

SHARE REPURCHASE AND STOCK MARKET REACTION: UNDERSTANDING THE VARIATIONS IN THE RESTAURANT INDUSTRY

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Abstract

As a cohort group of population who have USD200 billion yearly purchasing power, Generation Y has been becoming one of the largest consumption groups in the tourism industry (IPK International, 2016; World Tourism Organization, 2016). Despite the prominent growth of Generation Y consumers in both size and impact, limited attention has been paid to investigate factors affecting Generation Y travelers' consideration of and willingness-to-pay for hotel accommodations. Previous research has long posited that travelers' hotel consideration is contingent upon external reference price (see Chen, 2009; Choi & Mattila, 2018; Johnson & Cui, 2013). Although the influence of external reference price was coined, the question of whether "level" (i.e. high or low) and "source" (i.e. from friends, from parents or from price comparison sites) of external reference price would induce differential impacts has never been examined. Moreover, since knowledge and insights from previous studies are mostly derived from responses by Generation X and Baby Boomers, another empirical study is warranted to verify whether such assertion can be generalized to Generation Y.

To redress these research voids, the primary objective of this exploratory study is to investigate Generation Y travelers' consideration of as well as willing-to-pay for hotel accommodations under different levels and sources of external reference price. Drawing on a 2 (reference price level: high vs. low) x 3 (reference price source: friends vs. parents vs. price comparison sites) between-subject experiment with 288 Generation Y travelers residing in Europe, the empirical findings show that both reference price level and reference price source have main impacts on Generation Y travelers' willingness-to-pay for hotel accommodations. Specifically, Generation Y travelers tend to pay a higher level of room rate after reading a high reference price given by friends and price comparison sites. Even though reference price level and reference price source do not have any main impact on Generation Y travelers' consideration of hotel accommodations, some interesting interaction effects between the two factors are identified. Being one of the first studies attempting to explicate how external reference price level and source influence Generation Y travelers' hotel consideration and willingness-to-pay, this study does not only contribute new knowledge to the literature but also provide practitioners with insightful clues for improving their business performance.

References

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