" (Kim & Littrell, 1999, p. 153).

Mulhern and Leone (1990) studied how retailers use advertised price promotions to attract customers and stimulate store traffic and sales. They did a natural experiment involving a change in a grocery store's promotion strategy from featuring many items at small discounts, to a few items at deep discounts. Results of a time series intervention analysis indicate that such a change in strategy led to an increase in chain-level sales dollars but did not affect customer traffic. One implication of the study is that the number of discounted items and the size of discount have significant impacts on consumer purchase behaviors.

Another very similar construct, willingness to buy, is defined as the likelihood that the buyer intends to purchase the package (Dodds et al., 1991). Willingness to buy was measured with a three-item scale in Grewal and Monroe's (1998) study: 1) If I were going to buy a vacation, the probability of buying this product is… 2) The probability that I would consider buying this product is… and 3) The likelihood that I would purchase this product is….

The two concepts are very similar but purchase intention is more universal. Therefore, in the current study, purchase intention is used as the construct to represent purchase behavior.

Through synthesizing the efforts to conceptualize the effects of quality, satisfaction, and value on consumers' behavioral intentions, a study done by Cronin, Brady, and Hult (2000) reports an empirical assessment of a model of service encounters that simultaneously considers the direct effects of these variables on behavioral intentions. The authors adopted Zeithaml's (1988) definition of value but they used only two direct measures of value in the survey to capture the value construct (scaling from "very low" to "very high" on a 9-point scale): 1) Overall, the value of this facility's services to me is; 2) Compared to what I had to give up, the overall ability of this facility to satisfy my wants and needs is.

To measure behavioral intentions, the authors developed three statements: 1) The probability that I will use this facility's services again is… 2) The likelihood that I would

recommend this facility's services to a friend is… and 3) If I had to do it over again, I would make the same choice.

They built their theory on Zeithaml, Berry, and Parasuraman's (1996) study that suggests favorable behavioral intentions are associated with a service provider's ability to get its customers to 1) say positive things about them, 2) recommend them to other consumers, 3) remain loyal to them (i.e., repurchase from them), 4) spend more with the company, and 5) pay price premiums. A number of notable findings are reported including the empirical verification that service quality, service value, and satisfaction may all be directly related to behavioral intentions when all of these variables are considered collectively. The results further suggest that the indirect effects of the service quality and value constructs enhanced their impacts on behavioral intentions.

Kwun and Oh (2004) developed a model integrating brand, price, and risk effects on restaurant customers' value formation and then the effects of perceived value and variety-seeking on customers' behavioral intentions in both pre- and post-purchase decisions. They used a three-item scale to measure perceived value: (1) I feel I would get (got) my money worth at XYZ; (2) XYZ would offer (offered) good value for the price; (3) The value XYZ offers (offered) for its price would be…. The results of the study confirmed that customers' value formation process is different between pre- and post- dining occasions. Perceived value mediated the effects of brand, price, and risks on consumers' behavioral intentions. The study also showed that perceived risk was the most important antecedent of perceived value, in both pre- and post-purchase decisions. Meanwhile,

brand class had a positive effect on perceived value. However, price was not as important in value formation to restaurant patrons.

In a study of leisure travelers' attitudes toward online hotel booking, Chiang and Jang (2006) investigated the effects of perceived price and brand image on perceived quality, trust, perceived value, and travelers' purchase intentions. The results of their study suggest that if leisure travelers perceive that a price offered by a hotel is more affordable than their internal price standard or competing prices, they tend to believe that quality might be low, but they tend to have high consumer value and are more likely to have greater purchase intention. They also found that although perceived price was significant enough to determine purchase intention, value was the more important determinant of purchase intention.

Myung, McCool and Feinstein's (2008) study examined attributes that contribute to consumer meal choice decisions within a prix fixe menu. Drawing on typologies of consumer purchase behavior, factors potentially influencing consumers' meal choice are identified and empirically tested. The results showed that consumers consider value for price as the most important consideration for their meal bundle choices. The study found that, on average, people attached greater importance to value for price when choosing a meal for their prix fixe menus. The findings indicate that consumers are likely to select more expensive menu items than less expensive ones to be included in their meal bundle. The study suggested restaurateurs should emphasize price as an important marketing strategy to influence consumers' formation of value. For example, if a restaurant wants to have a high sales volume for an item that provides a desirable profit margin and that item

is included as a prix fixe menu bundle option, the price of that item, if purchased as an a la carte item can be set at a high level, relative to the other menu bundle options, thus encouraging consumers to select that item as a component of their prix fixe bundle.

Proposition 3: Perceived value of a package will have an impact on the purchase intention.

H6: The higher the perceived acquisition value of a package, the higher buyers' purchase intention of the package.

H7: The higher the perceived transaction value of a package, the higher buyers' purchase intention of the package.

Chapter Summary

Bundling strategies have been widely used by marketers to increase sales. Product bundling and price bundling are for the consumer different tools. Compared to separate product items, a bundle of products have advantages such as reduced monetary cost and non-monetary cost (time and efforts); while at the same time have some disadvantages such as lost of choice freedom and possible waste of money because of no-use.

Scholars advocated more research on understanding consumers' psychology and behaviors of making purchase decision of bundled products. Perceived value is a very

important concept for marketers to understand consumers so that they can establish competitive advantage.

Literature review on customer evaluation of bundles shows that most researchers decomposed perceived value of a bundle into perceived acquisition value and perceived transaction value. However, there are few studies on assessing both of the two components of perceived value and how they add up to the value perception of a bundling offer. Most of the studies focus only on transaction value of a bundle.

Although many researchers agree that perceived value is a viable construct that changes through the entire purchase process: pre-purchase stage, during the purchase, and post-purchase and consumption, there are no clear arguments on the necessity of a timing factor (i.e. stage of purchase) in the measure of the construct. Scales developed for the pre-purchase perceived value were applied to measure the post-purchase perceived value. The PERVAL and SERV-PERVAL are applicable only to post-purchase situations. Because of the neglect of a timing factor in measuring perceived value, the dimensionality of perceived value has not been agreed upon. The validity and reliability of scales measuring the two components are also in question, for the same reason. There is a need to clarify that since value perception changes over time of the purchase process, its dimensionality may change before and after the purchase decision. Any research aiming to measure perceived value should make clear the situational contexts of the measurement. In the pre-purchase stage, perceived value is composed of two determinants: perceived acquisition value and perceived transaction value. In the other

stages of the purchase-consumption process, the dimensionality of perceived value may change. In the current study, the context is about value perception in the pre-purchase stage, so the notion of perceived value consisting of acquisition value and transaction value is adopted.

Vacation packages are a form of bundling strategy and are offered by almost all travel agents. Current literature on vacation packages mostly profiles the different characteristics of package segments and independent travel arrangement segments. A couple out-of-date studies tried to answer the question of why travelers purchase packaged tours. However, no updated research has been done on exploring the factors that influence consumers' preference for packaged tours at one price to assembling multiple items for a vacation. Nor have been examined the effects of sellers' bundling strategies on travelers' evaluation of the package and their purchase intention. There should be some empirical evidence to guide travel agents on what kinds of bundling strategies they should take to increase the acceptability of their package vacation offers.

Previous research has proved that there is a positive relationship between perceived value and purchase intention. Compared to perceived price, value was the more important determinant of purchase intention (Chiang & Jang 2006).

CHAPTER III: METHODOLOGY

Introduction

The preceding chapters defined the research problems and built up the theoretical foundation for the proposed model that is comprised of the constructs to be addressed by this study. The research objectives are trying to find out whether bundling strategies (pricing and number of components in a bundle) taken by travel agents have an impact on travelers' perceived acquisition value and perceived transaction value of a vacation package as a bundling offer; and how the two value perceptions impact intention to purchase the package.

This chapter details the methodology used in this study to empirically test the model. The first section of the chapter discusses the development of the measurement instruments for the constructs of acquisition value, transaction value, and purchase intention as dependent variables. Travel agents' bundling strategies (particularly the price comparison between packaged price and sum of the package, and the number of items in the package) are treated as independent variables. The second section presents the research design with survey design, sampling method and pre-test plan. The third section discusses the statistical tools used to analyze the data and test the hypotheses.

Proposed Hypotheses

The proposed model (Figure 3) is presented here again with a summary of all the developed hypotheses to be empirically tested in the study.

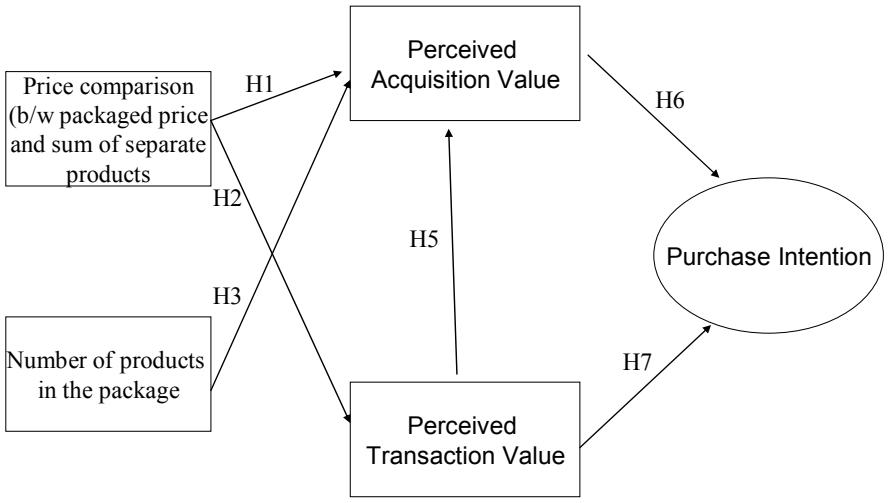


Figure 3: The Proposed Model

H1: The greater the discount of a packaged price off the sum of the separate items in the package, the higher the perceived acquisition value of the package.

H2: The greater the discount of a packaged price off the sum of the separate items in the package, the higher the perceived transaction value of the package.

H3: The number of items in a package has a curvilinear relationship with the perceived acquisition value of the package. (After the two pretests, this hypothesis was changed)

H4: There is an interaction effect between the number of items and the price comparison between the package price of a vacation package and the sum price of the separate items on the perceived acquisition value of the package. (Not shown in the model)

H5: The higher the perceived transaction value of a vacation package, the higher the perceived acquisition value of the package.

H6: The higher the perceived acquisition value of a package, the higher the buyers' purchase intention of the package.

H7: The higher the perceived transaction value of a package, the higher the buyers' purchase intention of the package.

Research Design

Survey Design

In order to test the effects of sellers' bundling strategies (bundling price strategy and product strategy, specific number of items in the package) on the dependent variables, a between-subject experimental design with scenario descriptions was adopted. The scenario descriptions set a similar situation for every respondent: that they were planning a 5-day domestic leisure trip to Orlando, Florida. They were told they were evaluating the package offers 10 days before the actual trip. The only different elements were the

number of items in the package and the packaged price compared to the sum of all the separate product components.

The survey consisted of four parts. The first part was the description of scenarios. The second part included the scales to measure the constructs in the model: acquisition value, transaction value, and purchase intention. The third part included travel experience and the experience of purchasing a vacation package. The fourth part asked about the demographic information for the respondents.

Two pretests with student samples were conducted in the hope to achieve two purposes: first, to refine the measurement scales of acquisition value and transaction value, and second, to decide the levels of the two attributes of bundling strategies (price comparison and number of items).

For the first pretest, a 3x4 between-subject experiment was conducted. Number of items in a package had 3 levels: 2 items (basic package with hotel and flight), 4 items (flight, hotel, rental car, and theme park tickets), and 6 items (flight, hotel, rental car, theme park tickets, travel insurance, and 5 meals). The other factor, bundled price compared to unbundled prices, had 4 levels: 5 % higher than, same as, 5 % lower than, and 10% lower than the sum price of separate items. Thus, the factorial experiment had 12 (3x4) cells with 12 different vacation packages:

A 2-item package with a price of 5% higher than the sum

A 2-item package with a same price as the sum

A 2-item package with a price of 5% lower than the sum

A 2-item package with a price of 10% lower than the sum

A 4-item package with a price of 5% higher than the sum

A 4-item package with a same price as the sum

A 4-item package with a price of 5% lower than the sum

A 4-item package with a price of 10% lower than the sum

A 6-item package with a price of 5% higher than the sum

A 6-item package with a same price as the sum

A 6-item package with a price of 5% lower than the sum

A 6-item package with a price of 10% lower than the sum

Procedure

After getting permission from the instructor of a large undergraduate class in the Hospitality and Tourism Management Department in a public university, the above 12 sets of questionnaires with 12 different scenario descriptions were randomly distributed to the class. There were 294 students taking the class but on the date of the experiment, only 260 students showed up. At the very beginning of the class, the participants were briefed about the purpose of the study, and then they took the pencil and paper questionnaires. They were told that they got different versions of questionnaires. Each participant had a questionnaire with a specific scenario description. Six sets of

questionnaires with a package of higher or non-discounted bundled price had only the acquisition scale and the transaction scale was manipulated as zero.

Because the sample for the first pretest consists of 12 different scenarios, the factor structure of the scales derived from a pooled sample might not be applicable to the separate scenarios. Therefore, a second pretest with only one scenario (a 6-item package with 20% discount-the reason of choosing this scenario was after the results of the first pretest in Chapter 4) was conducted on a separate student sample of 140 in order to validate the factor structure of the transaction value and acquisition value scales.

The second pretest was done on four different undergraduate classes, because the separate class sizes were not large enough for the sample to be factor analyzed. The procedure was similar to the first pretest. The only difference was that all the participants got a same questionnaire with only one scenario.

The formal study was then conducted with purified scales and an adjusted design after the two pretests. In the formal study, a 2x4 between-subject experimental design was adopted. Levels of the attributes of bundling strategies were adjusted according to findings from the two pretests. In order to detect the effects of bundling strategies on the perceived value, only two levels of the first attribute, number of items, were remained: 2 items and 6 items (No difference was found for this attribute so the 4-item scenarios were taken out). The second attribute, price comparison, still had four levels but a 10% discount was changed to a 20% because there was no difference found between 5% discount and 10%

discount. The four levels are: 5% higher than the sum, same as the sum, 5% lower than the sum, and 20% lower than the sum.

Sample Selection

According to the boundaries drawn for the theory, travelers who are comfortable with buying vacation products from online travel agents were regarded as the target population. The advantages of selecting this population include the controlling of such variables as distribution channels, and buyers' searching skills, etc. that could have an effect on the evaluation of the package. Because the destination is Orlando Florida, consumers from six Mid-Atlantic States were chosen as the population. These six states are Virginia, Ohio, New Jersey, Pennsylvania, New York, and North Carolina. It was hoped that consumers from these areas are familiar with the destination, and when they plan a trip to Orlando, they might use service from airline companies and hotels, etc. instead of driving to Orlando by themselves or staying in friends' home, etc. A commercial marketing research company, Zoomerang, was used as the agent to collect data. The company has a true sample panel of more than 2 million consumers (www. Zoomerrang.com).

Developing Measurement Instruments

Acquisition Value, Transaction Value, and Purchase Intention

To measure perceived value of a vacation package in the pre-purchase stage, the two components of perceived value, perceived acquisition value and transaction value, need to be measured. There are no adequate scales in the current literature that can be employed and applied to capture the two constructs in this specific context.

But before the development of any valid and reliable measurement scale, it is critical to clarify the definitions of subject constructs. Based on the literature review, definitions of acquisition value and transaction value used in the current study are the following:

Perceived Acquisition Value: the perception of net gains from the trade-off between benefits and sacrifices; hence it is positively influenced by the product benefits and negatively influenced by the money given up to obtain the product (Grewal et al., 1998).

Perceived Transaction Value: the perception of psychological satisfaction or pleasure obtained from taking advantage of the financial terms of the price deal. It is judged on the basis of price information. It is determined by the difference between the consumers' internal reference price and price offered within the context of a special deal (Grewal et al.,1998; Sheng, 2004).

The available scales for acquisition value and transaction value were originally developed by Grewal et al. (1998, p. 51) for the measurement of perceived value of a tangible product, a bicycle. The scale for acquisition value consists of nine items:

1. If I bought this bicycle at (selling price), I feel I would be getting my money's worth
2. I feel that I am getting a good quality bicycle for a reasonable price
3. After evaluating the advertised bicycle features, I am confident that I am getting quality features for (selling price)
4. If I acquired this bicycle, I think I would be getting good value for the money I spend
5. I think that given this bicycle's features, it is good value for the money
6. I feel that acquiring this bicycle meets both my high quality and low price requirements
7. Compared to the maximum price I would be willing to pay for this bicycle, the sale price conveys good value
8. I would value this bicycle as it would meet my needs for a reasonable price
9. This bicycle would be a worthwhile acquisition because it would help me exercise at a reasonable price

The scale for transaction value consists of three items. They are: (Grewal et al., 1988, p. 51)

1. Taking advantage of a price-deal like this makes me feel good

2. I would get a lot of pleasure knowing that I would save money at this reduced sale price
3. Beyond the money I save, taking advantage of this price deal will give me a sense of joy

The two scales were adapted and applied to the tourism and hospitality industry by Al-Sabbyhy et al. (2004) and Petrick and Backman (2002b). Both of the studies misused the scales by applying them to the context of a post-consumption stage. Therefore, their conclusions that acquisition value and transaction value confounded and transaction value was redundant in the service context will need to be further investigated. However, the consistent results of the two studies still arouse some doubts on whether the scales specifically developed for a tangible product hold their validity in a service context. Discussions from Al-Sabbyhy et al. (2004)'s study implied that the conceptualization of perceived value as a two-dimensional construct has strong theoretical support in the literature and so the issue might be on the measurement problem.

Scale for Acquisition Value

Acquisition value of a bundle had been rarely examined in the literature (Sheng, 2004). Furthermore, in a bundling situation, the benefits and costs relating to purchasing a bundle of products are different from those related to purchasing a single-item product. Hence, there is a need to develop a new scale to measure the perceived acquisition value for a bundling offer.

The nine-item scale for a single item product by Grewal et al., however, can serve as a good starting point for the development of a new scale for a bundle's acquisition value. To account for the specific characteristics of service (vs. tangible product) and the different context of bundling (vs. single-item product), modifications are necessary. In the case of vacation packages, because mixed bundling strategy is adopted (the component products in a package can also be bought separately), product quality as an attribute is not considered a benefit related to purchasing a package since quality of the packaged products are the same as the quality of the individual unpackaged products. Brand information is not offered for the products. Therefore, four of the measuring items about quality in Grewal et al.'s scale were not included in the measurement of acquisition value of a package. The following five items were modified and remained to measure acquisition value of a bundle:

1. If I acquired this package, I think I would be getting good value for the money I spend.
2. If I bought this package, I feel I would be getting my money's worth.
3. I would value this package as it would meet my needs for a reasonable price.
4. Compared to the maximum price I would be willing to pay for this package, the sale price conveys good value.
5. This package would be a worthwhile acquisition because it would help me have a trip at a reasonable price.

As Al-Sabbyhy et al. (2004) suggested, “An improved instrument for the measurement of service perceived value would need to embrace the whole spectrum of possible benefits a customer may seek in a service. Similarly, it should use the whole range of sacrifices that customer could possibly endure” (p. 233). It is important to identify what the perceived benefits and sacrifices are and “these benefits and sacrifices should be the foundation for new perceived acquisition value scale” (p. 233). Therefore, a focus group study was planned to find out what are the perceived benefits and costs by travelers when they make a decision.

A focus group study with seven graduate students (six doctoral students and one master student) in a hospitality and tourism program was conducted in January 2009. The focus group participants were asked to identify what they like and what they dislike about purchasing a vacation package in the case of domestic travel. Convenience and discount were brought up first as the major reasons why the participants would consider purchasing a vacation package. When the participants were asked to explain more, they said that purchasing a package would be convenient because they wouldn’t need to search around for the separate products. Also, by purchasing a package from a same, dependable seller, it would be convenient to deal with any possible problems in the post-purchase stage. Most of the participants mentioned less freedom as a disadvantage of purchasing a vacation package. An example provided by one participant was, sometimes travelers might want to stay in different hotels for a trip to the destination but the package usually offered only one hotel for a single trip. Although online travel agents provide the option of ‘combine your own package’ with a large variety of brands, one of the

participants, who is very loyal to a specific airline company, said he would not buy a package because that airline only sells by itself. Another concern related to purchasing a package was the possible higher cancellation fees since a package involves a higher amount of dollars.

Based on the focus group, seven items were developed to reflect the 'get' component, or benefits, and the 'give' component, or sacrifices of perceived acquisition value. They were:

1. I would value this package as it would save my search efforts.
2. I would value this package as it would save my search time.
3. I would value this package as it would make my decision faster.
4. I would value this package as it would make my decision easier.
5. I would not value this package as it would limit my freedom of choice.
6. I would not value this package as it would make my trip arrangement less flexible.
7. I would not value this package because I would be concerned about the high cancellation fees.

The above seven items were combined with the five items adapted from Grewal et al. (1998) to form a 12-item scale for perceived acquisition value.

Scale for Transaction Value

The essence of transaction value is "the perception of savings associated with purchasing the bundle" (Yadav & Monroe, 1993, p. 237) and
"the pleasure buyers get from finding and taking advantage of a price deal" (Grewal et al., 1998, p. 48).

Embedded in the above definition of transaction value is the implication that when there is no 'price deal', there is no transaction value. Actually, in the conceptual development of the construct of transaction value, transaction value is a function of reference price (either internal or external price) (Lichtenstein, Netemeyer, & Burton, 1990; V. Zeithaml, 1988). It is presumed that in the case of bundling, the reference price of a bundle offer is the sum price of separate products. Therefore, if the bundled price is lower than the sum of separate products, there is a positive transaction value. If the bundled price is the same as or higher than the sum of separate products, there is no or even a negative transaction value, which in turn hurts the total perceived value of the offer. But to make the study simple, when there is no price discount, the transaction value will be set to zero.

In the study by Yadav and Monroe (1993), a bundle's transaction value was examined. Acquisition value of the bundle was not included in the study. Total transaction value in a bundle was defined as "buyers' perceived savings (or deal) associated with buying the bundle". The assumption for this definition was that the purchase of a bundle would give

savings to the buyer. Following this logic, if there was no saving from buying the bundle, then the transaction value would be zero, or even negative.

The total transaction value of a bundle with 2 luggage items (garment bag and a Pullman) was measured by a three-item scale. The three items were:

1. Overall, if I bought both A and B as a set, the deal I would be getting is …
2. Overall, buying both A and B as a set appears to be a good bargain.
3. Overall, if I bought both A and B as a set, I would be taking advantage of an attractive price reduction.

Because Yadav and Monroe's (1993) study did not investigate acquisition value of a bundle and no definition of acquisition value was offered, it is very difficult to differentiate the two constructs. Actually, it is hard to differentiate transaction value and perceived value of a bundle in the study based on the definition they provided. Probably because of this problem, one of the authors, Monroe, refined the definition of transaction value in his later work with Grewal and Krishnan (Grewal, Monroe et al., 1998). The new definition added the element of "perception of psychological satisfaction or pleasure" and it was projected and tested as related to acquisition value. (They found that perceived transaction value had a positive influence on perceived acquisition value.)

Since the scale for transaction value of a bundle developed by Yadav and Monroe is incomplete, there is a need to refine it. Although Grewal et al.'s scale was developed for a single-item product; the current study extended it to the bundling context with necessary modifications.

The following scale for transaction value of a bundle was presented to the sample in the first pretest (Items 1-3 were adapted from Grewal et al.; Items 4-6 were adapted from Yadav and Monroe):

1. Taking advantage of a price deal like this makes me feel good
2. I would get a lot of pleasure knowing that I would save money at this reduced sale price
3. Beyond the money I save, taking advantage of this price deal will give me a sense of joy
4. Overall, if I bought the package as a set, the deal I would be getting is
5. Overall, buying the package as a set appears to be a good bargain
6. Overall, if I bought the package as a set, I would be taking advantage of an attractive price reduction

Therefore, for the first pretest, there were totally 12 items in the acquisition value scale and 6 items in the transaction value scale. All the items were in a 7-point Likert scale. Appendix (?) lists the scale items for both acquisition value and transaction value for the first pretest.

Purchase intention is defined as the likelihood that the buyer intends to purchase the package (Dodds et al., 1991; Grewal, Monroe et al., 1998) The following three-item scale is adapted from Grewal et al.'s study:

1. If I were going to buy a vacation, the probability of buying this package is …
2. The probability that I would consider buying this package is …

3. The likelihood that I would purchase this package is …

Chapter Summary

This chapter has been devoted to presenting the research methodology for the study. First of all, the measurement issues of perceived value needed to be resolved .Because there are no adequate measuring scales for the two important constructs - acquisition value and transaction value, in the context of bundling service products, new scales were developed based on works of previous scholars and results from a focus group study. The newly developed scales were purified with two pretests with student samples. Meanwhile, to test the proposed hypotheses, an experimental research design with scenario descriptions was adopted. After two rounds of pretests, a formal survey was presented to real consumers from a sample panel of a marketing research company and final data were collected.

CHAPTER IV: ANALYSIS AND RESULTS

Introduction

This chapter presents the results of the data analysis and hypothesis testing. In the first section the results of two pretests are presented. The second section covers the data analysis of the formal study and hypotheses testing for the study. The scale for perceived value was factor analyzed and extracted factors served as the dependent variables of bundling strategies. After descriptive analysis of the data, this second section follows the data analysis steps discussed in Chapter III and presents the results of the hypotheses testing.

Results of Pretests

The first pretest

A total of 260 undergraduate completed the survey in a classroom in a public university, and 254 of the completed questionnaires were usable. All the respondents were under the age of 25 and 57% of them are males. To decide on the dimensionality of the concept of perceived value, Principle Component Factor Analysis was conducted on the 18-item scales.

Exploratory Factor Analysis with Varimax rotation was used to extract the dimensions of perceived value. The KMO index of Measure of Sampling was 0.89, and Bartlett's Test of Sphericity was significant, both indicating factor analysis for the scales was

appropriate. For the whole pooled sample with all the 12 sets of scenarios (N=254), a four-factor solution emerged and 85.5% of variance was explained.

Because all transaction value items in 6 of the 12 scenarios without any discount were manipulated to zero, it was obvious that transaction value came out as a distinct factor. In order to get the dimensionality of perceived value in the situation where both AV and TV were measured, the sample was split, and EFA was run with only the 6 sets of scenarios with discounted packages (N=137). A three-factor solution was extracted and 69.7% of variance was explained (Table2).

Table2: EFA Results from Pretest 1

N=137	Items	Factor Loadings	Variance Explained	Cronbach's Alpha
Factor 1	If I acquired this package, I think I would be getting good value for the money I spend.	0.817	51.1%	0.942
	Compared to the maximum price I would be willing to pay for this package, the sale price conveys good value.	0.786		
	I would value this package as it would meet my needs for a reasonable price.	0.745		
	If I bought this package, I feel I would be getting my money's worth.	0.745		
	This package would be a worthwhile acquisition because it would help me have a trip at a reasonable price.	0.743		
	Overall, buying the package as a set appears to be good bargain.	0.738		
	Overall, if I bought the package as a set, I would be taking advantage of an attractive price reduction.	0.732		
	Taking advantage of a price-deal like this makes me feel good.	0.714		
	Overall, if I bought the package as a set, the deal I would be getting is good.	0.707		
	I would get a lot of pleasure knowing that I would save money at this reduced sale price.	0.695		
	Beyond the money I save, taking advantage of this price deal will give me a sense of joy.	0.476		
Factor 2	I would value this package as it would save my search time.	0.845	11.1%	0.915
	I would value this package as it would save my search efforts.	0.828		
	I would value this package as it would make my decision faster.	0.798		
	I would value this package as it would make my decision easier.	0.766		
Factor 3	I would value this package although less trip arrangement flexibility	0.885	7.5%	0.857
	I would value this package although possible higher cancellation fee	0.841		
	I would value this package although less freedom of choice	0.830		

Total Variance Explained: 74.9%

In a situation that a discount was provided and both AV and TV were measured, all the six transaction value items and the five original acquisition value items from Grewal et al.'s scale loaded under one factor, meaning that these eleven items were measuring the same dimension of perceived value. The newly developed items from the focus group study formed two more new factors, one for benefits and the other for sacrifices. This result was not expected because perceived value was supposed to have only two different components of acquisition value and transaction value, according to the literature. Results from the first pretest proved again that perceived value is not unidimensional. But the findings also indicated that the construct of perceived value is more complex than just two-dimensional and can be measured by only quality and price.

One concern about the reliability of the first pretest lies in the pooled sample from the different scenarios. The problem of unsatisfactory factor structure of the scales might be partly due to the mix-up of respondents from different scenarios. Therefore, a second pretest with only one scenario (6-item package with 20% discount) was presented to a new sample of undergraduate students.

All the 18 measurement items were reexamined to make sure they were measuring the essence of the definitions of acquisition value and transaction value. The three transaction value items such as "Overall, if I bought both A and B as a set, the deal I would be getting is" for a bundle from Yadav and Monroe (1993) did not discriminate from the AV items and they were more likely measuring the acquisition value, instead of transaction value. Following Grewal et al.'s (1998) logic of measuring transaction value by focusing

on the psychological pleasure derived from getting a deal, the three items were dropped out of the transaction value scale, and the scale for transaction value included only the original three items from Grewal et al. for the second pretest.

For acquisition value items, rewordings were made in order to further reflect the 'trade-off' between benefits and costs. For example, 'I would value this package because purchasing it would save my search efforts' was changed to 'I would be getting my money's worth because purchasing the package would save my search effort'. One more item related to costs was added 'The package would be a worthwhile acquisition although it would tie me up to a fixed trip arrangement' in order to test the effects of rewordings of some items. So the acquisition value scale had totally 13 items. Meanwhile, to eliminate the order effect, all the items were scrambled and rearranged for a second pretest.

In the first pretest, because the two-dimensional structure of perceived value was not achieved, a summated perceived value was used as the dependent variable to test the effects of the bundling strategies: number of items and price comparison. Analysis of variance (ANOVA) was used. Price comparison was found to have a significant effect on the perceived value of the vacation package ($F=282.79$, $P=0.000$). Post Hoc tests showed that a higher price or a same price compared to the sum of separate items were significantly different from any discount offered. But there was no difference between 5% and 10% discounts. Therefore, for the formal study, four levels for price comparison were still used but the largest price comparison was increased to 20%, trying to test the effect between 5% and 20%.

No significant effect of 'number of items in a package' was found on the construct of perceived value in this pretest, indicating the number of products in a package would not impact the respondents' value perception. But considering that most of the benefits with buying a multi-item package are related to searching time, which the student respondents in the pretest might not value too much, it was too early to say that number of items had no effect on perceived value. So this bundling strategy (how many products to include in a package) was kept for further study. But the levels were reduced from three to two levels, 2 items and 6 items, for the formal study in an effort to detect their specific effects on value perception. Because only two levels would be tested, Hypothesis 3 (*The number of items in a package has a curvilinear relationship with the perceived acquisition value of the package*) had to be modified to "*The more items in a vacation package, the higher the perceived acquisition value of the package."* Which could only test a unidirectional relationship.

The second pretest

The second pretest was conducted for the purpose of further refining the scale of perceived value. Only one scenario with a 6-item vacation package at 20% discount was presented to the participants. A convenient sample of 140 undergraduate students was used (Mean age=21, 35.5% were males). EFA with Varimax rotation was run again to get the factor structure of the scales. A four-factor solution emerged again, with 74.5% of the variance explained. The first factor included the five acquisition

value items from Grewal et al. The second factor included the four convenience-related items from the focus group study. The third factor included the three cost-related items (The added item with different wordings from pretest 1, “This package would be a worthwhile acquisition although it would tie me up to the fixed trip arrangements”, cross loaded and was therefore deleted). Finally, two of the three transaction value items created the fourth factor. The third item, “I would get a lot of pleasure knowing that I would save money at this reduced sale price” cross loaded in both Factor 1 and Factor 4 and so was not reported (Table 3). But this item was developed by Grewal et al. and didn’t cross load in their study (1998). So it was kept for the formal study for a further examination.

Table 3: EFA Results from Pretest 2

N=140	Items	Factor Loadings	Variance Explained	Cronbach's Alpha
Factor 1	I would value this package as it would meet my needs for a reasonable price	0.799	40.7%	.895
	I would value this package as I could have a trip at a reasonable price	0.779		
	If I acquired this package, I think I would be getting good value for the money I spend.	0.760		
	Compared to the maximum price I would be willing to pay for this package, the sale price conveys good value.	0.758		
	If I bought this package, I feel I would be getting my money's worth.	0.679		
Factor 2	I would be getting my money's worth because purchasing the package would save my search efforts.	0.913	15.8%	0.890
	I would be getting my money's worth because purchasing the package would save my search time	0.844		
	I would be getting my money's worth because purchasing the package would be fast.	0.790		
	I would be getting my money's worth because purchasing the package would be convenient.	0.723		
Factor 3	I would value the package although less freedom of choice	0.891	10.7%	0.755
	I would value the package although trip not flexible	0.775		
	I would value the package although possible higher cancellation fee	0.766		
Factor 4	Beyond the money I save, taking advantage of this price deal will give me a sense of joy.	0.891	7.4%	0.881
	Taking advantage of a price-deal like this makes me feel good.	0.831		

Total Variance Explained: 74.5%

The results from the second pretest showed that acquisition value and transaction value were two different constructs. Although the factor of transaction value explained a much smaller proportion of variance of perceived value, it was measuring a different aspect of perceived value. However, the results also implied that although perceived value consists of acquisition value and transaction value, there were other dimensions of value: the searching cost, convenience, flexibility, etc. It's possible that perceived value has more than two dimensions, or acquisition value has more than one dimension. Both pretest 1 and pretest 2 extracted three factors from the 12 acquisition value items, and these three factors consistently included almost the same items for the two tests.

Based on the two pretests, a 16-item scale for perceived value was included in the formal survey. Questions about respondents' computer skills, online searching skills, and online purchasing habits were also asked in order to check whether there are differences among people with different skills and experiences.

The studies done by Al-Sabbahy (2004) and by Perick and Backman (2002b) found the two constructs were redundant partly because they did not offer a real 'price deal' and respondents didn't experience the 'psychological pleasure'. By definitions, buyers form not only perceived acquisition value from a purchase, but also transaction value if they get a good reduced price.

Formal study

The Data

For the formal study, a 2 (2-item vs. 6-item) x 4 (5% higher, same price, 5% lower, and 20% lower) between-subject experiment design was employed. Eight surveys were distributed to the participants via Zoomerang's websites. A balanced sample size of 50-60 for each of the 8 cells was controlled by the company. Zoomerang sent the surveys to a total of 4730 consumers (Around 550-600 for each of the eight surveys). Finally, a random sample of 413 was collected within one week. Data screening at the first stage found that 12 cases were unusable and so excluded from the study. A final sample of 401 was used to do data analysis. Some cells had a couple more respondents than the others but the minimum size was 48. So the response rate was only 8.5%. But it should be noted that the company set their system to automatically stop getting in more responses after the sample met the need of 50 for each cell.

Demographics of the Sample

Demographically, the respondents were evenly distributed between males (48.9%) and females (51.1%), and among different age groups. More than 60% of them were between ages of 25-54, and half of them earned a yearly income between USD30,000 to USD79,999. Over half of the respondents were married and three quarters of the respondents had received education of at least some college and 40% of them finished 4-year education (Table 4).

Table 4: Demographics of the Formal Survey

Gender (N=397)	**Frequency**	**Percentage**
Male	194	48.9%
Female	203	51.1%
Marital Status (N=399)		
Single	151	37.9%
Married	218	54.8%
Other	29	7.3%
Age (N=398)		
Lower than 25	56	14.8%
25-34	87	21.5%
35-44	89	21.8%
45-54	69	17.4%
55-64	45	10.9%
Over 65	53	13.0%
Yearly Income (USD) (N=392)		
Less than 30,000	75	19.6%
30,000-59,999	127	31.2%
60,000-79,999	76	18.9%
80,000-99,999	50	12.1%
100,000-149,999	42	10.4%
150,000 and more	22	5.6%
Education (N=399)	8	2.4%
High School or Lower	83	21.3%
Some College	144	35.6%
Bachelor's Degree	106	26.1%
Graduate Degree	58	14.0%

Online Purchase Behaviors of the Sample

Respondents described their computer skills as between 'good' and 'excellent' in a four-point scale (Mean= 3.23), and online searching skills as slightly better (Mean=3.29). Almost 60% of them purchased online at least once per month, and around 15% purchased online at least once per week. The majority of the respondents (68.5%) had never purchased a vacation package. Among those who had experience purchasing a package, around one third of them didn't know what discount they had gotten from the package. Forty percent of package buyers, however, indicated that they had received at least 10% discount from purchasing a package (Table 5).

Table 5: Purchase Experience

How often do you buy online? (N=401)	**Frequency**	**Percentage**
Never	27	6.8%
Seldom (less than once per month)	136	34.4%
Normal (1-3 times every month)	178	44.1%
Frequently (at least once per week)	60	14.8%
Have you ever purchased a vacation package? (N=401)		
Yes	128	31.9%
No	273	68.1%
How much discount did you get buying the most recently purchased package? (N=125)		
no discount	8	6.3%
less than 5%	8	6.3%
5-10% discount	19	15.0%
11-20% discount	18	15.0%
more than 20% discount	33	26.0%
I don't know	39	31.5%

Factor Analysis on the Perceived Value Scale

Table 6 summarizes the descriptive statistics for the perceived value scale. It should be noted that the three statements from the 'transaction value' scale of Grewal et al. (1998) had low means for the pooled sample of 401 respondents because they were manipulated to zero in scenarios without any discount.

The 16-item measurement scale was analyzed with Principle components method and Varimax rotation. As in pretest 1, the whole sample was split into two sub-samples, one without discounts (N=199) and the other with discounts (N=202). The half with discounts was further split into 5% discount and 20% discount. EFA was run on both the 5% discount group (N=99) and the 20 % discounts group (N=103) and a similar two-factor solution was produced. Table 7 shows the results for the 20% discount group (Table 7).

Table 6: Descriptive Statistics for Perceived Value Scales

Statements	N	Minimum	Maximum	Mean	Std. Deviation
I would be getting my money's worth because purchasing the package would save my search time	401	1	7	4.76	1.79
Compared to the maximum price I would be willing to pay for this package, the sale price conveys good value.	401	1	7	4.74	1.71
I would be getting my money's worth because purchasing the package would be convenient.	401	1	7	4.73	1.6
I would value this package as it would meet my needs for a reasonable price	401	1	7	4.7	1.58
This package would be a worthwhile acquisition because it would help me have a trip at a reasonable price.	401	1	7	4.67	1.58
If I acquired this package, I think I would be getting good value for the money I spend.	401	1	7	4.64	1.85
If I bought this package, I feel I would be getting my money's worth.	401	1	7	4.61	1.67
I would be getting my money's worth because purchasing the package would be fast.	401	1	7	4.56	1.68
I would be getting my money's worth because purchasing the package would save my search efforts.	401	1	7	4.56	1.81
I value the package although trip not flexible	401	1	7	3.93	1.6
I value the package although have to tie up to fixed trip	401	1	7	3.86	1.64
I value the package although less freedom of choice	401	1	7	3.76	1.67
I value the package although possible higher cancellation fee	401	1	7	3.67	1.62
I would get a lot of pleasure knowing that I would save money at this reduced sale price.	401	0	7	2.71	2.86
	202	**1**	**7**	**5.38**	**1.36**
Taking advantage of a price-deal like this makes me feel good.	401	0	7	2.69	2.81
	202	**1**	**7**	**5.34**	**1.21**
Beyond the money I save, taking advantage of this price deal will give me a sense of joy.	401	0	7	2.54	2.72
	202	**1**	**7**	**5.03**	**1.45**

Table 7: EFA for the 20% Discount Group (N=103)

Factor	Items	Factor Loadings	Variance Explained	Cronbach's Alpha
Acquisition value	If I bought this package, I feel I would be getting my money's worth.	0.873	57.5%	0.959
	This package would be a worthwhile acquisition because it would help me have a trip at a reasonable price.	0.860		
	I would be getting my money's worth because purchasing the package would save my search time	0.849		
	I would be getting my money's worth because purchasing the package would save my search efforts.	0.835		
	I would be getting my money's worth because purchasing the package would be convenient.	0.823		
	If I acquired this package, I think I would be getting good value for the money I spend.	0.801		
	Compared to the maximum price I would be willing to pay for this package, the sale price conveys good value.	0.786		
	I would be getting my money's worth because purchasing the package would be fast.	0.785		
	Taking advantage of a price-deal like this makes me feel good.	0.783		
	I would get a lot of pleasure knowing that I would save money at this reduced sale price.	0.779		
	I would value this package as it would meet my needs for a reasonable price	0.776		
	Beyond the money I save, taking advantage of this price deal will give me a sense of joy.	0.712		
Functional value	I would value the package although have to tie up to fixed trip	0.878	13.30%	0.875
	I would value the package although less freedom of choice	0.853		
	I would value the package although possible higher cancellation fee	0.818		
	I would value the package although trip not flexible	0.760		

Overall reliability: 0.943. Total variance explained: 70.9%
KMO -MSA=0.895

So both the 5% discount group and 20% discount group were combined again to be factor analyzed. The KMO index of Measure of Sampling was 0.94, and Bartlett's Test of Sphericity was significant, both indicating factor analysis for the scales was appropriate. For the sub-sample of 202 respondents with discounted packages, there were two dimensions of perceived value. With a two-factor solution, a total variance of 71.7% was explained. Twelve items including the five AV items and the three TV items from the study by Grewal et al., and the four items related to convenience and searching efforts from the focus group study loaded under the first factor, explaining 59% of the variance. The four items related to freedom of choice and flexibility loaded under the second factor, explaining 12.7% of the variance (Table 8). The first factor was still named 'Acquisition Value' which includes 'psychological pleasure of taking advantage of a good deal', and the second factor was named 'Functional Value'.

Table 8: EFA for Discount Groups (N=202)

Factor	Items	Factor Loadings	Variance Explained	Cronbach's Alpha
Acquisition value	If I bought this package, I feel I would be getting my money's worth.	0.855	59.0%	0.960
	This package would be a worthwhile acquisition because it would help me have a trip at a reasonable price.	0.847		
	I would be getting my money's worth because purchasing the package would be convenient.	0.836		
	I would get a lot of pleasure knowing that I would save money at this reduced sale price.	0.828		
	I would be getting my money's worth because purchasing the package would save my search efforts.	0.824		
	Compared to the maximum price I would be willing to pay for this package, the sale price conveys good value.	0.795		
	Taking advantage of a price-deal like this makes me feel good.	0.795		
	I would be getting my money's worth because purchasing the package would be fast.	0.793		
	I would be getting my money's worth because purchasing the package would save my search time	0.788		
	If I acquired this package, I think I would be getting good value for the money I spend.	0.788		
	Beyond the money I save, taking advantage of this price deal will give me a sense of joy.	0.765		
	I would value this package as it would meet my needs for a reasonable price	0.750		
Functional value	value the package although have to tie up to fixed trip	0.901	12.7%	0.892
	value the package although less freedom of choice	0.874		
	value the package although higher cancellation fee	0.810		
	value the package although trip not flexible	0.769		

Overall reliability: 0.948. Total variance explained: 71.7%
KMO -MSA=0.936
N=202

Reliability and Validity of the Perceived Value Scale

Cronbach's alpha of the first factor is 0.96 and the second 0.89, both higher than the cutoff point of 0.70, meaning the scale is very reliable. To test the discriminant validity, confirmatory factor analysis was conducted. A one factor model (suggesting that all the observed values represent a single value dimension) was tested against a two factor model (in which the dimensions are as found in the EFA in the earlier discussion).

The results, shown in Table 9, support the two-factor solution because the two-factor model has a much lower Chi-square and better fit indices such as RMSEA, IFI, CFI, and AGFI. One degree of freedom change results in significant improvement in the Chi-square change. The acceptable model fit of the two-factor solution provides evidence that the two dimensions are discriminant. The correlation between the two factors is 0.54, exceeding 0.50 but significantly lower than one, which means they have convergent and discrimiant validity.

Table 9: Comparative Analysis of One-factor Model and Two-factor Model

Model	λ^2	df	RMSEA	IFI	CFI	AGFI
One factor	682.77	101	0.17	0.82	0.82	0.60
Two factor	230.87	100	0.08	0.95	0.96	0.78

RMSEA denotes Root Mean Square Error of Approximation

IFI denotes Incremental Fit Index

CFI denotes Comparative Fit Index

AGFI denotes adjusted goodness of fit index

Hypotheses Testing

The findings from the factor analysis in the current study were inconsistent with findings in the literature about perceived value. As shown in the previous section, acquisition value and transaction value did not discriminate from each other. Acquisition value in this study is actually richer in meaning and includes transaction value, and transaction value does not exist as a separate construct. Therefore, the original proposed model and the proposed hypotheses related to transaction value could not be empirically tested as planned. Hence, only the hypotheses related to acquisition value, namely H1, H3, H4, and H6, will be tested.

Assumptions for ANOVA

Two-way Analysis of Variance (ANOVA) was used to test Hypotheses 1 and 3. Assumptions for ANOVA were examined with the data: (1) Independent observations. The respondents of this study lived in different places in the U.S. and they completed the survey via computer. Their responses should be independent. So the first assumption was met. (2) Normal distribution of the dependent variable, Acquisition Value (AV). The two measures of normal distribution, kurtosis and skewness, were examined on the dependent variable. All the values were slightly different from zero, meaning that they slightly departed from normal distribution. But the large enough sample size (N=401) should be able to mitigate the effects caused by non-normality (Table10). (3) Equal variance across groups. Levene's test of equality of error variances showed that functional value had equal variance across all the groups, but acquisition value didn't meet the assumption.

However, because all the groups had a balanced sample size (Table 11), the violation of this assumption posed no problem for the analysis.

Table 10: Descriptive Analysis for AV

	N	Minimum	Maximum	Mean	SD	Skewness		Kurtosis	
						Statistic	Std. Error	Statistic	Std. Error
Acquisition Value	401	0.50	7.00	3.6538	1.93294	0.154	0.122	-1.265	0.243

Table 11: Cells Size of the Eight Scenarios

		Price comparison between packaged price and sum of all items				Total
		5% higher than sum	5% lower than sum	20% lower than sum	same price as sum	
Number of items in a package	2 items in a package	48	50	49	50	197
	6 items in a package	48	49	54	53	204
Total		96	99	103	103	401

Effects of Bundling Strategies on Acquisition Value

The first analysis was done on the effects of bundling strategies on perceived acquisition value. Price comparison and item number were the independent variables. ANOVA results showed that price comparison had a significant effect on acquisition value (F=430.548, P=0.000). Item number, however, didn't show similar effect. The number of items in a package didn't impact the perception of acquisition value of the package. But the two independent variables had an interaction effect on acquisition value perception. (F=3.002, P=0.030) (Table12).

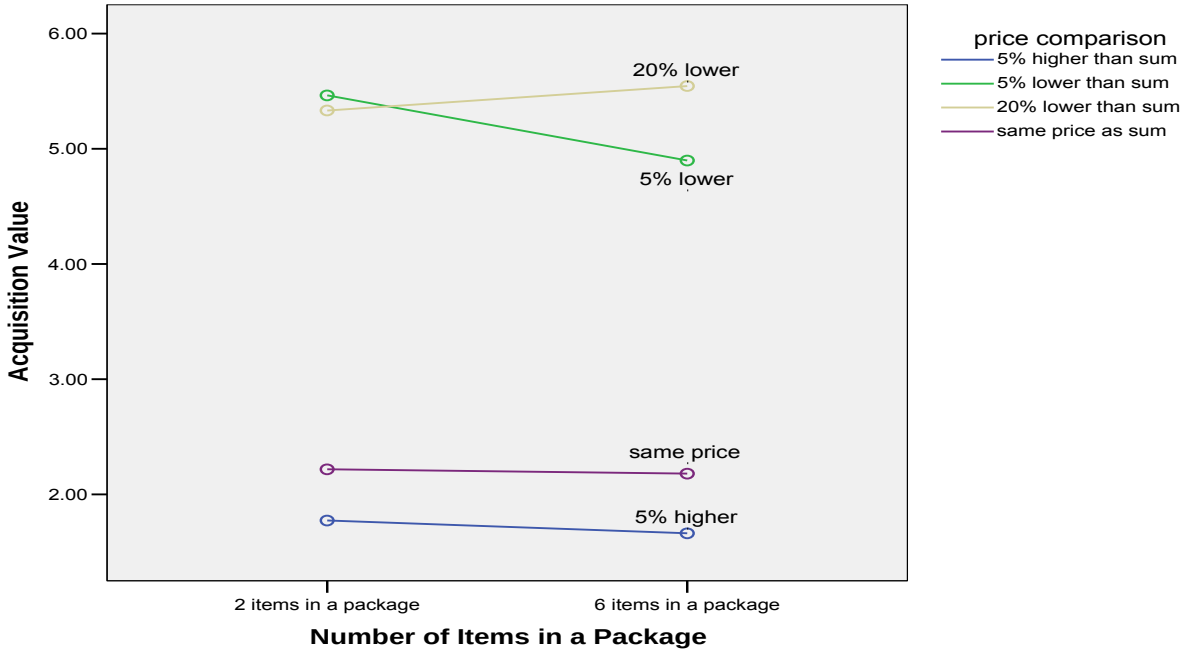
The profile plot (Figure 5) showed that the interaction effect happened between the 5% and the 20% discount groups. With only two items in a package, offering a 20% discount brought almost the same acquisition value to the respondents as offering a 5% discount. But when the item number increased to 6, offering only a 5% discount was perceived much lower in value compared to a 20% discount. Therefore, H1 and H4 were supported, but H3 was not supported.

Table12: Effects of Bundling Strategies on AV

Dependent Variable: Acquisition Value

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	1,148.960	7	164.137	186.682	0.000
Intercept	5,286.328	1	5,286.328	6,012.432	0.000
Number of items	1.576	1	1.576	1.792	0.181
Price Comparison	1,135.655	3	378.552	430.548	0.000
Interaction	7.918	3	2.639	3.002	0.030
Error	345.539	393	0.879		
Total	6,847.898	401			
Corrected Total	1,494.498	400			

Figure 5: Effects of Price Comparison and Number of Items on AV



Multiple comparison analysis for price comparison found there was a significant difference among three of the four discount groups: -5% discount (meaning charging 5% higher) and 0% discount were different in acquisition value from 5% discount and 20% discount. But there was no difference between the 5% discount group and the 20% discount group. The results indicated that offering a discount would be very different in terms of value perception from charging a premium or charging the same price even when sellers put extra efforts to bundle separate products into a package (Table 13).

Table 13: Multiple Comparison Analysis for Price Comparison on AV

Dependent Variable: Acquisition Value

Tamhane

(I) price comparison between packaged price and sum of all items	(J) price comparison between packaged price and sum of all items	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
5% higher than sum	5% lower than sum	-3.466*	0.141	0.000	-3.841	-3.090
	20% lower than sum	-3.726*	0.134	0.000	-4.082	-3.369
	same price as sum	-0.481*	0.106	0.000	-0.764	-0.198
5% lower than sum	5% higher than sum	3.466*	0.141	0.000	3.090	3.841
	20% lower than sum	-0.260	0.156	0.459	-0.675	0.155
	same price as sum	2.985*	0.133	0.000	2.631	3.339
20% lower than sum	5% higher than sum	3.726*	0.134	0.000	3.369	4.082
	5% lower than sum	0.260	0.156	0.459	-0.155	0.675
	same price as sum	3.245*	0.126	0.000	2.911	3.579
same price as sum	5% higher than sum	0.481*	0.106	0.000	0.198	0.764
	5% lower than sum	-2.985*	0.133	0.000	-3.339	-2.631
	20% lower than sum	-3.245*	0.126	0.000	-3.579	-2.911

* The mean difference is significant at 0.05 level

Effects of AV on Purchase Intention

Simple Regression was employed to test H6. In the regression model, purchase intention was the dependent variable and acquisition value was the independent variable. Analysis showed that the model was significant (F=358.091, P=0.000). Adjusted R Square was 47.2%, meaning 47.2% of the variance of purchase intention can be explained by acquisition value (Table14). In other words, consumers' purchase intention of a package can be predicted from their perception of the acquisition value of the package. Therefore, H6 was supported.

Table 14: Effects of Acquisition Value on Purchase Intention

Dependent Variable: Purchase Intention of a Package					
Simple R:	0.688				
R Square:	0.473				
Adjusted R Square:	0.472				
Standard Error:	1.201				
	df	Sum of Squares	Mean Square	F	Sig.
Regression	1	516.257	516.257	358.091	0.000
Residual	399	575.236	1.442		
Total	400	1091.493			
Independent Variable: Acquisition Value					
Variables	Coefficient	Standardized β		t	Sig.
Constant	1.918			14.945	0.000
AV	0.588	0.688		18.923	0.000

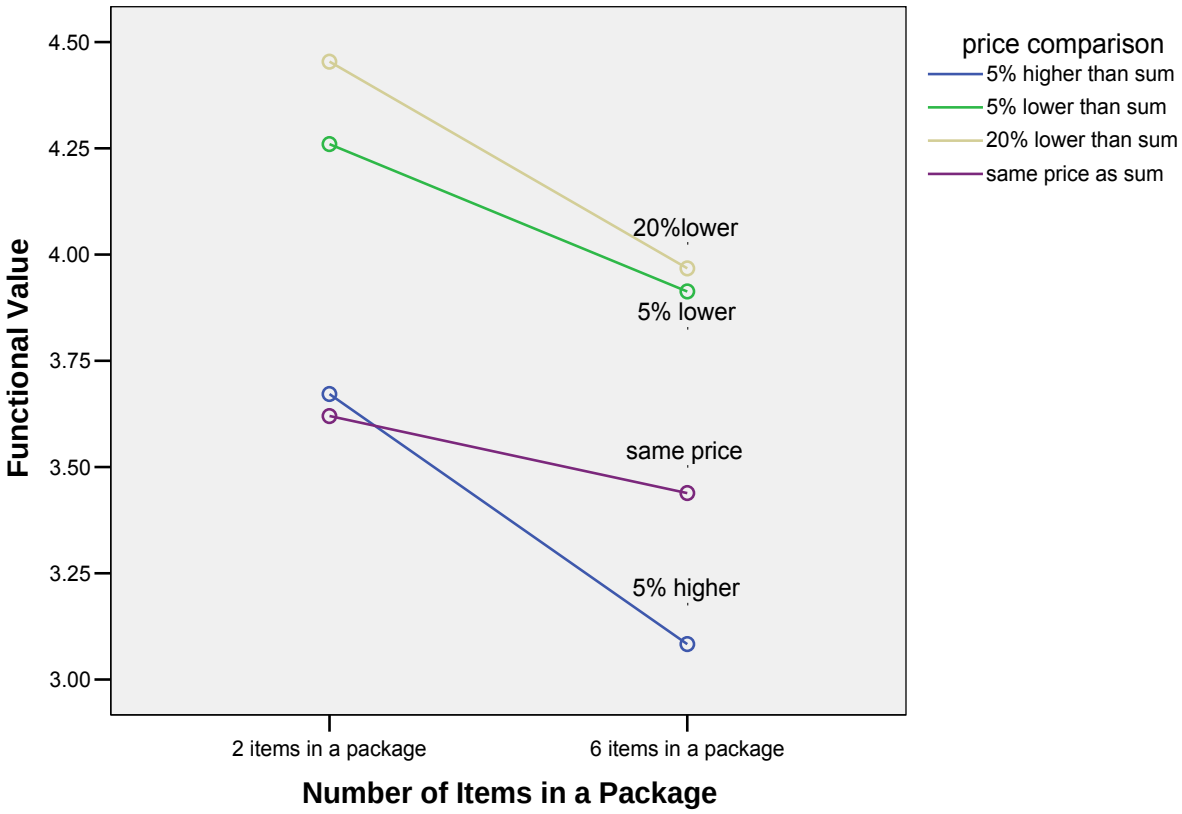
Other Analysis

Factor analysis of the study also discovered a new dimension of perceived value: functional value (FV). As an important dimension of perceived value (13.3% of the variance explained by FV, see Table 7), FV needs to be examined for its relationships with the bundling strategies and its effects on the purchase intention.

Effects of Bundling Strategies on Functional Value

The second ANOVA was done on the effects of bundling strategies on perceived functional value. Price comparison and item number were again the independent variables. Results showed that both price comparison (F=9.023, P=0.000) and item number (F=8.679, P=0.003) had significant effects on functional value (Table15). It was found that a package with a larger discount size was rated higher in Functional Value, and a package with 2 items was rated higher in FV than a package with 6 items (Figure 6).

Figure 6: Effects of Price Comparison and Number of Items on FV



However, the two independent variables had no interaction effect on functional value perception. With the same discount size, functional value invariantly dropped when the number of items increased (Table 15).

Post Hoc multiple comparison analysis for price comparison found there was only a difference in terms of functional value between offering a discount and no discount at all. There was no difference between charging 5% higher and charging the same price as the sum. Similarly, there was no difference between offering a 5% discount and a 20% discount. The results indicated that offering a discount would be very different in terms of value perception from charging a premium or charging the same price even when sellers put extra efforts to bundle separate products into a package (Table16).

Table 15: Effects of Bundling Strategies on FV

Dependent Variable: Functional Value

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	67.667	7	9.667	5.219	0.000
Intercept	5,784.075	1	5,784.075	3,123.055	0.000
Number of items	16.075	1	16.075	8.679	0.003
Price Comparison	50.132	3	16.711	9.023	0.000
Interaction	2.345	3	0.782	0.422	0.737
Error	727.858	393	1.852		
Total	6,593.188	401			
Corrected Total	795.525	400			

Table 16: Multiple Comparison Analysis for Price Comparison on FV

Dependent Variable: Functional Value

Tukey HSD (Equal variances)

(I) price comparison between packaged price and sum of all items	(J) price comparison between packaged price and sum of all items	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
5% higher than sum	5% lower than sum	-0.711*	0.196	0.002	-1.217	-0.204
	20% lower than sum	-0.821*	0.194	0.000	-1.323	-0.320
	same price as sum	-0.149	0.194	0.869	-0.651	0.353
5% lower than sum	5% higher than sum	0.711*	0.196	0.002	0.204	1.217
	20% lower than sum	-0.111	0.193	0.940	-0.608	0.387
	same price as sum	0.562*	0.193	0.020	0.064	1.059
20% lower than sum	5% higher than sum	0.821*	0.194	0.000	0.320	1.323
	5% lower than sum	0.111	0.193	0.940	-0.387	0.608
	same price as sum	0.672*	0.191	0.003	0.179	1.165
same price as sum	5% higher than sum	0.149	0.194	0.869	-0.353	0.651
	5% lower than sum	-0.562*	0.193	0.020	-1.059	-0.064
	20% lower than sum	-0.672*	0.191	0.003	-1.165	-0.179

* the means difference is significant at 0.05 level

Relationship between AV and FV

To investigate whether there is a significant relationship between FV and AV, a simple regression was run by using AV as the dependent variable and FV as the independent variable. Results of the analysis show that FV can enhance AV significantly. The regression model was significant (F=85.142, P=0.000). (Table 17)

Additional Analysis on Perceived Value as Composed of AV and FV

To combine acquisition value and functional value into a variate and test the effects of bundling strategies on this variate, Multivariate Analysis of Variance (MANOVA) was conducted. Results showed that there was a main effect of price comparison, and of the number of items. There was also a significant interaction effect of price comparison and item number on the variate. All four indices had a P value of less than 0.50 (Table18). This finding confirmed that the bundling strategies had influences on consumer's value perception.

Table 17: Regression of FV on AV

Dependent Variable: Acquisition Value					
Simple R:	0.419				
R Square:	0.176				
Adjusted R Square:	0.174				
Standard Error:	1.757				
	df	Sum of Squares	Mean Square	F	Sig.
Regression	1	262.825	262.825	85.142	0.000
Residual	399	1231.674	3.087		
Total	400	1494.498			
Independent Variable: Functional Value					
Variables	Coefficient	Standardized β		t	Sig.
Constant	1.468			5.813	0.000
FV	0.575	0.419		9.227	0.000

Table 18: MANOVA on PV

Dependent Variables: AV+FV

Effect		Value	F	df	Error df	Sig.
Intercept	Pillai's Trace	0.944	3,306.020	2.000	392.000	0.000
	Wilks' Lambda	0.056	3,306.020	2.000	392.000	0.000
	Hotelling's Trace	16.867	3,306.020	2.000	392.000	0.000
	Roy's Largest Root	16.867	3,306.020	2.000	392.000	0.000
Number of Item	Pillai's Trace	0.022	4.331	2.000	392.000	0.014
	Wilks' Lambda	0.978	4.331	2.000	392.000	0.014
	Hotelling's Trace	0.022	4.331	2.000	392.000	0.014
	Roy's Largest Root	0.022	4.331	2.000	392.000	0.014
Price Comparison	Pillai's Trace	0.784	84.494	6.000	786.000	0.000
	Wilks' Lambda	0.216	150.307	6.000	784.000	0.000
	Hotelling's Trace	3.622	236.015	6.000	782.000	0.000
	Roy's Largest Root	3.621	474.367	3.000	393.000	0.000
Interaction	Pillai's Trace	0.033	2.203	6.000	786.000	0.041
	Wilks' Lambda	0.967	2.211	6.000	784.000	0.040
	Hotelling's Trace	0.034	2.218	6.000	782.000	0.040
	Roy's Largest Root	0.031	4.095	3.000	393.000	0.007

Other Variables' Effects on Perceived Value

Demographic variables, past purchase experience, or even online purchase behaviors may have effects on the value perception. To rule out these variables' effects on the dependent variables, analysis of variance (ANOVA) was run with education, yearly income, online purchase frequency, and vacation package experience as independent variables and the two value perceptions as dependent variables. But no significant effects were shown for most of these independent variables, except that income had a significant effect on perceived functional value (F=2.75, P=0.019) (Table19).

Post Hoc tests (Table 20) showed that the very low income group (lower than $30,000, n=75) had a higher Functional Value (P=0.040) compared to the medium income group ($60,000-79,999, n=76), indicating very low income earners rated a package as having higher functional value related to freedom of choice and flexibility of trip arrangements, etc.

Table 19: Effect of Household Yearly Income on Functional Value

Dependent Variable: Functional Value

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	26.711	5	5.342	2.752	0.019
Within Groups	749.213	386	1.941		
Total	775.923	391			

Table20: Multiple Comparison of Functional Value among Income Groups

Dependent Variable: Functional Value

Tukey HSD

(I) What's your household yearly income?	(J) What's your household yearly income?	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Less than 30,000	30,000-59,999	0.191	0.203	0.935	-0.390	0.772
	60,000-79,999	0.666*	0.227	0.040	0.017	1.316
	80,000-99,999	0.565	0.254	0.230	-0.164	1.294
	100,000 - 149,999	0.674	0.269	0.124	-0.095	1.443
	Higher than 150,000	0.332	0.338	0.923	-0.636	1.299
30,000-59,999	Less than 30,000	-0.191	0.203	0.935	-0.772	0.390
	60,000-79,999	0.475	0.202	0.176	-0.104	1.054
	80,000-99,999	0.374	0.233	0.595	-0.293	1.040
	100,000 - 149,999	0.482	0.248	0.376	-0.228	1.193
	Higher than 150,000	0.140	0.322	0.998	-0.781	1.062
60,000-79,999	Less than 30,000	-0.666*	0.227	0.040	-1.316	-0.017
	30,000-59,999	-0.475	0.202	0.176	-1.054	0.104
	80,000-99,999	-0.101	0.254	0.999	-0.828	0.625
	100,000 - 149,999	0.007	0.268	1.000	-0.760	0.775
	Higher than 150,000	-0.335	0.337	0.920	-1.301	0.631

* the means difference is significant at 0.05 level

Since all the other income groups were no different, income shouldn't be an important factor differentiating people's value perception in the context of this study. But to make sure there is no interaction effect between income and the bundling strategies on the value perception, a two way ANOVA was run and there was no significant interaction effect found. That means the effect of income on functional value was independent from the effect of bundling strategies.

Effects of PV on Purchase Intention

Multiple Regression was used to test the effects of combined AV and FV on purchase intention. Analysis showed that the model was significant ($F=209.222$, $P=0.000$). Adjusted R Square was 51%, meaning 51% of the variance of purchase intention can be explained by acquisition value and functional value. With a higher standardized beta of 0.596, acquisition value had a larger effect on purchase intention than did functional value ($\beta=0.219$) (Table21).

Table21: Effects of Perceived Value on Purchase Intention

Dependent Variable: Purchase Intention of a Package					
Method: Enter					
Multiple R:	0.716				
R Square:	0.513				
Adjusted R Square:	0.51				
Standard Error:	1.156				
	df	Sum of Squares	Mean Square	F	Sig.
Regression	2	559.412	279.706	209.222	0.000
Residual	398	532.081	1.337		
Total	401	1091.493			
Independent Variables					
Variables	Coefficient	Standardized β		t	Sig.
Constant	1.229			7.102	0.000
AV	0.509	0.596		15.457	0.000
FV	0.257	0.219		5.682	0.000

Chapter Summary

This chapter presented data analysis and hypotheses testing. Factor analysis found that AV and TV defined and operationalized by previous studies (Grewal et al. 1998; Petrick and Beckman 2002) were redundant. The measurement items for the two dimensions loaded under one factor in one of the pretests and the formal study, meaning they were measuring the same thing. Therefore, the model of perceived value composed of AV and TV does not hold true in a service bundling context. A new model of perceived value composed of acquisition value (AV) and functional value (FV) was found (Figure 7).

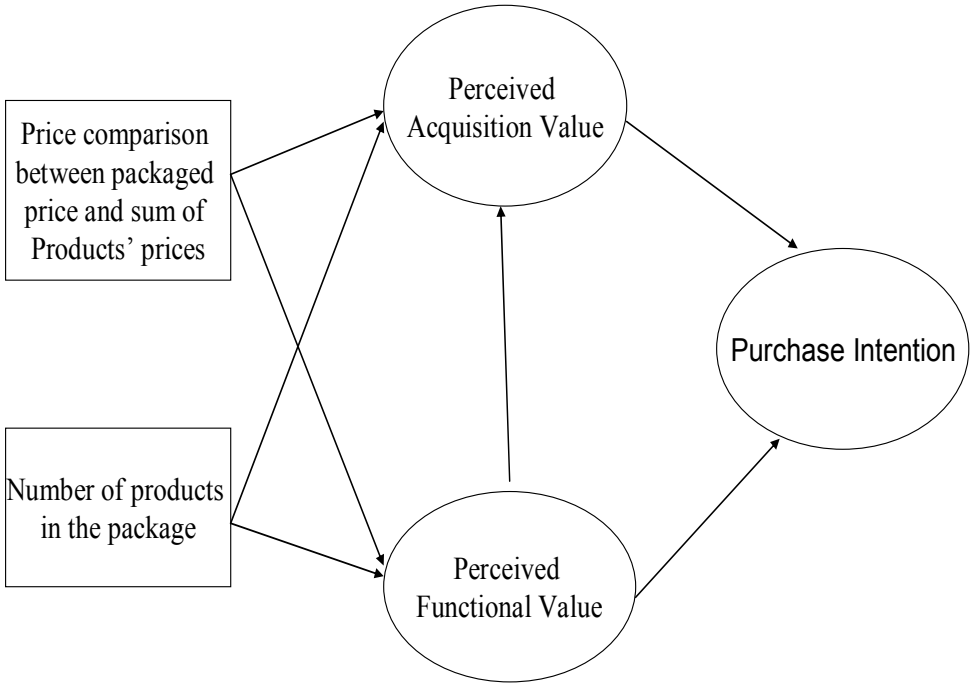
Hypotheses testing were done only on those related to acquisition value. Effects of bundling strategies on AV was first investigated, followed by effects of AV on purchase intention. Two-way ANOVA and simple regression were used to test the hypotheses; Table (22) summarizes the results of hypotheses testing.

Further analysis was done on the effects of bundling strategies on FV, and FV on purchase intention. Finally, the two value dimension, AV and FV, were combined as perceived value for additional analysis.

Table 22: The Summary of Hypotheses and Results

Hypotheses	Significance Level	Support or Not
H1: The greater the discount of a packaged price off the sum of the separate items in the package, the higher the perceived acquisition value of the package.	p<0.001	Yes
H2: The greater the discount of a packaged price off the sum of the separate items in the package, the higher the perceived transaction value of the package.		Untestable
H3: The larger the number of product items in a package, the higher the perceived acquisition value of the package. (*Modified*)	p=0.181	No
H4: There is an interaction effect between discount size and number of items on the perceived acquisition value of a package.	p=0.030	Yes
H5: The higher the perceived transaction value of a vacation package, the higher the perceived acquisition value of the package.		Untestable
H6: The higher the perceived acquisition value of a package, the greater the buyers' purchase intention of the package.	p<0.001	Yes
H7: The higher the perceived transaction value of a package, the higher the buyers' purchase intention of the package.		Untestable

Figure 7: The Revised Model



CHAPTER V: DISCUSSIONS AND CONCLUSIONS

Introduction

This chapter presents the summary, discussion and implications of the findings of the study. Limitations of the study and suggestions for future research are also discussed. In the first section of the chapter, the summary and discussion of the hypotheses testing are presented. The second section presents the theoretical contributions and practical implications of the findings followed by the limitations of the study. Finally, the chapter concludes with suggestions for future research.

Summary of the findings

Perceived Value Dimensions

Evidence from the study didn't support the argument that perceived value consists of acquisition value and transaction value in the context of bundling of tourism products. Even with new measurement items developed from a focus group study added, as instructed by Al-Sabbahy et al. (2004), the scales still didn't elicit acquisition value and transaction value as the two dimensions of perceived value. In factor analysis, items developed for the two constructs loaded under the same dimension, unless they were forced to separate by manipulating transaction value to zero in situations of no discount. By the definition of transaction value, consumers would not get any transaction value if they didn't get a price deal from comparing the packaged price to their reference price

(i.e. the sum price of separate products in a package). Then perceived value would consist of only acquisition value. In situations where a price discount was offered and consumers could feel transaction value, transaction value was found to be part of acquisition value. The results indicated that transaction value confounded with acquisition value, as had been found in several other studies in the context of service (Al-Sabbahy et al., 2004; Jayanti & Ghosh, 1996; Petrick & Backman, 2002b). It is safe to conclude that in the type of service examined here, 'acquisition value' and 'transaction value' as defined by the previous researchers are measuring a single dimension of perceived value.

However, perceived value is not uni-dimensional. In the context of bundled service products, two dimensions were extracted from the construct of perceived value. These two dimensions were acquisition value and functional value. Acquisition value of a bundle measured benefits related to acquiring the bundle including saved monetary costs and non-monetary costs, as well as psychological pleasure from taking advantage of a good price deal. Functional value of a bundle measured people's perception of value after sacrificing other benefits related to the bundle, such as freedom of choice and flexibility in trip arrangements.

Main Effects of Bundling Strategies on Value Perceptions

The current study has a presumption that consumers use the sum price of all separate products in a package as the reference price to judge the package price. As expected, price comparison between the packaged price and the sum had a significant effect on the

value perceptions of the package. Both perceived acquisition value and perceived functional value were significantly higher when a discount was offered compared to when a higher packaged price was charged or when no discount was offered. To the consumers, there was a big difference in the value judgment between packages with discounts and packages without discounts. If sellers want to charge a premium for making efforts to put all the products in a package, they can expect to get an unwelcome attitude from potential buyers. In fact, charging a same packaged price as the sum was not even accepted by the respondents. Consumers expect a discount from a package. For example, a package with 5% higher price had a lower acquisition value than a package with same price. But for functional value, a difference only existed between packages with and without a discount.

However, the study didn't find a main effect of price comparison on either acquisition value or functional value between packages with a 20% discount and with 5% discount. The results indicated that as long as a discount is offered, consumers perceive a 5% and a 20% discount as similar in value adding to a package. One possible reason is that consumers have already gained non-monetary benefits (e.g. saved search time) from purchasing a package. So any price discount (either a 5% discount or a 20% discount) is a bonus and increases the value perception. In this case, offering a discount larger than 5% is a waste from the seller's perspective. Another possible explanation is that a 20% discount is not large enough to increase the perceived value of a package. Influenced by different kinds of price information, consumers may have a higher expectation for discounts. Under this situation, offering an even larger discount than 20%, such as a 40%

discount, may be necessary if the seller wants to increase the perceived value of the package.

In either case, the implication from the findings is that in the efforts to raise the perceived value of a package, simply offering a large discount of 20% is not a useful pricing strategy. Sellers will have to either offer a larger discount than 20%, or consider strategies other than discounting.

The number of items in a package was found to have no significant effect on perceived acquisition value, but had an effect on perceived functional value. Because functional value relates to freedom of choice and flexibility of trip arrangements, the more items in a package, the lower the functional value. However, even though the more items in a package, the more searching time and searching efforts can be saved, consumers did not see themselves as receiving higher acquisition value. The possible reason may be because they focus more on the pricing information, instead of on the package size, when judging the acquisition value.

Interaction Effects of Bundling Strategies on Value Perceptions

When the number of items in a package and the price comparison were both taken into account, a difference in total value perception emerged. With only two items in the package, offering a 5% discount brought similar value as offering 20% did. But as the number of items increased to six, a 5% discount was considered far from enough to bring

good value to buyers. A 6-item package with a 20% discount was considered more valuable than a 6-item package with only a 5% discount.

Perceived Value and Purchase Intention

It was found that both acquisition value and functional value were good predictors of purchase intention. The two value perceptions had a positive relationship with purchase intention. Compared to functional value, acquisition value was a better predictor and could explain more variance of purchase intention. Therefore, in order to improve consumers' intentions to purchase a vacation package, marketers need to adopt strategies that can increase perceived acquisition value and functional value, but more attention should be paid to increasing acquisition value.

Theoretical Contributions

Operationalization of the construct of perceived value has been a debatable topic in the marketing literature. The proposition that perceived value is composed of acquisition value and transaction value has a strong theoretical base and has been widely accepted by many scholars. However, in a service context, replication studies of the measurement scales developed for a tangible product by Grewal et al. (1998) have found that the two components were actually measuring one single construct. Because these replication studies didn't apply the scales correctly (they didn't consider the time dimension of perceived value in the whole purchase process), their results need to be further validated.

The current study made an attempt to validate the measurement scales of perceived value as composed of acquisition value and transaction value in the pre-purchase stage. Measurement scales were refined according to careful examination of the definitions and suggestions by previous studies on how to improve the scales for perceived value. But the results from this study confirm that acquisition value and transaction value are measuring the same thing. However, the current study found that perceived value is not a uni-dimensional construct. In the context of bundled service products, it has two dimensions, acquisition value and functional value.

Another contribution of the study is the exploratory examination of the interaction effect between pricing strategies and product strategies for a bundle. Bundling strategies as a marketing tool have the purpose of increasing sales volume with lower costs. How many products to bundle in a package and what price to charge are important decisions for marketers to make. Furthermore, the bundling literature usually focuses on bundling offers with a price discount. Previous studies rarely looked at the practice of bundling without a discount or offering bundles with a premium price. But integrating products and service together sometimes incurs costs to sellers and so in some situations sellers cannot afford to provide any discount. Physical travel agents often charge a fee for putting ideas together. Consumers are willing to pay this fee probably because they are dealing with the personnel and they feel they are receiving 'real service'. But from online travel agents, consumers don't see the efforts made by the seller. They may have the paradigm that 'I buy more (at least two at a time) so you should give me a discount'. The current study provides evidence that bundles without a discount are perceived as having

very low value. The results imply that consumers expect a discount, large or small, from buying a bundle. And the larger the number of products in a package, the larger the discount size consumers expect to get.

Practical Implications

How many items to put in a package and whether to provide a price discount off the sum of all items have impacts on buyers' value perception. To have consumers perceive a vacation package as highly valuable and meeting consumers' needs, sellers will have to offer a price discount to the package. The idea that because integration of products in a package takes effort and incurs costs for sellers, the seller should charge a premium price is not welcome by consumers. Even charging a similar price is not acceptable to consumers. When people buy a package, they expect to be able to take advantage of a price deal. However, the discount size is not as important as whether you offer a discount or not (See Table12). In fact, almost one third of package buyers didn't know how much discount they had received from a previous purchase. Therefore, marketers should explicitly show consumers that they are offering a discount, even if the discount size is not big. A discount as small as 5% can make a big difference in the perception of consumers. But if sellers cannot afford to give a discount to a package, they should not explicitly offer price comparison information on the packaged price and the sum price of separate products. There are always consumers who buy without doing a price-search comparison.

The interaction effect of the two bundling strategies on consumers' perceived value indicates that the perceived value of a package with a small number of items doesn't change with different discount sizes (5% and 20%). However, with as many as 6 items in a package, the perceived value with a large discount is significantly higher than the value with a small discount. The findings imply that if sellers want to put more products in one package, they need to offer a higher discount size; otherwise the perceived value of the package will drop. This may pose a lot of difficulties to sellers, because to integrate separate products into one package will need to involve different suppliers.
Offering higher discounts may sacrifice their profits. Then they will need to decide whether selling a large package with many products at a high discount is more profitable or selling a smaller package at a lower discount is more profitable. In other words, selling packages with a large number of items and with a high discount may not worth it from the perspective of profitability. One of the rationales for sellers to use bundling strategies is to extract consumer surplus (i.e. reservation price less actual price) (Janiszewski and Cunha, 2004). When consumers are expecting a large discount, meaning their reservation price is low, there is not much surplus to extract and so bundling strategies lose the advantages.

An important consideration concerning the package size, how large is large? Is there a correct number of items in a package that can maximize the profit? The largest number of items offered by most of the travel websites is three items (flight + hotel + rental car). Is three the 'correct number'? This should be one of the important research areas for future study.

Limitations and Directions for Future Research

The study has some limitations and future research can focus on addressing these limitations.

First, in the scenario descriptions, brand information was not given for products in the vacation package. However, brand information plays a critical role in consumer evaluations of a marketing offer (Keller, 1993). To consumers who have a loyalty to a specific brand, a package with components from the brand will increase attractiveness of the package, but a package without any component from this specific brand may not be considered by the consumers. For future research, brand information should be incorporated into the package stimuli for consumers to evaluate.

Second, the setting of levels of bundle price discount and item number was arbitrary. The component products were also selected according to the author's subjective judgment of what kind of products a tourist would need. The design of the vacation packages may need more rigid rules about what products should be bundled together.

Third, the study didn't look at the value difference between packages having the same number of items but with different components. For example, for a 2-item package, will hotel +flight be evaluated the same to flight + car or hotel + meals?

Finally, the results of the study are limited to packages offered on travel websites. People buying on-line without getting in touch with sales persons will form different perceptions for a product than people who communicate with a travel agent. If consumers can sense the extra efforts and service from a travel agent, they may value the product higher and being willing to pay more.

Although the study found out perceived value was influenced by an interaction effect of price discount and number of items; it is not clear how consumers trade off between the two attributes. A choice model incorporating these attributes with other attributes such as brand information may provide more nuances of how consumers balance different costs and benefits in the decision making process of selecting vacation packages.

References

Adams, W. J., & Yellen, J. L. (1976). Commodity bundling and the burden of monopoly. *Quarterly Journal of Economics, 90*(August), 475-498.

Ajzen, I. (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Process, 50*(2), 179-211.

Al-Sabbahy, H. Z., Ekinci, Y., & Riley, M. (2004). An investigation of perceived value dimensions: Implications for hospitality research. *Journal of Travel Research, 42*(February), 226-234.

Al-Sabbyhy, H. Z., Ekinci, Y., & Riley, M. (2004). An investigation of perceived value dimensions: Implications for hospitality research. *Journal of Travel Research, 42*(February), 226-234.

Ansari, A., Siddarth, S., & Weinberg, C. B. (1996). Pricing a bundle of products or services: The case of nonprofits. *Journal of Marketing Research, 28*(February), 86-93.

Arkes, H. R., & Blumer, C. (1985). The psychology of sunk cost. *Organizational Behavior and Human Decision Process, 35*(1), 124-140.

Assael, H. (1995). *Consumer Behavior and Marketing Action* (5th ed.). Cincinnati OH: South Western College Publishing.

Ateljevic, I. (2000). Tourist motivation, values and perceptions In A. G. Woodside, G. I. Crouch, J. A. Mazanec, M. Oppermann & M. Y.Sakai (Eds.), *Consumer Psychology of Tourism, Hospitality, and Leisure* (pp. 193-209). Wallingford, UK: CABI Publishing.

Bojanic, D. C. (1996). Consumer perception of price, value and satisfaction in the hotel industry: An exploratory study. *Journal of Hospitality and Leisure Marketing, 4*(1), 5.

Chen, C.-F., & Tsai, M.-H. (2008). Perceived value, satisfaction, and loyalty of TV travel product shopping: Involvement as a moderator *Tourism Management, 29*(6), 1166-1171.

Chung, J., & Rao, V. (2003). A general choice model for bundles with multiple-category products: Application to segmentation and optimal pricing for bundles. *Journal of Marketing Research, 40*(2), 115-130.

Cronin, J. J., Brady, M. K., & Hult, G. T. M. (2000). Assessing the effects of quality, value and customer satisfaction on consumer behavioral intentions in service environments. *Journal of Retailing, 76*(2), 193-218.

Della Bitta, A., Monroe, K. B., & McGinnis, J. M. (1982). Consumer perceptions of comparative price advertisements. *Journal of Marketing Research, 18*(November), 416-427.

Dodds, W., Monroe, K. B., & Grewal, D. (1991). Effects of price, brand, and store information on buyers' product evaluation. *Journal of Marketing Research, 28*, 307-319.

Gale, B. T. (1994). *Managing Customer Value*. New York: Free Press.

Gallarza, M. G., & Saura, I. G. (2006). Value dimensions, perceived value, satisfaction and loyalty: an investigation of university students' travel behaviors. *Tourism Management, 27*(3), 437-452.

Gardial, S. F., Clemons, D. S., Woodruff, R. B., Schumann, D. W., & Burns, M. J. (1994). Comparing consumer's recall of prepurchase and postpurchase product evaluation experiences. *Journal of Consumer Research, 20*, 548-560.

Gourville, J. T., & Soman, D. (2001). How packaging services can hurt consumption. *Cornell Hotel and Restaurant Administration Quarterly, 42*(3), 29-37.

Grewal, D., Krishnan, R., Baker, J., & Borin, N. (1998). The effects of store name, brand name and price discounts on consumers' evaluations and purchase intentions. *Journal of Retailing, 74*(3), 331-352.

Grewal, D., Monroe, K. B., & Krishnan, R. (1998). The effects of price-comparison advertising on buyers' perceptions of acquisition value, transaction value, and behavioral intentions. *Journal of Marketing, 62*(2), 46-59.

Guiltinan, J. P. (1987). The price bundling of services: A normative framework. *Journal of Marketing, 51*(April), 74-85.

Harlam, B., Krishna, A., Lehmann, D. R., & Mela, C. (1995). Impact of bundle type, price framing and familiarity on purchase intention of the bundle. *Journal of Business Research, 33*(1), 57-66.

Harris, J., & Blair, E. A. (2006a). Consumer preference for product bundles: The role of reduced search costs. *Journal of the Academy of Marketing Science, 34*(4), 506-513.

Harris, J., & Blair, E. A. (2006b). Functional compatibility risk and consumer preference for product bundles. *Journal of the Academy of Marketing Science, 34*, 19-26.

Holbrook, M. B., & Corfman, K. P. (1985). Quality and value in the consumption experience: Phaedrus rides again. In J. Jacoby & J. Olson (Eds.), *Perceived quality* (pp. 31-57). Lexington MA: Lexington Books.

Janiszewski, C., & Cunha, M. J. (2004). The influence of price discount framing on the evaluation of a product bundle. *Journal of Consumer Research, 30*(4), 534-546.

Jayanti, R. K., & Ghosh, A. K. (1996). Service value determination: An integrative perspective. *Journal of Hospitality and Leisure Marketing, 3*(4), 5-25.

Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decisions under risk. *Econometrica, 47*, 263-291.

Kaicker, A., Bearden, W. O., & Manning, K. C. (1995). Component versus bundle pricing: The role of selling price deviations form price expectations. *Journal of Business Research, 33*(3), 231-239.

Kale, S. H., McIntyre, R. P., & Weir, K. M. (1987). Marketing overseas tour packages to the youth segment: An empirical analysis. *Journal of Travel Research, 25*(4), 20-24.

Kantamneni, S. P., & Coulson, K. R. (1996). Measuring perceived value: Findings from preliminary Research. *The Journal of Marketing Management, 6*(2), 72-86.

Keller, K. L. (1993). Conceptualizing, measuring, and managing customer-based brand equity. *Journal of Marketing, 57*(February), 35-50.

Kim, S., & Littrell, M. A. (1999). Predicting souvenir purchase intentions. *Journal of Travel Research, 38*(November), 153-162.

Kinberg, Y., & Sudit, E. F. (1979). Country/service bundling in international tourism: criteria for the selection of an effective bundle mix and allocation of joint revenues. *Journal of International Business Studies, 10*(2), 51-63.

Kwun, J.-W., & Oh, H. (2004). Effects of brand, price, and risk on customers' value perceptions and behavioral intentions in the restaurant industry. *Journal of Hospitality and Leisure Marketing, 11*(1), 31-49.

Lee, c.-K., Yoon, Y.-S., & Lee, S.-K. (2007). Investigating the relationships among perceived value, satisfaction, and recommendations: The case of the Korean DMZ. *Tourism Management, 28*, 204-214.

Lichtenstein, D. R., Netemeyer, R. G., & Burton, S. (1990). Distinguishing coupon proneness from value consciousness: An acquisition-transaction utility theory perspective. *Journal of Marketing, 54*(July), 54-67.

Matovic, D., & McCleary, K. W. (2003). Marketing in the next decade: A qualitative study of the U.S. hotel industry. *Journal of Travel and Tourism Marketing, 14*(2), 47-65.

Mazumdar, T., & Jun, S. Y. (1993). Consumer evaluations of multiple versus single price change. *Journal of Consumer Research, 20*(3), 441-450.

Moliner, M. A., Sánchez, J., Rodríguez, R. M., & Callarisa, L. (2007). Relationship quality with a travel agency: The influence of the postpurchase perceived value of a tourism package. *Tourism & Hospitality Research, 7*(3/4), 194-211.

Monroe, K. B. (1990). *Pricing: Making Profitable Decisions*. New York: McGraw-Hill.

Monroe, K. B., & Chapman, J. D. (1987). Framing effects on buyers subjective product evaluations. *Advances in Consumer Research, 14*, 193-197.

Mulhern, F. J., & Leone, R. P. (1990). Retail promotional advertising: Do the number of deal items and size of deal discounts affect store performance. *Journal of Business Research, 21*(3), 179-194.

Myung, E., McCool, A. C., & Feinstein, A. H. (2008). Understanding attributes affecting meal choice decisions in a bundling context. *International Journal of Hospitality Management, 27*(1), 119-125.

Parasuraman, A. (1997). Reflections on gaining competitive advantage through customer value. *Journal of the Academy of Marketing Science, 25*(4), 332-342.

Parasuraman, A., & Grewal, D. (2000). The impact of technology on the quality-value-loyalty chain: A research agenda. *Journal of the Academy of Marketing Science, 28*(1), 168-174.

Petrick, J. F. (2002). Development of a multi-dimensional scale for measuring the perceived value of a service. *Journal of Leisure Research, 34*(2), 119-134.

Petrick, J. F. (2003). Measuring cruise passengers' perceived value. *Tourism Analysis, 7*(3-4), 251-258.

Petrick, J. F. (2004). First timers' and repeaters' perceived value. *Journal of Travel Research, 43*(1), 29-38.

Petrick, J. F., & Backman, S. J. (2002a). An examination of golf travelers' satisfaction, perceived value, loyalty, and intentions to revisit. *Tourism Analysis, 6*(3/4), 223-237.

Petrick, J. F., & Backman, S. J. (2002b). An examination of the construct of perceived value for the prediction of golf travelers' intentions to revisit. *Journal of Travel Research, 41*(1), 38-45.

Petrick, J. F., Backman, S. J., & Bixler, R. D. (1999). An investigation of selected factors' impact on golfer satisfaction and perceived value. *Journal of Park & Recreation Administration, 17*(1), 40-59.

Ravald, A., & Gronroos, C. (1996). The value concept and relationship marketing. *European Journal of Marketing, 30*(2), 19-30.

Rewtrakunphaiboon, W., & Oppewal, H. (2008). Effects of package holiday information presentation on destination choice. *Journal of Travel Research, 47*(2), 127-136.

Ryu, K., Han, H., & Kim, T.-H. (2008). The relationships among overall quick-casual restaurant image, perceived value, customer satisfaction, and behavioral intentionsPreview. *International Journal of Hospitality Management, 27*(3), 459-469.

Salinger, M. A. (1995). A graphical analysis of bundling. *Journal of Business, 68*(1), 85-98.

Sanchez, J., Callarisa, L., Rodriguez, R. M., & Moliner, M. A. (2006). Perceived value of the purchase of a tourism product. *Tourism Management, 27*, 394-409.

Schmalensee, R. (1984). Gaussian demand and commodity bundling. *Journal of Business, 57*(1), S211-230.

Sheldon, P. J., & Mak, J. (1987). Demand for package tours: A mode choice model. *Journal of Travel Research, 25*(3), 13-17.

Sheng, S. (2004). *Bundling and consumer evaluations of individual bundle components.* Unpublished Dissertation, Virginia Polytechnic Institute and State University, Blacksburg, VA.

Sheng, S., Parker, A. M., & Nakamoto, K. (2007). The effects of price discount and product complimentarity on consumer evaluations of bundle components. *Journal of Marketing Theory and Practice, 15*(1), 53-64.

Sheth, J. N., Newman, B. I., & Gross, B. L. (1991). Why we buy what we buy: A theory of consumption values. *Journal of Business Research, 22*(2), 159-170.

Siddarth, S., Ansari, A., & Weinberg, C. B. (1996). Pricing a bundle of products or servcies: The case of nonprofits. *Journal of Marketing Research, 33*(1), 86-93.

Simonin, B. L., & Ruth, J. A. (1995). Bundling as a strategy for new product introduction: Effects on consumers' reservation prices for the bundle, the new product, and its tie-in. *Journal of Business Research, 33*(3), 219-230.

Soman, D., & Gourville, J. T. (2001). Transaction decoupling: How price bundling affects the decision to consumer. *Journal of Marketing Research, 38*(1), 30-44.

Stremersch, S., & Tellis, G. J. (2002). strategic bundling of products and prices: A new synthesis for marketing. *Journal of Marketing, 66*(1), 55-72.

Sujan, M. (1985). Consumer knowledge: Effects on evaluation strategies mediating consumer judgments. *Journal of Consumer Research, 12*(June), 31-46.

Suri, R., & Monroe, K. B. (1995). Effects of consumers' purchase plans on the evaluation of bundle offers. *Advances in Consumer Research, 22*, 588-593.

Sweeney, J. C., Soutar, G. N., & Johnson, L. W. (1998). *Consumer perceived value: Development of a multiple item scale.* Paper presented at the American Marketing Association Conference.

Tam, J. L. M. (2000). The effects of service quality, perceived value and customer satisfaction on behavioral intentions. *Journal of Hospitality and Leisure Marketing, 6*(4), 31-43.

Teas, R. K., & Agarwal, S. (2000). The effects of extrinsic product cues on consumers' perceptions of quality, sacrifice, and value. *Journal of the Academy of Marketing Science, 28*(2), 278-290.

Thaler, R. H. (1980). Toward a positive theory of consumer choice. *Journal of Economic Behavior Organization, 1*(March), 39-60.

Thaler, R. H. (1985). Mental accounting and consumer choice. *Marketing science, 4*(3), 199-214.

Thrane, C. (2005). Hedonic price models and sun-and-beach package tours: The Norwegian case. *Journal of Travel Research, 43*(3), 302-308.

Urbany, J. E., & Bearden, W. O. (1990). The effects of advertised price information on value perceptions. Unpublished Manuscript. Department of Marketing, University of South Carolina.

Urbany, J. E., Bearden, W. O., & Weinberg, C. B. (1988). The effect of plausible and exaggerated reference prices on consumer perceptions and price search. *Journal of Consumer Research, 15*(June), 95-110.

Vantrappen, H. (1992). Creating customer value by streamlining business processes. *Long Range Planning, 25*(February), 53-62.

Venkatesh, R., & Mahajan, V. (1993). A probabilistic approach to pricing a bundle of products or services. *Journal of Marketing Research, 30*(November), 494-508.

Woodruff, R. B. (1997). Customer value: The next source for competitive advantage. *Journal of the Academy of Marketing Science, 25*(2), 139-153.

Yadav, M. S. (1990). *An examination of how buyers subjectively perceive and evaluate product bundles.* Unpublished Dissertation, Virginia Polytechnic Institute and State University, Blacksburg, VA.

Yadav, M. S. (1994). How buyers evaluate product bundles: A model of anchoring and adjustment. *Journal of Consumer Research, 21*(September), 342-353.

Yadav, M. S. (1995). Bundle evaluation in different market segments: The effects of discount framing and buyers' preference heterogeneity. *Journal of the Academy of Marketing Science, 23*(3), 206-215.

Yadav, M. S., & Monroe, K. B. (1993). How buyers perceive savings in a bundle price: An examination of a bundle's transaction value. *Journal of Marketing Research, 30*(August), 350-358.

Yoon, J., & Shafer, E. L. (1997). An analysis of sun-spot destination resort market segments: All inclusive package versus independent travel arrangement. *Journal of Hospitality and Tourism Research, 21*(1), 141-158.

Zeithaml, V. (1988). Consumer perception of price, quality and value: A means-end model and synthesis of evidence. *Journal of Marketing, 52*(July), 2-22.

Zeithaml, V. A., Berry, L., & Parasuraman, A. (1996). The behavioral consequences of service quality. *Journal of Marketing, 60*(April), 31-46.

Appendix I

Survey for 1st Pretest

Dear respondents,

The following survey is part of dissertation research that will lead to a doctoral degree. Your input is vital to the successful completion of this process, and therefore we are asking you to help us by filling-out the questionnaire.

The survey is anonymous and the data collected will only be reported in a summary fashion. Individual responses will be held in strict confidence by researchers at Virginia Tech.

Thank you for your time and important contribution to this research.

ص ص

Suppose you are planning a leisure trip of 5 days to Orlando, Florida. You have the option to buy a package all at a once or buy the separate products one by one, from the same or different sellers.

Ten days before the trip, you are evaluating different packages offered online, so that you can decide whether to buy a package or assemble the separate tourism products by yourself. Here is one of the packages: This is a 2-item package consisting of a flight and a hotel. Suppose you will need the two items and both of them are from brands that you like. The packaged price is 5% higher than the sum of the two items if bought separately.

Please complete the following survey based on the scenario described above.

Part I. Please indicate the level of your agreement with the following statements using the scale: **1-strongly disagree, 2- somewhat disagree, 3-disagree, 4-neutral, 5-agree, 6-somewhat agree, 7-strongly agree**

Statement	Strongly Disagree			Neutral			Strongly Agree
If I acquired this package, I think I would be getting good value for the money I spend.	1	2	3	4	5	6	7
If I bought this package, I feel I would be getting my money's worth.	1	2	3	4	5	6	7
I would value this package as it would meet my needs for a reasonable price	1	2	3	4	5	6	7
Compared to the maximum price I would be willing to pay for this package, the sale price conveys good value.	1	2	3	4	5	6	7
This package would be a worthwhile acquisition because it would help me have a trip at a reasonable price.	1	2	3	4	5	6	7
I would value this package as it would save my search efforts.	1	2	3	4	5	6	7
I would value this package as it would save my search time.	1	2	3	4	5	6	7
I would value this package as it would make my decision faster.	1	2	3	4	5	6	7
I would value this package as it would make my decision easier.	1	2	3	4	5	6	7
I would NOT value this package as it would limit my freedom of choice.	1	2	3	4	5	6	7
I would NOT value this package as it would make my trip arrangements less flexible.	1	2	3	4	5	6	7
I would NOT value this package because I would be concerned about the high cancellation fees.	1	2	3	4	5	6	7
Overall, the total value of this vacation package is high.	1	2	3	4	5	6	7

Part II: Purchase Intention

Please circle the number that can best describe your purchase intention of this package:

If I were going to buy a vacation, the probability of buying this package is

Very low 1 2 3 4 5 6 7 Very high

The probability that I would consider buying this package is

Very low 1 2 3 4 5 6 7 Very high

The likelihood that I would purchase this package is

Very low 1 2 3 4 5 6 7 Very high

Part III: Travel Experience

Have you ever planned a trip yourself? ☐ Yes ☐ No

Have you ever purchased a vacation package? ☐ Yes ☐ No (Please Move on to **Part IV**)

If YES, in the most recently purchased vacation package, how many different products were in it? _____ What were they?

_____

How much price discount have you got buying this package?

☐ No discount. ☐ Less than 5% discount

☐ 5-10% discount ☐ 11-20% discount

☐ More than 20% discount ☐ I don't know.

Part IV: General Information

What's your gender? ☐ Male ☐ Female

What's your age?

☐ Under 25 ☐ 25-35 ☐ 36-45 ☐ 46-55 ☐ 56-65 ☐ Over 65

What's your marital status? ☐ Single ☐ Married

Thank you for completing the survey!

Appendix II

Survey for the 2nd Pretest

Dear respondents,

The following survey is part of dissertation research that will lead to a doctoral degree. Your input is vital to the successful completion of this process, and therefore we are asking you to help us by filling-out the questionnaire.

The survey is anonymous and the data collected will only be reported in a summary fashion. Individual responses will be held in strict confidence by researchers at Virginia Tech.

Thank you for your time and important contribution to this research.

Yueying Hazel Xu (yuxu@vt.edu)
Graduate student of HTM

ص ص

Please carefully read the following scenario description before you go the next page.

Suppose you are planning a leisure trip of 5 days to Orlando, Florida. You have the option to buy a package all at a once or buy the separate products one by one.

Ten days before the trip, you are evaluating different vacation packages offered online, so that you can decide whether to buy a package or assemble the separate products by yourself. Here is one of the packages: This is a 6-item vacation package consisting of: a round-trip flight ticket, a hotel room, a rental car, a theme park ticket, a concert ticket, and 2 meals. Suppose you want all of the 6 items. The packaged price is 20% lower than the sum of the six items if bought separately.

Please complete the following survey based on the scenario described above.

Part I. Please indicate the level of your agreement with the following statements using the scale: **1-strongly disagree, 2- somewhat disagree, 3-disagree, 4-neutral, 5-agree, 6-somewhat agree, 7-strongly agree**

Statement	Strongly Disagree			Neutral			Strongly Agree
If I acquired this package, I think I would be getting good value for the money I spend.	1	2	3	4	5	6	7
I would be getting my money's worth because purchasing the package would save my search time	1	2	3	4	5	6	7
Compared to the maximum price I would be willing to pay for this package, the sale price conveys good value.	1	2	3	4	5	6	7
Beyond the money I save, taking advantage of this price deal will give me a sense of joy.	1	2	3	4	5	6	7
Taking advantage of a price-deal like this makes me feel good.	1	2	3	4	5	6	7
I would be getting my money's worth because purchasing the package would save my search efforts.	1	2	3	4	5	6	7
If I bought this package, I feel I would be getting my money's worth.	1	2	3	4	5	6	7
I would NOT value this package as it would make my trip arrangements less flexible.	1	2	3	4	5	6	7
I would be getting my money's worth because purchasing the package would be fast.	1	2	3	4	5	6	7
I would NOT value this package because I would be concerned about the high cancellation fees.	1	2	3	4	5	6	7
I would be getting my money's worth because purchasing the package would be convenient.	1	2	3	4	5	6	7
I would NOT value this package as it would limit my freedom of choice.	1	2	3	4	5	6	7
I would value this package as it would meet my needs for a reasonable price	1	2	3	4	5	6	7
I would get a lot of pleasure knowing that I would save money at this reduced sale price.	1	2	3	4	5	6	7
This package would be a worthwhile acquisition although it would tie me up to the fixed trip arrangements.	1	2	3	4	5	6	7
I would value this package as I could have a trip at a reasonable price	1	2	3	4	5	6	7
Overall, the total value of this vacation package is high.	**1**	**2**	**3**	**4**	**5**	**6**	**7**

Part II:

Please circle the number that can best describe your purchase intention of this package:

If I were going to buy a vacation, the probability of buying this package is

Very low 1 2 3 4 5 6 7 Very high

The probability that I would consider buying this package is

Very low 1 2 3 4 5 6 7 Very high

The likelihood that I would purchase this package is

Very low 1 2 3 4 5 6 7 Very high

Part III: Travel Experience

Have you ever planned a trip yourself? ☐ Yes ☐ No

Have you ever purchased a vacation package? ☐ Yes ☐ No (If no, please go to **Part IV**)

If YES, in the most recently purchased vacation package, how many different products were in it? _____ .What were they?

_____

How much price discount have you got buying this package?

☐ No discount. ☐ Less than 5% discount

☐ 5-10% discount ☐ 11-20% discount

☐ More than 20% discount ☐ I don't know.

Part IV: General Information

What's your gender? ☐ Male ☐ Female

What's your age? _____

What year are you in? ☐ Freshman ☐Sophomore ☐ Junior ☐ Senior ☐ Graduate

Thank you for completing the survey!

Appendix III

Survey for Formal Study

Dear respondents,

The following survey is part of dissertation research that will lead to a doctoral degree. Your input is vital to the successful completion of this process, and therefore we are asking you to help us by filling-out the questionnaire.

The survey is anonymous and the data collected will only be reported in a summary fashion. Individual responses will be held in strict confidence by researchers at Virginia Tech.

Thank you for your time and important contribution to this research.

Yueying Hazel Xu (yuxu@vt.edu)
Graduate student of HTM

ص ص

Please carefully read the following scenario description before you answer the following questions.

Suppose you are planning a leisure trip of 5 days to Orlando, Florida. You have the option to buy a package all at a once or buy the separate products one by one.

Ten days before the trip, you are evaluating different vacation packages offered online, so that you can decide whether to buy a package or assemble the separate products by yourself. Here is one of the packages: This is a 6-item vacation package consisting of: a round-trip flight ticket, a hotel room, a rental car, a theme park ticket, a concert ticket, and 2 meals. Suppose you want all of the 6 items. The packaged price is 20% lower than the sum of the six items if bought separately.

Please complete the following survey based on the scenario described above.

Part I. Please indicate the level of your agreement with the following statements using the scale: **1-strongly disagree, 2- somewhat disagree, 3-disagree, 4-neutral, 5-agree, 6-somewhat agree, 7-strongly agree**

Statement	Strongly Disagree			Neutral			Strongly Agree
If I acquired this package, I think I would be getting good value for the money I spend.	1	2	3	4	5	6	7
I would be getting my money's worth because purchasing the package would save my search time	1	2	3	4	5	6	7
Compared to the maximum price I would be willing to pay for this package, the sale price conveys good value.	1	2	3	4	5	6	7
Beyond the money I save, taking advantage of this price deal will give me a sense of joy.	1	2	3	4	5	6	7
I would be getting my money's worth because purchasing the package would save my search efforts.	1	2	3	4	5	6	7
I would get a lot of pleasure knowing that I would save money at this reduced sale price.	1	2	3	4	5	6	7
If I bought this package, I feel I would be getting my money's worth.	1	2	3	4	5	6	7
I would NOT value this package as it would make my trip arrangements less flexible.	1	2	3	4	5	6	7
Taking advantage of a price-deal like this makes me feel good.	1	2	3	4	5	6	7
I would be getting my money's worth because purchasing the package would be fast.	1	2	3	4	5	6	7
I would NOT value this package because I would be concerned about the high cancellation fees.	1	2	3	4	5	6	7
I would be getting my money's worth because purchasing the package would be convenient.	1	2	3	4	5	6	7
I would NOT value this package as it would limit my freedom of choice.	1	2	3	4	5	6	7
I would value this package as it would meet my needs for a reasonable price	1	2	3	4	5	6	7
I would NOT value this package as it would tie me up to the fixed trip arrangements.	1	2	3	4	5	6	7
The package would be a worthwhile acquisition because it would help me have a trip at a reasonable price.	1	2	3	4	5	6	7
If I bought this package, I feel I would be getting my money's worth.	1	2	3	4	5	6	7
Overall, the total value of this vacation package is high to me.	1	2	3	4	5	6	7

Part II: Purchase Intention

Please indicate your purchase intention of the package described in the first page: a 6-item package with a 20% discount.

If I were going to buy a vacation, the probability of buying this package is

Very low 1 2 3 4 5 6 7 Very high

The probability that I would consider buying this package is

Very low 1 2 3 4 5 6 7 Very high

The likelihood that I would purchase this package is

Very low 1 2 3 4 5 6 7 Very high

Part III: Travel Experience and Online Behaviors

1. Have you ever purchased a vacation package? ☐ Yes ☐ No (If no, please go to **4**)
2. In the most recent package that you purchased, how many different products were in it? _____ What were they? _____
3. How much price discount did you get buying the most recent package?

   ☐ No discount. ☐ Less than 5% discount

   ☐ 5-10% discount ☐ 11-20% discount

   ☐ More than 20% discount ☐ I don't know.

4. How would you describe your computer skills?

   ☐ Poor ☐ Fair ☐ Good ☐ Excellent

5. How would you describe your online search skill?

   ☐ Poor ☐ Fair ☐ Good ☐ Excellent

6. How often do you buy online?

☐ Never

☐ Seldom (less than once per month)

☐ Normal (1-3 times per month)

☐ Frequently (at least once per week)

Part IV: Demographics

What's your gender? ☐ Male ☐ Female

What's your age?

☐ Under 25 ☐ 25-34 ☐ 35-44 ☐ 45-54

☐ 55-65 ☐ Over 65

What's your marital status? ☐ Single ☐ Married ☐ Other

What's your highest education completed?

☐ Less than high school ☐ High school diploma ☐ Some college

☐ Bachelor's degree ☐ Graduate degree

What's your household yearly income?

☐ Less than $30,000 ☐ $30,000-59,999 ☐ $60,000-79,999

☐ $80,000-99,999 ☐ 100,000-149,999 ☐ $150,000 and more

Thank you for completing the survey!