

## **Brand Prestige and Affordable Luxury: The Role of Hotel Guest Experiences**

### **Abstract**

The concept of affordable luxury has elicited attention among hoteliers in recent years. This study developed and tested an instrument to measure hotel guest experiences of an affordable luxury hotel and investigated the influence of three dimensions of hotel guest experience on brand prestige (BP) namely: physical environment (PE), guest-to-staff encounters (GSEs), and guest-to-guest encounters (GGEs). A total of 423 usable self-administered questionnaires were obtained from the guests of an affordable luxury hotel. Exploratory factor analysis and confirmatory factor analysis were used to reduce and confirm the measurement model of the proposed constructs respectively. Structural equation modeling was adopted to test the proposed relationships. All three dimensions are significant antecedents of BP. PE is the most important, followed by GSEs, and then GGEs. A modified importance-performance analysis (IPA) was conducted by comparing the perceived performance and the derived importance of the guest experience attributes. This demonstrates how individual hotel can use the IPA to identify specific areas of improvement on the hotel guest experience attributes.

### **Keywords**

Brand prestige, Affordable luxury, Physical environment, Guest-to-staff encounters, Guest-to-guest encounters, modified IPA

### **Paper type**

Research paper

## Introduction

The thirst for prestige is one of the fundamental forces that drives humans (Abelson, 1964). Consumers are willing to accept the high price of prestige brands for their benefits and associated values (Debnam and Svinos, 2007; Rauscher, 1992). The relatively high status of certain brands, which is regarded as “brand prestige” (BP) in the literature, enhances customer satisfaction, stimulates purchase intention, and develops brand trust, attractiveness, identification, and loyalty (Ahn *et al.*, 2015; Baek *et al.*, 2010; Choi *et al.*, 2011; Currás-Pérez *et al.*, 2009; Hwang and Han, 2014; Hwang and Hyun, 2012; Jin *et al.*, 2015; Ok *et al.*, 2011). Therefore, managers spend millions of dollars to enhance the BP of their companies (Naik *et al.*, 2008).

BP is mostly associated with luxury brands or products. Before, only the rich and the elite can afford luxury. However, the concept of luxury has evolved over time and across cultures worldwide. At present, luxury is not only about status and monetary value, but is increasingly being associated with experience, authenticity, and personal transformation (Yeoman and McMahnnon-Beattie, 2010). Yeoman (2011) suggested that as society becomes wealthier, the definition of luxury changes, which makes luxury products accessible and affordable to the mass market.

The prestige-seeking phenomenon is evident in the luxury hotel industry. The growth in the luxury hotel sector results from the increase in disposable income, lifestyle change, and preference for luxury brands (Transparency Market Research, 2015). Luxury hotels typically cost more than the average accommodations, but customers pay a premium for value above their fundamental accommodation and food needs, which may be derived from additional amenities, customized services, and emotional satisfaction (Barsky and Nash, 2002; Hartman, 1989; Roth *et al.*, 2006; Zhang *et al.*, 2011). Many of these customers are particularly attracted to luxury-associated values, such as conspicuousness, sophistication, and implied social status (Chen and Peng, 2014). Therefore, customers are attracted to the associated BP of luxury hotels.

However, the growth of the traditional luxury lodging industry is expected a much slower growth than the growth of disposable incomes and the growth of the mid-market hotel and short-term rentals (Shankaman, 2017). The concept of luxury travel is no long just about price or material goods but the growing importance of experiences (Euromonitor, 2017). Offering luxury experiences at highly affordable prices is a recent trend in hotel developments. The affordability of luxury hotel brands makes them accessible to the rapidly growing middle-class customer

segment (Lim, 2017; O'Higgins, 2017; Walley, Custance, Copley, and Perry, 2013).

BP is useful in positioning luxury brands (Ahn *et al.*, 2015). Most studies have focused on consumer goods, such as cars, cosmetics, and fashion clothing, which may be inapplicable to the service industry (Carter and Gilovich, 2012; van Boven and Gilovich, 2003). Studies have been conducted to investigate the formation of BP in the hospitality industry, including restaurants (Hwang and Hyun, 2012; Jin *et al.*, 2015), coffeehouses (Choi *et al.*, 2011), cruises (Hwang and Han, 2014), casinos (Hwang and Han, 2016), and airlines (Ahn *et al.*, 2015). However, no previous research on BP has been conducted in the hotel sector, particularly the affordable luxury hotels which are prospering over the past decade.

The limitations of prior research coupled with the important role of BP in motivating consumption in the expanding affordable luxury hotel market necessitate further research in this area. In view of the rapidly growing middle-class segment, affordable luxury has received increasing business and research attention (Walley *et al.*, 2013), but remains underexplored in the hotel sector. Our study specifically aims to (1) develop an instrument to measure guest experience in affordable luxury hotels, (2) examine the different guest experience dimensions as antecedents of consumer perception of BP in affordable luxury hotels, (3) identify the relative effect of the different guest experience dimensions on their perception of BP, (4) identify improvement opportunities for affordable luxury hotels to enhance customer brand experience and brand prestige and (5) offer practitioners with recommendations improving the guest experience dimensions for enhancing BP in the affordable luxury hotel market.

## **Literature Review**

### *Affordable luxury hotels*

To capture the growing middle-class market, luxury brands have created reasonably priced premium products or expanded their product lines by offering affordable luxury versions (Mundel *et al.*, 2017). The term “affordable “luxury” seems an oxymoron. “Affordable” is typically associated with a low price that is within the means of most consumers, whereas “luxury” is traditionally associated with something expensive, difficult to find, and exclusive (Mundel *et al.*, 2017). Affordable luxury brands offer luxury experiences with style, comfort, service, and pampering that are within the reach of consumers who are willing to “splurge” (Alvarez *et al.*, 2004). Charismatic and stylish personality brands have made luxury accessible through relatively

low prices (Alvarez *et al.*, 2004) and target young fashion-conscious middle-class customers (Twitchell, 2002; Walley *et al.*, 2013) who are willing to pay 20% to 200% above the normal middle market rate. Thus, in contrast with traditional luxury brands, which focus on precious materials, heritage, craftsmanship, and natural rarity, affordable luxury brands offer products with a fresh and unusual look, thereby creating an exclusive aura instead of actual rarity (Brun and Castelli, 2013). The affordable luxury market is approximately twice larger than its traditional luxury counterpart (O'Connell, 2007).

Traditional luxury hotels refer to brands, such as The Ritz-Carlton, Four Seasons, Oberoi, Aman, and The Peninsula, which have the highest price tags among hotels and target extremely wealthy individuals (Truong *et al.*, 2008). The concept of affordable luxury, sometimes referred as “lean luxury” (Mellor, 2018), has elicited attention among hoteliers in recent years. It seems that there is no agreed definition of what affordable luxury hotel is. Some industry practitioners associate the term with “boutique hotels”, which are small hotels that offer high level of service, stylish, trendy, and cool; provide an intimate hotel experience; offer cultural or historic experiences and interesting services to guest; and they are unique. Others consider them as “lifestyle hotels” which are small- to medium-sized hotels with innovative features and service, contemporary design features, and provide highly personalized service that differentiate them from larger hotel brands (Jones *et al.*, 2013). Some industry practitioners describe the concept of affordable luxury hotel as comprising of several important characteristics which are similar to boutique and lifestyle hotels, which include the following: (1) focused service - the hotel service is designed to fit the current needs of the target market; (2) experience - the hotel experience is created to be authentic and personal to provide each guest with the opportunity to connect in his/her own way; and (3) design-oriented - the hotel design is hip, cool, contemporary, and relevant, and concepts are closely tied to the location. But one most important distinctive characteristic which differentiates itself from “boutique” and “lifestyle” hotel is being affordable - the price is within the means of the target market based on personal budget and location relevance. (Hotel News Now, 2014). Brands such as CitizenM and Yotel are more well-known affordable luxury accommodation brands in Europe and the United States. They are now expanding to Asia where the travel market is booming (Lim, 2017).

#### *BP and its antecedents*

Companies use brands as “signals” to convey the message about the brand’s marketing mix strategies (Erdem and Swait, 1998). Brand prestige denotes the subjective evaluative judgment of a brand based on the overall quality of the products, unique skills, knowledge, or abilities (Dubois and Czellar, 2002). Steenkamp, Batra, and Alden (2003) regarded the relatively high status of the product/service positioning of brands as BP. People purchase luxury or prestigious products or services not only for their utility value but also the hedonic value, such as pleasure and status, associated with them (Baek *et al.*, 2010). Given the high prices of prestigious brands, Vigneron and Johnson (1999) categorized the purchase of prestige products as a high-involvement decision. Thus, the formulation of BP and its associated perceived values is critical for motivating luxury consumption. In turn, understanding the antecedents of BP is essential for its formation.

Previous studies relevant to the antecedents of BP have focused on consumer goods. Steenkamp *et al.* (2003) found the positive impacts of perceived brand globalness and local icon value on BP in food and beverages, personal care products, and consumer durables. Currás-Pérezet *et al.* (2009) identified the direct and positive effects of corporate social responsibility on the BP of toiletries and cosmetics. Erdogmus and Büdeyri-Turan (2012) and Esmaeilpour (2015) determined the positive and significant effects of personality congruence on the BP of fashion brands.

Studies have also been conducted in the service industry to explore the antecedents of BP. Based on the concept of experience economy (Pine and Gilmore, 1999) which is grounded in the theory of experience utility in behavioral economics (Kahneman and Tahaler, 1991), researchers have investigated how customer experience in the service industry are contributing to their evaluation of the brands. For example, Ok *et al.* (2011) demonstrated how perceived hedonic and social values enhance the BP of coffeehouses. Similarly, Choi *et al.* (2011) examined the influential factors of BP by applying the four-factor model of brand experience (i.e., sensory, affective, behavioral, and intellectual) and the five-factor model of brand personality (i.e., sincerity, excitement, competence, sophistication, and ruggedness). Their study corroborated that all stimuli from the brand experience and dimensions of brand personality exert direct effects on BP. In their study of luxury restaurants’ customers, Hwang and Hyun (2012) verified that only sensory and intellectual stimuli aid in the creation of BP. In a study of casino customers, Hwang and Han (2016) proposed that the BP of casinos are influenced by service quality in game service, service

environment, service delivery, and food service; however, only game service, service environment, and service delivery influence the formation of BP.

In their study of the luxury cruise industry, Hwang and Han (2014) demonstrated that the eight types of cruise experiences, namely, food quality, service quality, staff/crew attractiveness, entertainment, ship facilities, ports of call, programs/places for children, and cabin quality, influence BP formation. Ahn *et al.* (2015) investigated the effects of in-flight (i.e., food service, entertainment, environment and facilities, service performance, and flight attendant attractiveness) and ground (i.e., flight patterns, check-in/baggage services, lounge, and frequent-flyer programs) services on the formation of BP among first-class flight passengers. The results of their study verified that all the hypothesized service factors, except for check-in/baggage services, are critical for the formation of passengers' perceived BP of airlines. A recent study of the growing number of upscale grocerants, grocery stores with restaurants offering unique but affordable sit-down dining experiences to customers, investigated the impact of customer experiences on brand prestige (Kim *et al.*, 2019). They found that escapist and entertainment experiences have positive image to the customers' BP. This shows that brand prestige is formed not only for luxury brands but also for unique but affordable service experiences. Their study supports that importance to understand the growing middle-class market who are the target markets of affordable luxury products and services.

The literature review affirms the trend of investigating consumer experiences as antecedents of BP in the service industry. This trend may be attributed to the attention given by numerous studies to the importance of consumption experience in the increasingly commoditized market (Pine and Gilmore, 1999; Schmitt, 1999; Shaw and Ivens, 2002). Experience is the takeaway impression formed in the mind of customers while interacting with elements offered by service providers (Gentile *et al.*, 2007; LaSalle and Britton, 2003), thereby emotionally, physically, intellectually, and spiritually stimulating the senses (Mossberg, 2007). Kandampully and Suhartanto (2000) considered experience the most important factor that influences the mind of consumers and a critical attribute in brand evaluation (Keller, 1998). Therefore, customer experience, which is the dynamic value assessment of customers of all the attributes of their direct and indirect dealings with a company as a whole and at the dimensional and attribute levels (Klaus, 2015), is postulated as an antecedent of BP.

### *Hotel guest experience as an antecedent of BP in affordable luxury hotels*

Hotels consider guest experience critical due to its influence on the brand evaluations of consumers. Cai and Hobson (2004) suggested that a positive guest experience can affirm hotel brand image, which is a customer's perception about a brand held in his/her memory (Keller, 1993). So and King (2010) regarded service experience as the most influential factor in determining brand meaning for experienced hotel guests. Walls *et al.* (2011) explored guest experience in luxury hotels by conducting a series of interviews with guests. Then, they proposed a framework to understand guest experience in luxury hotels that constitutes the physical environment and human interaction (i.e., interaction with staff and other guests) dimensions. This framework is used in the current study to empirically test different guest experience dimensions as antecedents of BP in affordable luxury hotels.

### *Physical environment (PE)*

Given the intangible component of hotel offers (Kandampully and Hu, 2007), customers are limited to a few cues in evaluating their overall experience (Han and Ryu, 2009). PE is regarded as one of the limited available tangible cues that serve this purpose and is used by many hotels to create pleasurable experiences and to communicate the nature and reputation of their offers (Nguyen, 2006).

Walls *et al.* (2011) suggested the four PE dimensions of a luxury hotel that can influence the five senses of consumers: ambience, multi-sensory, space/function, and sign/symbol/artifact. Ambiance, including color, lighting, scent, and background music, can enhance overall guest perceptions and impressions (Countryman and Jang, 2006; Magnini and Parker, 2008). The role of PE has been documented particularly in reflecting, strengthening, and improving the perception of consumers toward a hotel brand in their memory, repositioning the perceptual mapping of guests among competitors, enhancing customer satisfaction, and stimulating purchase and repurchase behaviors (Baker *et al.*, 1994; Bitner, 1990; 1992; Han *et al.*, 2009). Lin (2004) recognized the role of PE in providing a first impression for hotel guests that is formed before interacting with service employees, and guiding their beliefs, attitudes, and expectations. LeBlanc and Nguyen (1996) elucidated that PE cues are the most important among the five identified factors that affected travelers' overall assessment of a hotel image. Juwaheer (2004) and Ali *et al.* (2013) verified the importance of PE in the perceived image of consumers, value, and service quality in

Mauritian and Malaysian hotels. In the case of BP, Hwang and Han (2014) identified PE cues, including “ship facilities” and “cabin quality,” as among the critical antecedents of BP for luxury cruises. Ahn *et al.* (2015) highlighted “environment and facilities” as the most influential dimension in creating BP for first-class flight passengers. On the basis of the aforementioned theoretical and empirical backgrounds, we hypothesize the following:

*H1: The quality of PE exerts a positive influence on the BP of affordable luxury hotels.*

#### Guest-to-staff encounters (GSEs)

Tseng *et al.* (1999) regarded GSEs as an important part of customer service experience that considerably affects the satisfaction of customers. Salanova *et al.* (2005) recognized the impact of employee performance on guest experience in the context of hotels and restaurants. Service employees are generally viewed by customers as synonymous to the firms they represent (Surprenant and Solomon, 1987). Thus, customer–staff contact is critical in forming a long-term positive association between firms and customers (Parasuraman *et al.*, 1985). Interactive relationships with customers are vital to consumer evaluations (Wu and Liang, 2009) and impressions toward firms (Solnet, 2006).

Walls *et al.* (2011) identified the four dimensions of GSEs, namely, employee attitude, professional behavior, proactive service, and appearance, which constitute luxury hotel guest experience; they also recognized the importance of GSEs in influencing organizational image, perceived service quality evaluation, and customer satisfaction (Bitner *et al.*, 1990; de Ruyter and Wetzels, 2000; Kang and James, 2004). LeBlanc and Nguyen (1996) and Nguyen and LeBlanc (2002) identified and confirmed contact personnel as another factor that influences the overall assessment of travelers regarding prestige hotel image. They proposed that the attitude and behavior of service employees can directly affect the impression of travelers toward hotel establishments.

Personnel appearance serves as another tangible cue in service quality evaluation (Law and Yip, 2010). Employee appearance is one of the most important service provider attributes in hotels (Castellanos-Verdugo *et al.*, 2009). It is considered useful by organizations in reflecting brand image (James, 2007) and is extensively applied to branding activities (Edwards, 2005). The role of employee appearance in consumer evaluations has been empirically supported. Luoh and Tsaur (2009) illustrated that attractive servers increase the service quality perception of diners in fine



dining restaurants. Hwang and Han (2014) highlighted the importance of service quality and staff/crew attractiveness on the BP of luxury cruises. Ahn *et al.* (2015) identified the service performance and physical attractiveness of flight attendants as influential dimensions in forming the BP of first-class flight passengers. This shows that customers' encounters with employees is an important component of their experience which influences their BP. From the aforementioned theoretical and empirical backgrounds, we hypothesize the following:

*H2: The quality of GSEs exerts a positive influence on the BP of affordable luxury hotels.*

#### Guest-to-guest encounters (GGEs)

In service industries, customers receive services simultaneously with other customers and their evaluation of the service experience is affected by the behavior and interactions with fellow customers (Wu, 2007). Walls *et al.* (2011) identified the four aspects of fellow guest interactions in luxury hotel guest experience, namely, demeanor, behavior, appearance, and socialization. The impact of GGEs on the experience satisfaction and holistic evaluation of consumers has long been explored and verified (Arnould and Price, 1993; Martin and Pranter, 1989). Zomerdijk and Voss (2010) regarded fellow customers as new frontiers in experience design due to their ability to enhance or damage customer experience. Crowding and unruly behavior can negatively affect the experience of customers, but the opportunity to socialize or bond with other customers can make their experience considerably enjoyable because it satisfies their social needs (Zomerdijk and Voss, 2010). Martin (1996) recognized that consumers are pleased when fellow customers demonstrated "gregarious" behavior but are displeased with "violent" or "grungy" behavior. This finding is consistent with the investigation of Grove and Fisk (1997) on the impact of other customers on service experience in theme parks, which found that the positive and negative behavior of other customers can affect the evaluation and satisfaction of customer experience. Huang and Hsu (2010) revealed in their study of cruise passengers that the quality of customer-to-customer interaction has direct effect on their vacation satisfaction. Similar to cruise experience, hotel guests' social interactions with unacquainted fellow guests can lead to both positive and negative outcomes. The influence of reference groups on the consumption of prestige or luxury brands are often used as proxies for brand prestige (Baek *et al.*, 2010; Bearden and Etzel, 1982). Despite the lack of empirical evidence in the role of fellow customers in the formation of BP, the review of theoretical and empirical backgrounds highlights the role of GGEs in the evaluative

judgments of consumers. Thus, the following hypothesis is proposed:

*H3: The quality of GGEs exerts a positive influence on the BP of affordable luxury hotels.*

#### *Proposed Model*

By integrating the three hypotheses, we developed a conceptual model (Figure 1) that demonstrates the effects of PE, GSE, and GGE on the BP of affordable luxury hotels.

[INSERT FIGURE 1 HERE]

#### **Methodology**

Given that the affordable luxury hotel concept has no well-established definition, interviews were first conducted with eight hotel managers from hotels with different quality and price points and ten travelers who have the experience of staying in luxury and affordable luxury hotels, to define the characteristics of affordable luxury hotels. The key words that they used to describe affordable luxury hotels include “luxury but not over the board,” “stylish,” “value,” “modern,” “status,” “chic but not pricy,” “upscale but affordable,” “shows who I am,” and “personal.” Although researchers of previous studies have developed statements to operationalize the different experience dimension, they are not specifically developed to measure customers’ experience at affordable luxury hotels. Therefore, the procedure of instrument development for this current study was informed by Churchill’s (1979) suggested procedure (specify domain of construct, generate statements, collect data, purify measure, collect data, assess reliability, assess reliability, assess validity, and develop norms).

The domains of the construct for affordable luxury hotel guests’ experience were first specify based on Wall et al.’s (2010) exploratory study of consumer experience of luxury hotels. Then, a list of statements that describe the three different experience dimensions suggested by Wall et al. (2010), namely PE (Ali *et al.*, 2013; Countryman and Jang, 2006; Jain and Jain, 2005; Jani and Han, 2014; Lucas, 2012, Shanahan and Hyman, 2007; Siu *et al.*, 2012), GSEs (Hwang and Han, 2014; Knutson *et al.*, 1990; Kuo, 2009; Maroco and Maroco, 2013; Walls *et al.*, 2011; Wongsuchat and Ngamyan, 2014), and GGEs (Huang and Hsu, 2010; Martin and Pranter, 1989; Walls *et al.*, 2011), were generated from the literature search. Three hotel managers and ten travelers were invited to indicate whether the statements were relevant in describing the three dimensions of guest experience in an affordable luxury hotel. Statements with over 80% of the

interviewees indicating their relevance were included in the final instrument for the main study. PE was measured with 11 items, GSEs with 10 items, and GGEs with 7 items. The dependent variable, BP, was measured using three items developed by Baek *et al.* (2010). All the items were measured on a seven-point Likert-type scale that ranged from strongly disagree (1) to strongly agree (7). The hotel stay and demographic information of the respondents were also collected. A pilot test with a sample of 30 international travelers was conducted to evaluate the comprehensiveness, reliability, and validity of the questionnaire, and the understandability and accuracy of the wordings. All the respondents were able to complete the survey within 6 minutes. Unclear statements were modified according to their feedback.

Data were collected from customers who stayed in an affordable luxury hotel in Hong Kong. Hong Kong was selected as the site for the study because of its excellent performance in tourism receipts and hotel performance. In 2017, Hong Kong received 58.5 million visitors (Tourism Commission, 2018) and ranked ninth in the international tourism receipts among the top 10 destinations with the highest tourism receipts in 2016 (United Nations World Tourism Organization, 2017). Hong Kong has more than 283 hotels, and provides over 79,200 rooms with an average occupancy of 89% in 2017 (Tourism Commission, 2018). The concept of “affordable luxury” was relatively new in Asia. The subject “affordable luxury” hotel was identified based on four important characteristics: affordable, focused service, experience, and design-oriented (Hotel News Now, 2014). The subject hotel was opened in 2011. With a room rate starting from US\$250 per night, the hotel positions itself as a luxurious brand that emphasizes individuality and presents a series of local art, design, fabulous food, and a modern sparkle packaged with personalized service. Moreover, the hotel has been one of Forbes Travel Guide’s star-rated hotels since 2014. The general manager of the hotel shared that given its presentation of stylish contemporary luxury and seamless experience at a competitive price, the management specifically positioned the hotel as one that “offers affordable luxury that redefines the price–value relationship” (Hatter, 2017). To validate whether customers consider the subject hotel an “affordable luxury” hotel, the reviews of the hotel on TripAdvisor were screened. The reviewers confirmed that the hotel provides “affordable luxury” that offers good value as they used words, such as “affordable luxury,” “value,” “stylish,” and “good price–value relationships,” in their reviews.

Convenience sampling was adopted to invite in-house guests of the hotel to participate in the study. Guests who checked in at the hotel on the same day of the data collection were not

included to ensure that the respondents had time to experience the hotel before they completed the survey. Guests were approached personally in the hotel lobby and the shuttle bus for 1 month. The purpose of the study was explained to the guests. Guests who agreed to participate were invited to complete a self-administered questionnaire. Among the 478 guests approached, 423 identified themselves as in-house guests of the hotel and their responses were used for the analysis. In the analysis, the sample was first divided into two groups. The first sample contained 155 randomly selected responses from the 423 responses, whereas the remaining 268 responses comprised the second sample. The first sample was used to purify the measures generated from the literature, interviews, and the pilot test. Exploratory factor analysis was used to determine the factor structure on the sample of 155, which is the minimum subject-to-item ratio of at least 5:1 recommended by Gorsuch (1983, p. 332) and Hatcher (1994, p. 73). Meanwhile, the analysis of the samples in the second group had two stages. Confirmatory factor analysis (CFA) was first conducted to validate the factor structure, and structural equation modeling (SEM) was then performed to assess the influences of the factors on BP and to evaluate the goodness of fit of the structural model.

In order to identify more specific areas of improvement on the hotel guest experience attributes, importance-performance analysis (IPA) was further conducted by comparing the perceived performance and the implicitly derived importance of the guest experience attributes. IPA has been applied to different areas in service industries since it was introduced by Martilla and James (1977). It is an effective means to identify improvement opportunities, and guiding strategic planning efforts (Hawes and Rao, 1985; Martilla and James, 1977; Myers, 2001). IPA was initially used to measure consumers' perception of particular features of their marketing programs and their perceived importance of those features (Martilla and James, 1977). It has been extended to identify product and service attributes the company needs to focus on to enhance overall customer satisfaction (Matzler *et al.*, 2004). Traditional IPA treats attribute performance and importance as two independent variables and the relationship between attribute performance and overall performance is linear and symmetrical. Marzler *et al.* (2003) suggested that the assumptions are erroneous in the real world. Due to the limitation of the traditional IPA, researchers have modified the methodology in measuring perceived performance and deriving perceived importance of the attributes. A revised IPA proposed by Matzler *et al.* (2003) derived the importance of the attributes by partial correlation analysis between attribute performance (independent variables) and overall customer satisfaction (dependent variable). Deng *et al.* (2008)

concurred that this method is superior than the self-stated importance measure because the implicitly derived importance is based on the correlation between the attribute performance and the overall customer satisfaction which already included the attribute structure for customer satisfaction.

## **Data Analysis**

### *Profile of respondents*

Table 1 presents the profile of the respondents. Among the 423 respondents, 70.2% were leisure travelers and 29.8% were business travelers. Demographically, the gender of the respondents was nearly evenly distributed, with 54.3% males and 45.7% females. The sample skewed toward the young side in terms of age, with 85.6% of the respondents under the age of 50. The respondents had a wide range of nationalities across different regions. The majority of the respondents were Mainland Chinese/Taiwanese (36.4%), European/African/Middle Eastern (26.3%), and Americans (16.3%), which represented 78.9% of the total sample. The samples used for EFA and CFA exhibit similar profile and no significant difference between the characteristics of the respondents is noted (Table 1).

[INSERT TABLE 1 HERE]

### *Dimensions of hotel guest experience*

EFA was conducted to purify the scale by reducing the 28-item hotel guest experience scale to a small number of dimensions. The assessment of the normality of the items was examined, and no deviation from the univariate and multivariate normality were observed. To assess the appropriateness of the data for factor analysis, we used Bartlett's sphericity test and the Kaiser–Mayer–Olin (KMO) measure of sampling adequacy. The Bartlett's sphericity test achieved statistical significance ( $p = 0.000 < 0.05$ ) (Bartlett, 1954), and the KMO value was 0.920, which indicated significant sampling adequacy (Kaiser, 1974). Thus, the results supported the suitability of the data for factor analysis.

The statements were subjected to EFA using principal axis factoring with varimax rotation. Three factors were identified with eigenvalues greater than 1, and the factor loadings of all statements were greater than 0.5 except GSE6 (Employees of the hotel are able to recognize me

by name) (Table 2), which was considered appropriate by Hair, Anderson, Tatham, and Black (2006). The three dimensions explained 66.3% of the total variance, which exceeded the commonly accepted value of 60% in social science research (Hair *et al.*, 2006). The Cronbach's alpha values were all higher than 0.9, thereby indicating excellent reliability level (Fayers and Machin, 2007).

[INSERT TABLE 2 HERE]

Kline (2011) suggested that a valid measurement model is required before proceeding to structural model evaluation. In the analysis, the two-step model-building approach proposed by Anderson and Gerbing (1988) was adopted. This approach emphasized the analysis of two conceptually distinct models: a measurement model followed by a structural model. The measurement model specified the relationship among observed variables that underlay the latent variable. We first tested the measurement models to determine whether they fit into the underlying latent constructs, which was equivalent to the CFA test. PE, GSEs, and GGEs were the latent constructs in the CFA model. The results of EFA, PEG1–PEG5, and PEL1–PEL6 were the observed variables for PE; the GSE1–GSE5, GSE7–GSE10 results were the observed variables for GSEs; and the GGE1–GGE7 results were the observed variables for GGEs. CFA would also explore the reliability and validity of the constructs.

For the model assessment, the traditional chi-square was reported. However, reliance on the chi-square test as the sole measure of fit in a structural equation model is not recommended due to its sensitivity to sample size, particularly for cases in which sample size exceeded 200 respondents (Hair *et al.*, 2006; Tabachnick and Fidell, 1996).

Hence, alternative fitness indices were used to assess the “goodness of fit” of the measurement model (Byrne, 2001). The criteria were as follows: a smaller  $\chi^2$  is better, and  $\chi^2/df < 3$  (Bagozzi and Yi, 1988; Joreskog and Sorbom, 1992). The comparative fit index (CFI) and the non-normed fit index (TLI) (Byrne, 2001; Hair *et al.*, 2006) typically have a value of at least 0.90, which is required to accept a model, whereas a value of at least 0.95 is required to judge model fit as “good” (Holmes-Smith *et al.*, 2004). Another approach for model fitting is to accept a model that approximates the true model through the index, root mean square error of approximation

(RMSEA). An RMSEA of less than 0.05 typically indicates close fit, and values between 0.05 and 0.08 indicate acceptable fit.

The results of the CFA model was not good ( $\chi^2/df = 3.524$ , CFI = 0.862, TLI = 0.849, and RMSEA = 0.097). Lee (2006) suggested that modification indices can be used to verify the correlation between theory and collected data, and thus, improve the extent of model fit. Fornell and Larcker (1981) suggested that items with a factor loading of less than 0.5 should be deleted because they do not exhibit consistent characteristics with the measuring statements. The revised CFA after the performance of the modification and the deletion of the item (PEL4: temperature of the hotel lobby is comfortable) indicates good fit with the observed data ( $\chi^2/df = 2.250$ , CFI = 0.93, TLI = 0.92, and RMSEA = 0.068), as shown in Table 3.

Table 3 presents the factor loadings of each item from CFA, whereas Table 4 shows the squared multiple correlations, Cronbach's alpha, average variance extracted (AVE), and composite reliability of each construct, which are tested for the validity and reliability of the constructs.

[INSERT TABLE 3 HERE]

[INSERT TABLE 4 HERE]

All the factor loadings in the revised CFA are greater than 0.5 and statistically significant at  $p < 0.001$ , which shows the reliability of the items in measuring their corresponding constructs (Bagozzi and Yi, 1988). All the alpha coefficients are above the cutoff point of 0.7 (Nunnally and Bernstein, 1994), and the values of the composite reliability of all the constructs are higher than 0.7 (Fornell and Bookstein, 1982), thereby demonstrating that all the constructs have high levels of internal consistence reliability. Convergent validity was supported given that all AVEs exceeded 0.5 (Fornell and Larcker, 1981). Anderson and Gerbing (1988) asserted that CFA results further support convergent validity because the factor loadings of all items are significant at  $p < 0.05$ . These findings imply that all indicators effectively measure their corresponding constructs. In addition, the square root of AVE for each construct is greater than the squared correlation coefficients of the corresponding inter-constructs, which substantiates discriminant validity (Fornell and Larcker, 1981).

#### *Significant antecedents of BP in affordable luxury hotels*

The hypotheses (H1, H2, and H3) were tested by applying SEM techniques that connected endogenous and exogenous variables. The maximum likelihood (ML) procedure was used to

estimate the regression coefficients. Table 5 presents the regression coefficients, standard error, 95% confidence interval of the estimate, and their significant levels after the adoption of the modification indexes. The results show that the model fitted the data well ( $\chi^2/df = 1.834$ , CFI = 0.96, TLI = 0.95, and RMSEA = 0.056). All the variables were significantly different from zero, which implied positive and strong impacts on BP from PE (0.659,  $p < 0.0001$ ), GSEs (0.345,  $p = 0.003$ ), and GGEs (0.205,  $p < 0.0001$ ), thereby indicating that H1, H2, and H3 were supported.

[INSERT TABLE 5 HERE]

#### *Modified Importance-Performance Analysis*

The perceived performance scores and the implicitly derived importance scores of the hotel guest experience attributes were used to conduct the IPA. The implicitly derived importance score of the attributes were calculated by following the approach of Deng (2007) in the following steps: 1) Transform all guest experience attributes' performance (AP) into natural logarithmic form. 2) Set natural logarithmic guest experience attributes' performance ( $\ln(AP_i)$ ) and brand prestige (BP) as variables in a multivariate correlation model. 3) Execute partial correlation analysis for each attribute performance with BP. The partial correlation coefficient is the implicitly derived importance of the attribute. Table 6 shows the implicitly derived importance of the attributes. The mean of the implicitly derived importance and perceived performance for all attributes are used to divide the IPA matrix into four quadrants (Quadrant I (both performance and importance are high – “Keep Up the Good Work”, Quadrant II (performance is high and importance is low) – “Possible Overkill”, Quadrant III (performance and importance are low) – “Low Priority”, and Quadrant IV (performance is low and importance is high) – “Concentrate Here”. All attributes are plotted on the IPA matrix based on their perceived performance scores and implicitly derived importance scores.

[INSERT TABLE 6 HERE]

IPA matrix is shown in Figure 2. There are three PE items (i.e., items PEG4, PEG5 and PEL2) and four GSE items (i.e., items GSE2-GSE4, GSE8) in the “Keep Up the Good Work” quadrant. One PE item (PEL 5), two GSE items (GSE7 and GSE10) and two GGE items (GGE3 and GGE6) are in the “Concentrate Here” quadrant. Most of GGE items (5 out of 7 items) are positioned in the “Low Priority” grid. Finally, nine items are in the “Possible Overkill” area,



including three items related to guestroom environment (PEG1-PEG3), three items related to lobby environment (PEL1-PEL3, PEL6), and three GGE (GSE1, GSE5 and GSE9).

[INSERT FIGURE 2 HERE]

### ***Discussion, Conclusions, and Recommendations***

#### ***Hotel guest experience as a significant antecedent of BP***

This study has successfully developed and validated an instrument to measure guest experience at affordable luxury hotels which fulfills the first and second objectives of the study. The results of this study confirmed all three hotel guest experience dimensions as significant antecedents of BP. Thus, the third objective of the study was achieved. This result supports Hwang and Han (2014) and Ahn *et al.* (2015) in the luxury cruise and airline industries, who indicated that different guest experience attributes can impact BP in the context of affordable luxury hotel. With regard to these service industries, consumption experiences in hotels involve a high degree of complexity, including physical and social facets (Mattila, 1999). However, Hwang and Han (2014) and Ahn *et al.* (2015) focused on the influences of PE and GSEs without addressing the significance of GGEs. The current study empirically tests the relationship between GGEs and BP in affordable luxury hotels.

GGEs include the demeanor, behavior, appearance, and socialization of fellow guests. Given that customers receive services simultaneously with other guests in service industries (Wu, 2007), their encounters with one another were found to be influential on customer experience evaluations (Grove and Fisk, 1997; Martin, 1996; Zomerdiijk and Voss, 2010). This study further expanded existing knowledge by empirically supporting the considerable effect of GGEs on the BP of affordable luxury hotels. Han and Back (2008) corroborated that brand image is formed by the characteristics of products (e.g., PE and service personnel) and other associations, including the perceptions of typical users. Positive GGEs enhance such perceptions. Socializing with fellow customers who exhibit appropriate demeanor, behavior, and appearance even matches the ideal social self-image of prestige-seeking customers who like to be identified with prestigious groups (Vigneron and Johnson, 1999). This image congruence is highly related to the status perception of a brand (O'Cass and Frost, 2002). Therefore, affordable luxury hotel customers perceive a property as prestigious when they have positive and enjoyable interactions with fellow guests.

### *Relative impacts of different hotel guest experience dimensions on BP*

All three dimensions of hotel guest experience were significant antecedents of BP, but not all of them were of equal importance. Standardized estimates of the SEM analysis asserted that consumer evaluations of PE exerted the greatest influence on their BP perceptions, followed by GSEs and then GGEs, which addressed the second objective of the current study.

This finding matches those of the studies of Hwang and Han (2014) and Ahn *et al.* (2015), who found that in the luxury cruise and airline industry, facilities and environment are the most important antecedents of BP. These dimensions exerted greater influence than GSE attributes, including service quality and staff/crew attractiveness. The results are consistent with the findings of LeBlanc and Nguyen (1996) and Mattila (1999), who identified environmental cues as the most critical factor that affects customer evaluations of the prestigious image and quality of hotels. Mattila (1999) attributed this notion to the complications of hotel guest experiences during numerous human encounters. Diversity and intangibility make guest experience evaluations difficult, which encourage customers to turn to PE for observable cues to simplify the process. The coherence in the findings implies the extendibility of the suggestion of Mattila (1999) to BP in affordable luxury hotels.

### *Results of the IPA*

Results of the IPA allow the managers to allocate their resources more effectively. Based on the results, the affordable luxury hotel is doing an excellent job in PEL2 (lobby wall and floor color), PEG4 (guestroom furnishing), PEG5 (guestroom décor), GSE2 (employee treat customers with respect), GSE3 (employees are willing to help), GSE4 (employees are well-trained), GSE8 (employees exhibit elegant behaviour). The guest experience attributes that the hotel needs to put more effort to improve customers' perceived performance include PEL5 (lobby furnishing), GSE7 (employees consider individual needs), GSE10 (employees are good looking), GGE3 (fellow guests show respect to the environment), GGE6 (fellow guests have similar lifestyle). Four out of the five attributes are related to encounters with guests and staff. The hotel is overdoing in nine guest experience attributes PEL1 (lobby lighting), PEL3 (lobby sent), PEL6 (lobby décor), PEG1 (clean guestroom), PEG2 (guestroom wall and floor color), PEG3 (latest technology in room), GSE1 (friendly employees), GSE5 (knowledgeable employees), and GSE9 (well-groomed

employees). Five of the guest experience attributes are classified as low priority as the hotel is not performing well but at the same time not important to the customers. All of them are related to guest-to-guest encounter which include GGE1 (fellow guests are friendly), GGE2 (Fellow guests are calm), GGE4 (fellow guests show respect to other guests), GGE5 (fellow guests have neat appearance), and GGE7 (enjoyable chat with fellow guests).

### *Theoretical contributions*

This study has three key theoretical contributions. First, the formation of BP has never been empirically investigated in the hotel sector despite research that has examined the antecedents of BP in consumer goods and service industries. While studies on luxury hotels have focused on traditional luxury brands, the present study centers on affordable luxury brands. Although the rapidly emerging affordable luxury hotel market is larger than its traditional counterpart, this market remains underexplored. This study has extended relevant studies in the hospitality industry by empirically verifying the significant impact of guest experience on BP in affordable luxury hotels, which further validates the critical role of guest experience as the antecedent of BP in the service sector. Second, an instrument measuring the guest experience in affordable luxury hotel was developed and empirically tested. Lastly, although previous research has recognized the importance of fellow customers on guest experience evaluations (Grove and Fisk, 1997; Martin, 1996; Zomerdijsk and Voss, 2010), the present study is the first attempt to test the influence of GGEs as a guest experience dimension on BP. Although GGE has the lowest significant impact on customers' perceived brand prestige among the three guest experience dimensions, existing knowledge has been broadened by experimentally justifying GGEs as a significant antecedent of BP.

### *Practical implications*

The findings of this study will help practitioners understand the critical guest experience dimensions that contribute to BP at affordable luxury hotels. With the three guest experience dimensions being significant antecedents of BP, in descending order of importance: PE, GSE, and GGE, hoteliers are advised to pay attention to and manage the physical and human aspects of customer interactions to build and reinforce the prestigious perception of their properties. However, allocating equal resources to all three experience dimensions is imprudent for

practitioners due to practical constraints. With PE being the most influential antecedent, practitioners are recommended to prioritize their effort in creating a PE that matches the prestigious perceptions of their target customers and to communicate this in their marketing materials. The elements composing the three guest experience dimensions can be used as guidelines to ensure optimal hotel experience. The attributes developed to measure the three different guest experience dimensions can be used by hotels to measure their performance in their guest experience management initiatives as they have been tested and validated. Furthermore, the implicitly derived importance of the attributes can be calculated and used for the construction of the IPA matrix which can help hotels to allocate resources in the different guest experience attributes to enhance brand prestige.

Using the subject hotel as an example, managers can make use of the results of the IPA to allocate their resources in order to enhance the guest experience attributes in Quadrant IV (performance is low and importance is high) - “Concentrate Here”. PEL5 (lobby furnishing), GSE7 (employees consider individual needs), GSE10 (employees are good looking), GGE3 (fellow guests show respect to the environment), GGE6 (fellow guests have similar lifestyle). Four out of the five attributes are related to encounters with guests and staff. Customers see high quality lobby furnishing as important but it is not easy to customers to experience. Customers who choose to stay in affordable luxury hotels no longer look for conventional classy and elegant luxury, but rather for stylish fashionable design with an exclusive aura (Brun and Castelli, 2013; Weaver, 2009). Designer furniture and decorations can be placed in the lobby to convey a sense of exclusivity, and thus, prestige.

Staff plays a very important role in enhancing the guest experience. The hotel is doing a very good job in training the employees to treat customers with respect, being helpful, and exhibit elegant behavior. The hotel needs to work on training employees to recognize customers’ individual needs and deliver personalized services. This can be done in person when the guests are in-house or by connecting guests using technologies via hotel apps, website chat bot, or social media platforms which allows the staff to understand customers’ preferences and behavior and to deliver more personalized services. With customer data, hotels can create personalized offers and recommendations for the customers which can help build emotional connection. However, hoteliers should be cautious in their usage of technology and ensure that technology is used to facilitate improved experiences instead of replacing human interactions (Neuhofer *et al.*, 2013).

Most of the more memorable or easily recalled interactions between guest and staff are those when guests need help or staff offer assistance in solving guests' problems. Hotels should allocate resources in training their staff in handling guests' complaints and problems.

With GGEs being a newly identified significant antecedent of BP, affordable luxury hoteliers can review and enhance customer-to-customer interactions to reinforce its BP. The hotel can enhance two specific aspects of the GGE: to attract guests with similar lifestyle and guests respecting the environment. The relatively lower prices charged at affordable luxury hotels compared with those at traditional luxury brands promote accessibility to a larger market of the former versus the latter, thereby potentially decreasing customer congruency. Therefore, scrupulous attention should be given to customer characteristics to ensure their congruency by adopting the necessary marketing tools to lure the preferred target segments (Fisk *et al.*, 2013). For example, bloggers who appeal to the vibrant, artistic, stylish, and environmental segments can be invited to affordable luxury hotels for complimentary stays in exchange for creating blog entries of their experiences (Litvin *et al.*, 2008). This strategy can help properties generate electronic word of mouth and attract a compatible customer segment with a congruent image, lifestyle, and behavior. Hotel marketers can focus on enhancing the congruity between the personality and characteristics of guest and the hotel's brand personality. It is an important way to differentiate a brand and also as a main driving of customer's preference and usage (Aaker, 1997).

#### *Limitations and future research*

Despite theoretical and practical implications, this study has limitations. First, convenience sampling was used in data collection; thus, sampling bias may exist (Mackey and Gass, 2005). Along with the inability to access the hotel stay and demographic information of the hotel customers, the representativeness of the sample cannot be ensured. Second, the data for this study were collected at one subject independent hotel in Hong Kong. The results may not be generalizable to customers staying in other affordable luxury hotels in other cities. Thus, future research can apply the proposed model to collect data from customers staying in independent and chain affordable luxury hotels at various locations for further validation. Moreover, the impacts of the chain affiliation and location of a hotel on the relationships between guest experiences and perceived BP can also be tested. Third, although this study investigated the impact of the physical and social facets of affordable luxury hotel guest experience on BP, the experiences of customers

before and after their stays were not addressed. Chun (2011) suggested that hotel experiences should be managed before, during, and after the visits of guests. Therefore, future research should investigate the role of previous brand experience on the influences of the different dimensions of guest experience on BP. The present study only investigates the on-site experiences of customers. Future studies can investigate hotel guest experiences during different stages of their journey and the impact of these experiences on BP. Finally, in today's competitive business environment, being unaware of competitors can have detrimental effect on hotel's performance. Future studies can adopt the modified IPA to evaluate the relative performance of the different hotel guest experience attributes as compared to competitors.

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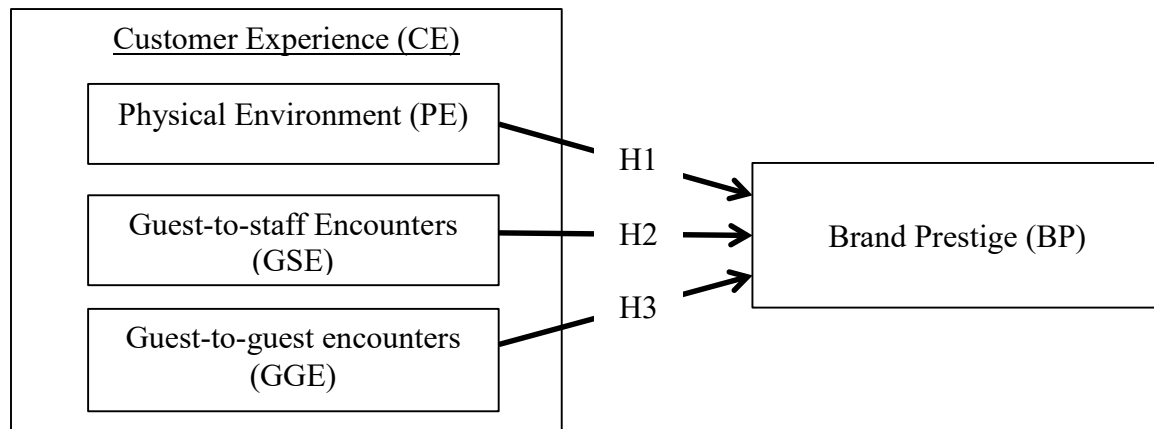
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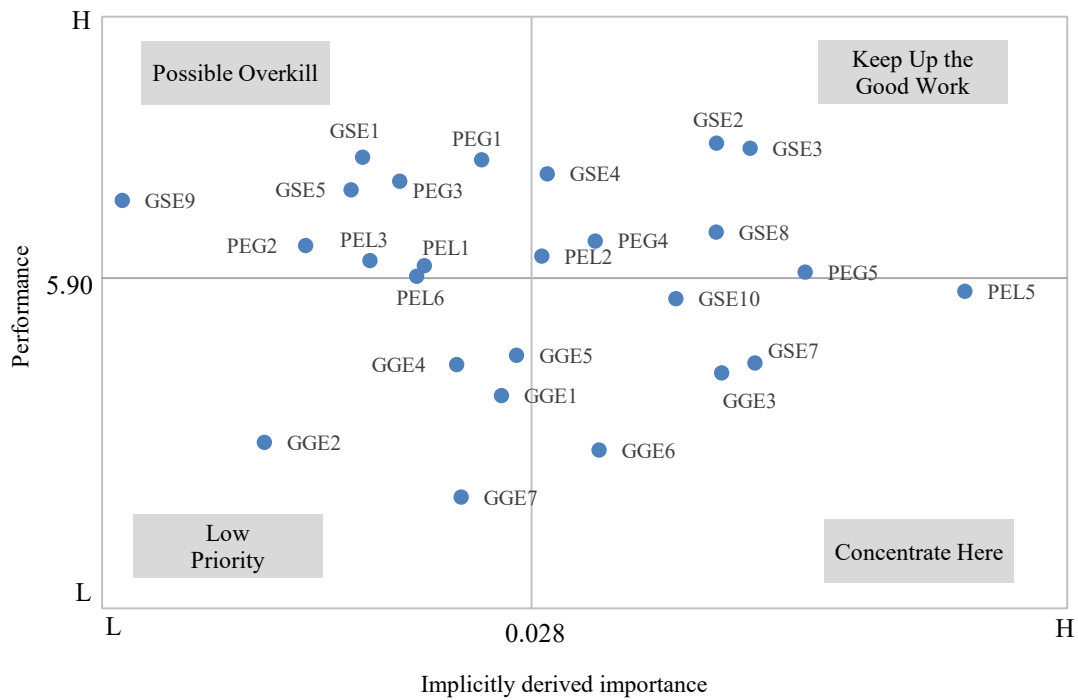
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**Figure 1** Proposed Conceptual Model



**Figure 2** Importance Performance Map Analysis of the customer experience attributes

**Table 1 Profile of Respondents**

	Total (423)		Sample				$\chi^2$	p
			CFA (N=268)		EFA (N=155)			
	N	%	N	%	N	%		
What is the main purpose of your stay in the subject hotel for this trip?							0.847	0.357
Leisure and recreation	297	70.2	184	68.7	113	72.9		
Business or meetings	126	29.8	84	31.3	42	27.1		
Gender							1.240	0.266
Male	227	54.3	139	52.3	88	57.9		
Female	191	45.7	127	47.7	64	42.1		
Age							1.190	0.755
Under 20	13	3.1	10	3.8	3	2.0		
20-29	100	23.9	66	24.8	34	22.4		
30-39	163	39.0	103	38.7	60	39.5		
40-49	82	19.6	49	18.4	33	21.7		
50-59	50	12.0	33	12.4	17	11.2		
60 or Above	10	2.4	5	1.9	5	3.3		
Nationality							3.441	0.632
European / African / Middle Eastern	110	26.3	71	26.7	39	25.7		
American	68	16.3	43	16.2	25	16.4		
Mainland Chinese / Taiwanese	152	36.4	98	36.8	54	35.5		
South & Southeast Asian	23	5.5	12	4.5	11	7.2		
North Asian	36	8.6	26	9.8	10	6.6		
Australian	24	5.7	13	4.9	11	7.2		
Others	5	1.2	3	1.1	2	1.3		

CFA = Confirmatory factor analysis

EFA = Exploratory factor analysis

**Table 2 Results from exploratory factor analysis<sup>#</sup> (N=155)**

Customer experience attributes	N	Mean $\pm$ SD	Factor Loading		
			Physical Environment (PE)	Guest-to-Staff Encounters (GSEs)	Guest-to-Guest Encounters (GGEs)
PEG1 The guestroom of the subject hotel is clean.	155	6.49 $\pm$ 0.78	0.605		
PEG2 The guestroom wall and floor color schemes in the subject hotel are attractive.	154	6.08 $\pm$ 0.91	0.738		
PEG3 The subject hotel uses the latest in-room technology for better quality of services.	154	6.31 $\pm$ 0.82	0.555		
PEG4 The guestroom furnishing of the subject hotel is of high quality.	155	6.20 $\pm$ 0.88	0.809		
PEG5 The guestroom décor of the subject hotel is attractive.	154	6.06 $\pm$ 0.94	0.781		
PEL1 The lobby lighting in the subject hotel is appropriate.	155	6.13 $\pm$ 0.91	0.769		
PEL2 The lobby interior wall and floor color schemes in the subject hotel are attractive.	155	6.15 $\pm$ 0.87	0.794		
PEL3 The scent in the subject hotel's lobby is pleasant.	155	6.10 $\pm$ 0.95	0.619		
PEL4 The temperature of the subject hotel's lobby is comfortable.	155	5.86 $\pm$ 1.01	0.575		
PEL5 The lobby furnishing of the subject hotel is of high quality.	155	5.96 $\pm$ 1.01	0.690		
PEL6 The lobby décor of the subject hotel is attractive.	155	6.01 $\pm$ 0.93	0.756		
GSE1 Employees of the subject hotel act very friendly.	155	6.41 $\pm$ 0.86		0.853	
GSE2 Employees of the subject hotel treat me with respect.	155	6.41 $\pm$ 0.82		0.858	
GSE3 Employees of the subject hotel are always willing to help.	155	6.40 $\pm$ 0.84		0.863	
GSE4 Employees of the subject hotel are well-trained.	155	6.32 $\pm$ 0.89		0.670	
GSE5 Employees of the subject hotel have enough knowledge to answer all my problems and questions asked.	155	6.26 $\pm$ 0.93		0.648	
GSE6 Employees of the subject hotel are able to recognize me by name.	155	4.76 $\pm$ 1.43		0.464	
GSE7 Employees of the subject hotel consider my individual needs and offer me personal service.	154	5.60 $\pm$ 1.33		0.585	
GSE8 Employees of the subject hotel exhibit elegant behavior during the service.	155	6.06 $\pm$ 0.94		0.744	
GSE9 Employees of the subject hotel are well-groomed.	155	6.16 $\pm$ 0.94		0.811	
GSE10 Employees of the subject hotel are good looking.	155	5.88 $\pm$ 1.13		0.572	
GGE1 Fellow guests are friendly to me.	155	5.53 $\pm$ 1.21			0.865
GGE2 Fellow guests are calm when facing problems.	155	5.34 $\pm$ 1.19			0.840
GGE3 Fellow guests show respect to the environment.	154	5.51 $\pm$ 1.20			0.876
GGE4 Fellow guests show respect to me and other customers.	155	5.52 $\pm$ 1.19			0.914
GGE5 Fellow guests have neat appearance.	155	5.57 $\pm$ 1.12			0.750
GGE6 Fellow guests appear to have similar lifestyle as I do.	155	5.29 $\pm$ 1.15			0.801
GGE7 I have enjoyable chat with fellow guests.	155	5.10 $\pm$ 1.29			0.757
% of variance explained			24.1	21.7	20.5

# Principal axis factoring method with varimax rotation: loadings > 0.45

**Table 3 Results from confirmatory factor analysis (N=268)**

Factors		N	Mean $\pm$ SD	Factor Loading	t-value
<i>Physical Environment (PE)</i>					
PEG1	The guestroom of the subject hotel is clean.	268	6.40 $\pm$ 0.80	0.684	NA
PEG2	The guestroom wall and floor color schemes in the subject hotel are attractive.	267	6.03 $\pm$ 0.94	0.704	11.365
PEG3	The subject hotel uses the latest in-room technology for better quality of services.	266	6.30 $\pm$ 0.88	0.652	12.087
PEG4	The guestroom furnishing of the subject hotel is of high quality.	268	6.05 $\pm$ 0.97	0.772	13.288
PEG5	The guestroom décor of the subject hotel is attractive.	266	5.92 $\pm$ 0.98	0.789	11.525
PEL1	The lobby lighting in the subject hotel is appropriate.	268	5.95 $\pm$ 0.95	0.836	12.109
PEL2	The lobby interior wall and floor color schemes in the subject hotel are attractive.	268	5.99 $\pm$ 0.97	0.777	11.341
PEL3	The scent in the subject hotel's lobby is pleasant.	268	5.97 $\pm$ 1.07	0.662	9.867
PEL5	The lobby furnishing of the subject hotel is of high quality.	268	5.84 $\pm$ 0.97	0.721	10.630
PEL6	The lobby décor of the subject hotel is attractive.	268	5.90 $\pm$ 0.99	0.798	11.660
<i>Guest-to-Staff Encounters (GSE)</i>					
GSE1	Employees of the subject hotel act very friendly.	268	6.41 $\pm$ 0.76	0.839	NA
GSE2	Employees of the subject hotel treat me with respect.	266	6.47 $\pm$ 0.74	0.862	25.691
GSE3	Employees of the subject hotel are always willing to help.	268	6.44 $\pm$ 0.78	0.896	18.933
GSE4	Employees of the subject hotel are well-trained.	268	6.34 $\pm$ 0.83	0.880	18.353
GSE5	Employees of the subject hotel have enough knowledge to answer all my problems and questions asked.	268	6.27 $\pm$ 0.88	0.794	15.505
GSE7	Employees of the subject hotel consider my individual needs and offer me personal service.	268	5.54 $\pm$ 1.21	0.660	11.985
GSE8	Employees of the subject hotel exhibit elegant behavior during the service.	267	6.09 $\pm$ 0.90	0.706	13.100
GSE9	Employees of the subject hotel are well-groomed.	268	6.22 $\pm$ 0.87	0.813	16.155
GSE10	Employees of the subject hotel are good looking.	267	5.81 $\pm$ 1.04	0.572	10.006
<i>Guest-to-Guest Encounters (GGE)</i>					
GGE1	Fellow guests are friendly to me.	268	5.40 $\pm$ 1.09	0.829	NA
GGE2	Fellow guests are calm when facing problems.	268	5.20 $\pm$ 1.15	0.800	17.804
GGE3	Fellow guests show respect to the environment.	267	5.49 $\pm$ 1.08	0.851	16.222
GGE4	Fellow guests show respect to me and other customers.	268	5.53 $\pm$ 1.07	0.883	17.224
GGE5	Fellow guests have neat appearance.	267	5.57 $\pm$ 1.01	0.850	16.474
GGE6	Fellow guests appear to have similar lifestyle as I do.	267	5.17 $\pm$ 1.09	0.695	12.330
GGE7	I have enjoyable chat with fellow guests.	268	4.97 $\pm$ 1.12	0.677	12.053
<i>Brand Prestige (BP)</i>					
BP1	The subject hotel is prestigious.	268	5.82 $\pm$ 1.01	0.883	NA
BP2	The subject hotel has high status.	268	5.79 $\pm$ 1.05	0.971	24.614

BP3	The subject hotel is very upscale.	268	5.78 ± 1.00	0.883	21.085
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Note:  $\chi^2 = 798.637$ ,  $df = 355$ , CFI = 0.933, TLI = 0.924, RMSEA = 0.068. All factor loadings are significant at  $p < 0.0000$ . Parameters are fixed at 1.0 for the maximum likelihood estimation. Thus, t-values were not obtained (NA) for those fixed at 1 for identification purpose.

**Table 4 Validity and reliability of constructs (N=268)**

	Squared Multiple Correlation				Cronbach's alpha	Composite reliability	Average variance extracted (AVE)
	PE	GSE	GGE	BP			
Physical Environment (PE)	(0.742)				0.929	0.924	0.550
Guest-to-Staff Encounters (GSE)	0.697	(0.787)			0.929	0.935	0.620
Guest-to-Guest Encounters (GGE)	0.244	0.465	(0.801)		0.932	0.926	0.642
Brand Prestige (BP)	0.622	0.620	0.418	(0.913)	0.937	0.938	0.834

Note: Values in brackets are the square root of the AVEs of the corresponding constructs



**Table 5 Structural model result (N=268)**

Regression	Estimates	SE	95% CI	P
H1: Brand Prestige (BP) ← Physical Environment (PE)	0.659	0.133	(0.398 , 0.920)	<0.0001
H2: Brand Prestige (BP) ← Guest-to-Staff Encounters (GSE)	0.345	0.117	(0.116 , 0.574)	0.003
H3: Brand Prestige (BP) ← Guest-to-Guest Encounters (GGE)	0.205	0.058	(0.091 , 0.319)	<0.0001

Goodness-of-fit Measures	Estimates	Cutoff values for model acceptable
Chi-square ( $\chi^2$ )	645.577	
Degree of freedom (df)	352	
Probability level	0.000	
$\chi^2/df$ Ratio	1.834	< 3
CFI	0.956	> 0.95
TLI	0.949	> 0.90
RMSEA	0.056	< 0.08

SE = Standard error; CI = Confidence interval

CFI = Comparative Fit Index; TLI = Tucker Lewis Index; RMSEA = Root Mean Square of Approximation

**Table 6 Implicitly derived importance of attributes (N=268)**

Item	Customer experience attributes	Customer experience dimensions	Implicitly derived importance	Overall rank
PEL 5	The lobby furnishing of the subject hotel is of high quality.	PE	0.208	1
PEG 5	The guestroom décor of the subject hotel is attractive.	PE	0.141	2
GSE 7	Employees of the subject hotel consider my individual needs and offer me personal service.	GSE	0.121	3
GSE 3	Employees of the subject hotel are always willing to help.	GSE	0.119	4
GGE 3	Fellow guests show respect to the environment.	GGE	0.107	5
GSE 2	Employees of the subject hotel treat me with respect.	GSE	0.105	6
GSE 8	Employees of the subject hotel exhibit elegant behavior during the service.	GSE	0.105	7
GSE 10	Employees of the subject hotel are good looking.	GSE	0.088	8
GGE 6	Fellow guests appear to have similar lifestyle as I do.	GGE	0.056	9
PEG 4	The guestroom furnishing of the subject hotel is of high quality.	PE	0.054	10
GSE 4	Employees of the subject hotel are well-trained.	GSE	0.034	11
PEL 2	The lobby interior wall and floor color schemes in the subject hotel are attractive.	PE	0.032	12
GGE 5	Fellow guests have neat appearance.	GGE	0.022	13
GGE 1	Fellow guests are friendly to me.	GGE	0.016	14
PEG 1	The guestroom of the subject hotel is clean.	PE	0.007	15
GGE 7	I have enjoyable chat with fellow guests.	GGE	-0.001	16
GGE 4	Fellow guests show respect to me and other customers.	GGE	-0.003	17
PEL 1	The lobby lighting in the subject hotel is appropriate.	PE	-0.016	18
PEL 6	The lobby décor of the subject hotel is attractive.	PE	-0.020	19
PEG 3	The subject hotel uses the latest in-room technology for better quality of services.	PE	-0.027	20
PEL 3	The scent in the subject hotel's lobby is pleasant.	PE	-0.039	21
GSE 1	Employees of the subject hotel act very friendly.	GSE	-0.042	22
GSE 5	Employees of the subject hotel have enough knowledge to answer all my problems and questions asked.	GSE	-0.047	23
PEG 2	The guestroom wall and floor color schemes in the subject hotel are attractive.	PE	-0.066	24
GGE 2	Fellow guests are calm when facing problems.	GGE	-0.083	25
GSE 9	Employees of the subject hotel are well-groomed.	GSE	-0.142	26
Total average			0.028	

PEL/PEG – Physical environment, GSE – Guest to staff encounters, GGE – Guest to guest encounters