

RESEARCH ARTICLE

What makes you select a higher price option? Price–quality heuristics, cultures, and travel group compositions

Ji Youn Jeong¹  | John L. Crompton² | Sunghyup Sean Hyun¹

¹School of Tourism, Hanyang University, Hanyang, Republic of Korea

²Department of Recreation, Park and Tourism Sciences, Texas A&M University, College Station, Texas, USA

Correspondence

Sunghyup Sean Hyun, School of Tourism, Hanyang University, Hanyang, Republic of Korea.

Email: sshyun@hanyang.ac.kr

Abstract

Scenarios were designed to investigate the influence of price–quality heuristics among participants from the United States, Korea, and China for different tourism and hospitality services, in different consuming situations and in different social group contexts. The results revealed that as the scenarios moved from consuming alone and with an acquaintance to with a close family member, participants in each culture had a greater propensity to select the higher price option. These tendencies were the most evident among the Korean sample, whereas the Chinese sample did not differentiate between an acquaintance and a family member, and the U.S. sample indicated mixed results.

KEYWORDS

cultural group influence, price heuristic, price levels, price-perceived quality relationship, social group influence

1 | INTRODUCTION

Earnings from international tourism are an important contributor to the U.S. economy, and these earnings amounted to \$205 billion in 2015 (WTO, 2016). Contributions from two Asian markets, China, and South Korea are particularly remarkable, because they are not only included in top ten international markets in terms of visitation and spending in the United States, but they also exhibit high growth rates in these categories. For example, China is the leading source of foreign tourism-related spending in the United States (\$33.2 billion) with 10% growth rate and ranks fifth on visitation (2.97 million) with 15% growth rate. Similarly, Korea ranks ninth in terms of spending (\$8.6 billion) with 4% growth and is seventh on the visitation list (1.97 million) exhibiting a double-digit growth rate (U.S. Department of Commerce, 2017). Thus, understanding Chinese and Korean tourists' purchasing behaviors by comparing with those of domestic tourists is critical and advantageous to maximize the economic impacts for the U.S. tourism industry.

This research explored the influences of price and quality heuristics on purchase decision making of tourism services among three different cultures: United States, China, and Korea. The general “law” of market demand states that the quantity of a service will fall when price increases, and that it will rise when price decreases. However, this fails

to explain why a higher price sometimes results in a demand increase. Over 70 years ago, Scitovszky (1945) suggested that people recognize that price is often related to quality. Since that pioneering article, numerous studies on the price-perceived quality heuristic have been reported in marketing literature. Indeed, this heuristic has been characterized as “one of the most commonly studied extrinsic cues in marketing” (Volckner & Hofmann, 2007, p. 182). However, there is a limit to generalization because most empirical studies in literature have been conducted on personal, retail items (Kleinsasser & Wagner, 2011).

Unlike retail products for personal use, tourism experiences tend to be purchased and shared with members of a traveling group (Crompton, 1981; Filiatrault & Ritchie, 1988; Stone, 2016). This suggests that the influence of social context on purchase decisions in the tourism and hospitality field is likely to be more pervasive than in a typical retail situation (Ritchie, 1997). Furthermore, the social group influence on tourists' behaviors is likely to be involved in the context of culture, as different cultures are likely to lead to different views on the importance of relationships with family members, other social reference groups, and personal responsibilities as a group member (Blodgett, Bakir, & Rose, 2008). These differences in societal norms are widely recognized as a defining element of culture. For example, China and Korea are characterized as collectivist cultures and positioned at the opposite pole of a continuum to the United

States, which is characterized as an individualistic culture (Hofstede, 1980). Indeed, confirmation of differences between tourists from collectivist and individualist cultures has been widely reported in travel motivations (Chen, 2000), tourist information search and tolerance for risk (Money & Crofts, 2003), perceptions of travel risk and safety (Reisinger & Mavondo, 2006), different types of tourism behavior (Manrai & Manrai, 2011), different expectations of tourists and service providers (Kim & McKercher, 2011), leisure motivations (Walker, 2009; Walker, Deng, & Dieser, 2005), evaluation of hotel service quality (Crofts & Erdman, 2000; Mattila, 1999), destination development and motivation (Biagi, Ladu, & Royuela, 2017; Hsu & Li, 2017), tourist satisfaction and revisit (Abou-Shouk, Zoair, El-Barbary, & Hewedi, 2018), and in responses to tourism and hospitality suppliers' use of 9, 8, and 0 price endings (Jeong & Crompton, 2017). Nevertheless, it has been little known whether there are cultural differences in price-quality heuristics across the cultures in the context of tourism services.

This study empirically explored the influences of culture on tourists' purchase decisions between a lower and a higher priced service options. The authors believe that this study is the first to explore the effect of any cultural and social group influencers on the price decision of tourism and hospitality services. A better understanding of these influences will enable tourism managers to adopt strategies that are responsive to the multifaceted reactions to price formats exhibited by visitors from different cultures in different travel group compositions.

2 | LITERATURE REVIEW

The genesis of the study was derived from three different theoretical perspectives: price-perceived quality relationship, cultural influence, and social group influence.

2.1 | Price-perceived quality relationship

By definition, many tourism services cannot be touched or felt in advance. Decisions of those who have no experience with a given service are likely to be based on quality expectations and cues presented by a service supplier. Price is one cue: "Setting the right price in services is more than a matter of generating dollars today. It is also a matter of sending the right message about the service. Prices are evidence" (Berry & Parasuraman, 1991, p. 164). Because the attributes of a service are unknown and unobservable prior to purchase, the information void tends to be filled by price, which is observable, and in many people's minds, is correlated with quality. Volckner and Hofmann (2007, p. 194) concluded, "Consumers use price as an important indicator of quality." The relationship between price and quality is undergirded by the aphorism: You get what you pay for.

Recognition of the price-perceived quality relationship first appeared in academic literature in 1945. Scitovszky (1945, p. 101) noted that "the word 'cheap' usually means inferior quality nowadays" and that "a commodity offered at a lower price than competing commodities will be both attractive to the consumer on account of its greater cheapness and less attractive on account of its suspected

inferior quality." The rejection of low-price services is a form of risk avoidance; the risk may be that an inexpensive service is less likely to provide the desired level of satisfaction. Reviews of this literature have consistently confirmed general acceptance of the price-perceived quality relationship. For example, Rao and Monroe (1989) reported that the relationship was consistently present in studies that used relatively inexpensive, frequently purchased goods. This observation was subsequently endorsed by Wakefield and Inman (2003), who further reported an additional influencer on the price-quality heuristics: a social group situation. Individuals are less price sensitive in social situations (e.g., shopping with friends) than nonsocial situations (e.g., shopping alone).

The argument about the influence of social situations is consistent with the suggestion of reference group theory (Bearden & Etzel, 1982) that individuals are more likely to be influenced by the price-quality heuristic when they are with others. Reference group theory (Bearden & Etzel, 1982) states that individuals want their choices to be accepted and confirmed by others. Those making a purchase decision are likely to choose alternatives that are best received by others who will evaluate their choices, because they want to create a good impression (Simonson, 1989). People are likely to be concerned with what others think about the purchase: "In particular, we expect that individuals will be less likely to select the lowest priced alternative in the presence of others due to perceived negative connotations, such as being perceived as 'cheap' or unable to afford the higher priced alternative" (Wakefield & Inman, 2003, p. 206). Other research on reference group influences has confirmed that individuals are less price sensitive in social consumption situations (Gainer, 1995; Netemeyer, Bearden, & Teel, 1992). Therefore, it was anticipated that when tourists purchase a service to share it with others than to use it alone, the price-quality heuristics will be considered more extensively. Therefore, a higher price option will be more frequently selected than a lower one, and this phenomenon would be universal and not culture-specific.

H1. A higher price option will be more frequently selected *within* the U.S., Korean, and Chinese samples when it is purchased for sharing with others than for using alone.

2.2 | Cultural influence on selecting a higher price option

In his analyses of data from 40 countries, Hofstede (1980) found that cultural personalities could be arranged along a bipolar continuum anchored by collectivistic and individualistic cultures. Individualist cultures allow high levels of independence. The values emphasized are generally those of self-assurance, self-expression, self-actualization, and self-reliance. Hence, members of individualist cultures are likely to make independent judgments rather than conform to a majority view and to identify themselves independently rather than as a member of a group (Triandis & Gelfand, 1998). They are primarily motivated by their own preferences and needs. They feel autonomous. If the goals of their group do not match their personal goals, they find it "obvious" that their goals have priority (Triandis, 1995). This

suggests that although they may recognize the relationship between price and quality, they may *not* feel obligated to respond to it merely because they share tourism services with others.

In contrast, collectivist cultures emphasize connectedness to other members of in-groups, conformity, and social contribution (Ariely, 2009). They tend to be governed by cultural norms and the desire for harmonious relationships, rather than focusing only on themselves (McAuliffe, Jetten, Hornsey, & Hogg, 2003). Thus, their social behavior is often a consequence of the norms, duties, and obligations imposed on them (Triandis, 1995). For example, Dolan (2002) reported, compared with North American shoppers, the Chinese rarely shopped alone, were far less likely to make individual decisions, and were significantly more likely to allow reference groups to influence choices. They tend to adjust their preferred course of action in a manner consistent with the needs and expectations of others. Group goals are weighed more heavily than personal goals when the two are in conflict. East Asian collectivist cultures, which are the focus of this study, particularly value such “virtuous action” (Hofstede, 1991). People in collectivist cultures tend to be frugal and pragmatic when buying for personal use because their social norms emphasize savings and nonmaterialism. However, they are *not* frugal when purchasing gifts for others because the importance of the relationship emphasized by their culture encourages them to purchase high-quality gifts to express their respect for others (Sciutte & Ciarlante, 1988; Yau, 1994).

Furthermore, reference group theory suggests that as groups become more cohesive, members exhibit a greater tendency to conform to the normative leanings of the group (Hogg, Abrams, Otten, & Hinkle, 2004). Existing literature confirms that social identity processes in small groups are more evident in collectivist than in individualist societies (Hinkle & Brown, 1990). Therefore, the influence of the existence of others on purchase decisions was anticipated to be more evident in the Korean and Chinese samples (collectivist cultures) than in the U.S. sample (individualist culture).

H2. Different responses to a higher price option when the service is shared with others and used alone will be larger among the Korean and Chinese samples than the U.S. sample.

Hall (1976) noted differences in interpretation of communication among cultures. For example, people in Western/individualist cultures tend to interpret communication literally, because of which, these countries are categorized as low-context cultures. In contrast, those in non-Western/collectivist cultures are categorized as high-context cultures because they often seek hidden meanings and identify more implicit and nonverbal cues in communication (Copeland & Griggs, 1986; Hall, 1976). The literature thus suggests that consumers' responses to price levels may differ based on culturally different approaches to interpreting communications (Nguyen, Heeler, & Taran, 2007; Schindler, 2009; Suri, Anderson, & Kotlov, 2004). For example, a higher price may be merely associated with the ostensible connotation of expensiveness among people from low-context cultures, whereas people from high-context cultures may associate it with the connotation of high quality and classiness (Jeong & Crompton, 2018; Nguyen et al., 2007). Thus, the Korean and Chinese samples

were anticipated to respond more positively to a higher price than the U.S. sample.

H3. A higher priced option will be more frequently preferred among the Korean and Chinese samples than the U.S. sample.

2.3 | Social influence of a group member on selecting a price option

In tourism and hospitality studies, the rather fuzzy notion of “influence” was complemented by the more definitive concept of “social surrogate,” whereby individuals relinquish any formative role in decisions and simply go along with the suggestions made by others in their travel group (Decrop, 2005; Gitelson & Kerstetter, 1994). An indication of the magnitude of social surrogates' influence was provided by Stone (2016) who reported that among his 404 respondents, 25% delegated destination choice and 50% delegated dining and activity decisions to social surrogates while traveling. However, it is not likely that all surrogates highly influence individuals' decision; the extent of social surrogates' influence may depend on how highly individuals emphasize the relationship with those surrogates as *in-group* members.

In-groups are “groups of individuals about whose welfare a person is concerned, with whom that person is willingly to cooperate without demanding equitable returns, and separation from whom leads to anxiety” (Triandis, 1998, p. 75). Social identity theory postulates that people construct group norms from in-group members and in-group behaviors and internalize and enact these norms as part of their social identity (Tajfel & Turner, 1979; Turner, 1982). Therefore, the readiness with which individuals agree to accept someone as their in-group member is critical with respect to the extent of surrogates' social influences on their decision making, and culture tends to form the basis for differentiating others as in-group or out-group members.

Hofstede (1991) offered the following description of the two poles of individualism and collectivism:

Individualism pertains to societies in which the ties between individuals are loose; everyone is expected to look after himself or herself and his or her immediate family. Collectivism as its opposite pertains to societies in which people from birth onwards are integrated into strong cohesive in-groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty. (Hofstede, 1991, p. 51)

Hofstede (1994, p. xiii) notes, “Collectivism is not altruism, but in-group egotism. In a collectivist society a poor relative can expect to be helped, but not necessarily a poor stranger.” Triandis (1995, p. 74) confirms, “Social behavior is very different when a collectivist is interacting with an in-group than when she is interacting with an out-group member.” Thus, it is anticipated that people in collectivist cultures (e.g., Korean and Chinese) will react differently when family members (in-group) are involved as a travel group than when acquaintances (out-group) are involved, whereas people in individualist cultures (e.g., United States) will not differentiate between them.

H4. Korean and Chinese samples will more frequently select a higher price option when they share a service with a *family member* compared to an *acquaintance*.

H5. The U.S. samples will *not* more frequently select a higher price option when they share a service with a family member compared to an acquaintance.

Also, price level and functions of a service under consideration can influence individuals' decision making. For example, because social benefits can be obtained by choosing a higher price option with a minimum amount of monetary sacrifice (Monroe, 1973), consumers may be more likely to select a higher price option if the service is relatively inexpensive and functional although there may be more reluctance to incur the larger monetary cost associated with selecting a higher price option if the service is relatively expensive and nonfunctional. However, Markus and Kitayama (1991, p. 229) addressed that "whether the strength of the association increases for higher priced, less frequently purchased goods has not yet been documented adequately" (p. 181). This observation was subsequently endorsed by Wakefield and Inman (2003) who concluded, "Price information processing has not been examined with reference to hedonic benefits." They also suggested, "Social and hedonic situations (e.g. visiting an amusement park with friends) may lead individuals to be less price sensitive when compared to non-social and functional situations (e.g. shopping for groceries alone)" (p. 200). Given the conflicting expectations, we hypothesized in support of the former argument.

H6. There will be increased propensity to select a higher price option when an *inexpensive/functional* service item is purchased than an *expensive/hedonic* service item.

3 | EMPIRICAL OVERVIEW AND SAMPLING

Based on the literature review, six hypotheses were tested: We investigated participants' price decisions between a lower and a higher priced service in two consuming situations (consuming alone or with another person, Experiment 1), in two social group contexts (sharing with an acquaintance or with a family member, Experiment 2), and in different price level items (purchasing an inexpensive or an expensive service, Experiment 3). The participants were drawn from three cultures: United States (individualist and low-context culture), Korea, and China (collectivist and high-context cultures). In terms of the research items, a sandwich and a pizza were selected because their relatively pervasive availability in all three cultures implied that participants would be familiar with them (China Daily, 2014; Forbes, 2015; Franchise Direct, 2017; Future Korea, 2016). For the expensive service research item, performance show tickets were selected.

A total of 2,346 usable questionnaires were collected: 486 from the United States, 866 from Korea, and 994 from China. The U.S. samples were collected from two universities; the Korean samples were collected from eight different universities, whereas the Chinese samples were collected from four universities (Table 1).

This study used student sample because of the following reasons. Price sensitivity is highly influenced by income level and age. The use of convenience of samples of college students can control these two variables, and so the reliable conclusion can be obtained. Furthermore, it has long been recognized that tourists' decisions vary according to socioeconomic variables (Kim, Cheng, & O'Leary, 2007). Therefore, an additional rationale for using student samples is that the homogeneity of their social status and education profile reduces sources of extraneous variation. Indeed, for these reasons, large percent of publications in top-tier consumer behavior journals was reported to use student sample. For example, the percentage of articles using college students increased from 29% to 89% over a quarter century in the *Journal of*

TABLE 1 The sources and sizes of samples collected in the three cultures

Countries	University	Number of questionnaires			Total
		Experiment 1 Alone and together	Experiments 2 and 3		
			With an acquaintance	With a family member	
United States	Texas A&M University	188	88	92	368
	University of Oregon	61	27	30	118
		249	115	122	486
Korea	Kyunggi University	109	51	54	214
	Hanyang University	50	25	25	100
	Sejong University	79	39	39	157
	Sookmyung Women's University				
	Kyunggi University				
	Gachon University				
	Dong-eui University	90	49	50	189
Catholic University of Daegu		100	54	52	206
		428	218	220	866
China	Minzu University	100	49	49	198
	Zhejiang University	113	57	55	410
		88	50	47	
	Central South University of Forestry and Technology	100	49	49	198
	The Hong Kong Polytechnic University	96	44	48	188
	497	249	248	994	
Grand total		1174	582	590	2346

Consumer Behavior (Peterson, 2011). In the similar context, the *Journal of Consumer Psychology* and the *Personality and Social Psychology Bulletin* reported 86% and 63% of articles using college student samples, respectively (Sherman, Buddie, Dragan, End, & Finney, 1999).

At each institution, an equal number of each type of questionnaire was randomly assigned to students during a class period by a professor. Responses from international students were excluded from the analyses to remove any contamination when evaluating the influence of cultural identity. Participants were presented with questionnaires translated into their language. The questionnaires were translated into Chinese by a colleague of the researchers who was a Chinese native. It was subsequently reviewed by another colleague who was a visiting scholar from China. The Korean translation was done by the senior author of this paper and verified by another native Korean colleague. The same travel context was used in all of the questionnaires: a 3-day pleasure vacation trip to New York City, which involved staying at a hotel, dining, shopping, and sightseeing. New York City was selected as the U.S. travel destination because it receives the highest number of international visitors each year in the United States and was ranked ninth in the world in international tourist arrivals in 2015 (Hedrick-Wong & Choong, 2015). Standardizing the travel context facilitated control of extraneous variance that could be attributable to different vacation destinations and itineraries rather than the variables of interest in the study.

Only those questionnaires in which all the questions were completely answered were used in the analyses. All the participants were asked to report how much they spent on leisure activities, equipment, or home entertainment in a typical month during the summer when they were not attending college classes. The mean averages were \$285, \$375 (450,000 KRW), and \$227 (1,535 CNY) for the U.S., Korean, and Chinese samples, respectively. These estimates suggested that the discretionary incomes of the three groups were not substantially different.

The experiments aimed to compare samples' price option preferences in a given travel context within and between the cultures. Therefore, based on Hair's (2010) guideline, this study selected chi-square test. The chi-square test can be used to check whether there is a statistically significant difference among the expected frequency values and the observed frequency values in one or more categories (Hair, 2010).

4 | EXPERIMENT 1: SELECTION OF A HIGHER PRICE OPTION WHEN SHARING A SERVICE WITH OTHERS

Hypotheses 1, 2, and 3 were investigated with a chi-square test that compared samples' price option preferences for Question 1 (consuming a meal alone) and Question 2 (consuming a meal with another) *within* and *between* their cultures.

4.1 | Method

A total of 1,174 usable questionnaires were collected: 249 from the United States, 428 from Korea, and 497 from China (Table 1). Two scenario questions were posed in the questionnaire, and in response

to each question, participants were requested to make a decision to purchase a lower or a higher priced option. In Question 1, they were asked to select the option they would purchase when eating a sandwich alone:

You feel hungry. So, you leave your companion resting in the hotel, and you go *alone* to look for a snack. You find two restaurants on the same block offering the type of sandwich you want to eat. Both of them look tasty. Their prices are as follows:

Restaurant X	Restaurant Y
Sandwich price: \$7.99	Sandwich price: \$8.40

The scenario excluded extraneous variables from being considered by controlling factors other than price, such as features of the sandwich, approachableness, and alternate types of sandwiches. Similarly, a subsequent question asked participants to select the pizza price option between \$19.99 and \$22.00 they would purchase when eating with their travel companion.

4.2 | Results

As indicated in Figure 1, Hypothesis 1 was supported. In all three cultures, there were statistically significant differences, indicating a greater proclivity to select the higher price when consuming a meal *with another* than *alone*. For example, selection rates of higher priced services increased from 11.24% to 19.71% among the U.S. sample (p -value <0.01), from 21.96% to 42.53% among the Korean sample (p -value <0.01), and from 24.95% to 44.94% among the Chinese sample (p -value <0.01). Additionally, the differences were greater among the Korean ($d = 0.94$) and the Chinese ($d = 0.80$) samples than the U.S. sample, confirming Hypothesis 2. In addition, in all cases of consuming alone and together, preferences for the higher price option were significantly stronger among the Korean and Chinese samples than the U.S. sample (p -value <0.01), suggesting that collectivist/high-context cultures consider much more about the price-quality relationship than the individualist/low-context cultures. Thus, Hypothesis 3 was supported.

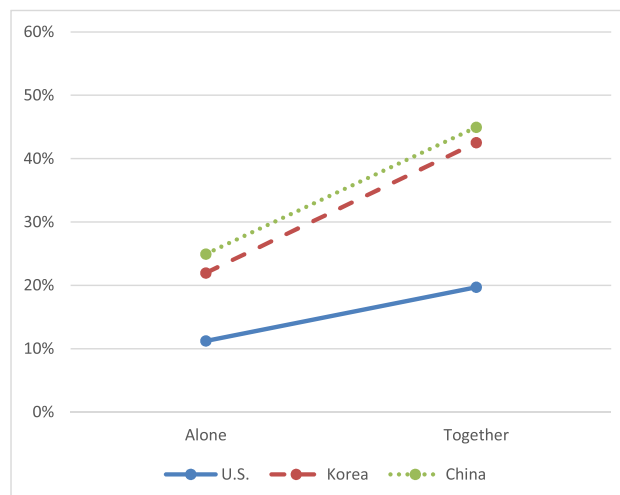


FIGURE 1 Selection frequency of a higher price option when consuming alone and together in the three cultures [Colour figure can be viewed at wileyonlinelibrary.com]

The Chi-square test is a nonparametric statistic that should be used for unequal sample sizes of the groups so long as the sample sizes of each group are large enough (McHugh, 2013). Even though there is no golden rule (statistical standard) with regard to the sample size equality, we randomly selected 249 from 428 Korean samples and 249 from 497 Chinese and then retested the hypotheses using 747 samples (249 from the United States, 249 from Korea, and 249 from China) to mitigate any concerns about unequal sample size effects on the results. The conclusion was not different at all compared with the original 1,174 samples (249 from the United States, 428 from Korea, and 497 from China), supporting the results.

5 | EXPERIMENT 2: SELECTION OF A HIGHER PRICE OPTION WHEN SHARING A SERVICE WITH AN ACQUAINTANCE OR A FAMILY MEMBER

Influences of the difference in type of travel companion (an acquaintance or a family member) were compared using a chi-square test in Experiment 2.

5.1 | Method

To investigate the influence of a travel companion, participants were provided one of the two different scenarios: a trip with a casual acquaintance or a trip with a close family member. In the latter scenario, each participant was requested to identify the relationship of the family member with whom he/she would most like to take the trip. This was intended to reinforce that the context of the purchase was a relationship with a close family member. A total of 1,172 usable questionnaires were collected: 115 (with an acquaintance) and 122 (with a family member) from the United States, 218 (with an acquaintance) and 220 (with a family member) from Korea, and 249 (with an acquaintance) and 248 (with a family member) from China. Participants were asked to select the pizza price option between \$18.00 and \$19.99 they would purchase when eating with a travel companion.

5.2 | Results

As indicated in Figure 2, Hypothesis 3 was supported again given that Asian samples selected more frequently the higher price option than the U.S. sample, irrespective of whether the companion was an acquaintance (31.19%, 46.99%, and 12.17% among the Korea, China, and U.S. samples, respectively, p -value < 0.01) or a family member (51.36%, 50.40%, and 22.13% among the Korea, China, and U.S. samples, respectively, p -value < 0.01). It reconfirms the results of Experiment 1.

It was anticipated that the hypothesis would be confirmed for a greater preference for a higher price when buying a service for a meaningful family member than when buying for a casual acquaintance (Hypothesis 4). The Korean participants selected significantly more frequently the higher priced pizza with a family member than with an acquaintance (p -value < 0.01). Interestingly, among the Chinese sample, no significant differences were found (p -value = 0.45). In other words, there were differences in the perceived boundary of

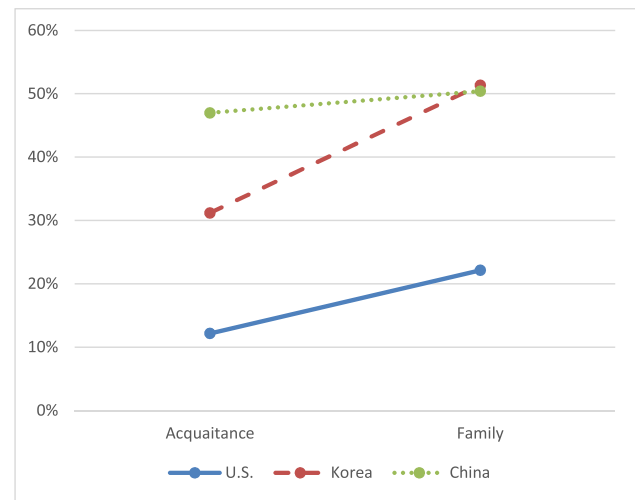


FIGURE 2 Selection frequency of a higher priced pizza option when sharing with an acquaintance and with a family member [Colour figure can be viewed at wileyonlinelibrary.com]

an in-group between the Korean and Chinese samples. Thus, the results suggested that Hypothesis 4 was not supported by the China sample but was supported by the Korean sample.

It was anticipated that responses from the U.S. sample would not significantly differentiate between types of a travel companion (Hypothesis 5). Contrary to the expectation, the proportion selecting the higher price option increased markedly and was significant (p value = 0.04) when the purchase was for a family member compared with an acquaintance; therefore, the results for the hypothesis were not supported.

6 | EXPERIMENT 3: SELECTION OF A HIGHER PRICE OPTION WHEN PURCHASING AN EXPENSIVE/HEDONIC SERVICE

Hypothesis 6 was investigated using a chi-square test that compared samples' price option preferences between an expensive/hedonic service and an inexpensive/functional service. Experiment 3 reiterated Experiment 2 but with a different research item—show tickets representing a relatively expensive/hedonic service.

6.1 | Method

Those participants who responded in Experiment 2 were asked again to indicate which of the two differently priced show options between \$270 and \$299 they would purchase when attending with either a casual acquaintance or a family member. The hypothesis was tested by comparing the responses of this experiment with the responses of Experiment 2 using the pizza scenario. The ticket price represented an expensive price for a hedonic product, whereas buying the pizza in the previous experiment represented an inexpensive functional product. It was expected that the samples would indicate a lower preference for the higher price option, compared with Experiment 2, which used an inexpensive service.

6.2 | Results

Figure 3 confirmed Hypothesis 3 again, indicating that the Korea and China samples more frequently selected a higher price than the U.S. sample even when purchasing an expensive, hedonic service. This propensity to select a higher priced option was significantly stronger with a family member (56.36%) than an acquaintance (37.16%) among the Korean sample (p -value <0.01). Therefore, Hypothesis 4 was reconfirmed for the Korean sample. However, the China sample did not indicate significant differences (p -value = 0.13) in preference for a higher price between an acquaintance and a family member. It was the consistent with the result in Experiment 2 using a pizza. Among the U.S. sample, a higher price option was *not* selected significantly more frequently when the experience was shared with a family member than an acquaintance, so Hypothesis 5 was supported in the context of purchasing show tickets.

The results in Table 2 indicated that participants in the U.S. sample were not influenced by magnitude of expense, irrespective of whether the purchase was for an acquaintance (p value = 1.00) or a family member (p -value = 0.57). Similarly, in the Korean sample, there were no significant differences in the selection frequency of a higher price between the scenarios of show tickets and a pizza (p value = 0.19 with an acquaintance; p -value = 0.29 with a family member). However, among the Chinese sample, the selection frequency of higher priced options significantly decreased (46.99% to 33.33%, p value <0.01 with an acquaintance; 50.40% to 38.92%, p -value = 0.02 with a family member) when purchasing an expensive show ticket. Thus, Hypothesis

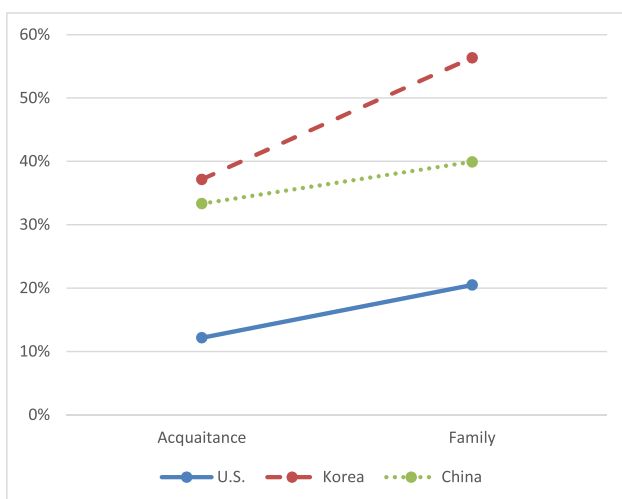


FIGURE 3 Selection frequency of a higher priced show-ticket option when sharing with an acquaintance and with a family member [Colour figure can be viewed at wileyonlinelibrary.com]

TABLE 2 Selection frequency of a higher priced option of services by service items and travel companion types

	United States			Korea			China		
	Pizza	Show tickets	p-value	Pizza	Show tickets	p-value	Pizza	Show tickets	p-value
With an acquaintance ^a	12.17% (14)	12.17% (14)	1.00	31.19% (68)	37.16% (81)	0.19	46.99% (117)	33.33% (83)	<0.01
With a family member ^b	22.13% (27)	20.49% (25)	0.57	51.36% (113)	56.36% (124)	0.29	50.40% (125)	39.92% (99)	0.02

^a115, 218, and 249 questionnaires were used for the U.S., Korea, and Chinese samples, respectively. ^b122, 220, and 248 questionnaires were used for the U.S., Korea, and Chinese samples, respectively.

6 was not supported among the U.S. and Korean samples but was confirmed among the Chinese sample.

7 | DISCUSSION

As contact between different cultures increases, understanding cultural differences in visitors' responses towards a given price framing will possibly impart a competitive advantage to tourism service providers. Hospitality managers will be required to adopt strategies that reflect the reactions to price framings of visitors from different cultures. This research empirically examined the reactions of participants from collectivist and individualist cultures to the price-quality heuristic, in both travel group and individual purchase contexts, when confronted with inexpensive functional items and an expensive hedonic option. The experiments were predicated on the assumption of widespread recognition of the price and perceived quality relationship in all three cultures. As the scenarios moved from consuming alone, with an acquaintance, to with a close family member, participants in each culture had a greater propensity to select the higher price option. This was consistent with the hypotheses and appeared to confirm the assumptions.

Experiment 1 supported Hypothesis 1 that there was a statistically significantly greater tendency to purchase the higher price option when it was being consumed with a companion than alone in all three cultures. This was consistent with Wakefield and Inman's (2003, p.206) review of the literature which concluded, "We expect consumers to be less concerned about price in social consumption contexts," and with findings that individuals who know they will share consumption with others are likely to alter their choice of brands (Gainer, 1995). This tendency to select a different price option depending on situations was stronger among the Korean and Chinese samples than the U.S. sample (Hypotheses 2 and 3). Hypothesis 3 was also supported in all three experiments; regardless of whether inexpensive or expensive services were consumed alone or together with another, the Asian samples tend to more frequently select the higher priced option than the U.S. sample (p value <0.01), indicating that Asian tourists are more likely to consider the price as a cue of quality of service than the U.S. tourists.

Results from the Korean sample in both Experiments 2 and 3 were distinctively different from those of the Chinese sample, even though both are frequently regarded as collectivist cultures. Results for the Korean sample indicated differences between an acquaintance and a family member in purchasing a pizza (31.19% vs. 51.36%, p -value <0.01) and show tickets (37.16% vs. 56.36%, p -value <0.01), but the Chinese sample did not exhibit significant differences. In the Chinese

sample, a slightly larger percentage selected the higher price option when a family member was involved, but it was not significant for either the pizza (p -value = 0.45) or the show (p -value = 0.13). This suggests that the collectivist influence in China extends beyond the family to a wider circle than in Korea. Thus, Hypothesis 4 was supported only among the Korean sample.

Hypothesis 5 was supported in Experiment 3, but not in Experiment 2. The data used in Experiment 2 indicated an overwhelming tendency for the U.S. sample to select the higher price option when purchasing a pizza for a family member than an acquaintance (22.13% vs. 12.17%, p -value = 0.04). However, when the participants of the U.S. sample were presented with show-ticket price options of \$270 and \$299, there was no significant difference between a family member and an acquaintance. The results of Experiment 3 were consistent with Triandis's (1995) observation that individualists (e.g., United States) treat in-groups and out-groups similarly and do not pay much attention to them.

Hypothesis 6 was intended to provide insight into the conflicting expectations made by Monroe (1973) and Wakefield and Inman (2003). In his early review of literature, Monroe (1973) suggested that participants would select a higher price option for inexpensive purchases when consuming with others because the monetary trade-off for doing so was relatively small. They postulated that this would not extend to expensive purchases where the monetary cost of selecting a higher price would be high. In contrast, Wakefield and Inman (2003) argued that customers were less price sensitive when purchasing high-priced hedonic items than when making low-cost functional purchases. Their position is consistent with the Weber-Fechner law that, when adapted to price, states users perceive price differences in proportional and relative terms and not absolute terms (Monroe & Lee, 1999). The Wakefield and Inman contention was reinforced by the empirical findings reported by Childers and Rao (1992) in Thailand. They found that individuals were most sensitive to what others think of their chosen brand when it is a hedonic item and is publicly consumed. Hypothesis 6 was supported only among the Chinese sample; a significantly larger percentage of the Chinese sample selected the higher price option for inexpensive pizza, than for the expensive show in both the acquaintance (46.99% vs. 33.33%, p -value < 0.01) and the family (50.40% vs. 39.92%, p -value = 0.02) contexts. This appeared to add credence to Monroe's (1973) hypothesis in that they secured social benefits only when the monetary cost was low. In contrast, among the U.S. and Korea samples, there was no significant variation in price option selections between the purchase of the inexpensive pizza and the expensive show. In both instances, for both an acquaintance and a family member, there were similar selection frequency of a higher priced option among the U.S. sample (p -value = 0.01; p -value = 0.57) and Korea samples (p value = 0.19; p value = 0.29). Hence, the mixed results for this hypothesis implied that each of the conflicting suggestions could at best claim only partial support for their expectations.

Wakefield and Inman (2003) noted "pricing research has infrequently ventured outside the grocery store to investigate consumers' reactions to price variation," and they particularly lamented that "little attempt has been made to contrast consumers' price sensitivity in functional versus hedonic consumption occasions" (p. 200). Hence,

because it addressed cultural and social group influences on price options relating to functional and hedonic elements of a tourism trip, this study can be considered a pioneering effort.

8 | LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

This study has some limitations that can be addressed by future research. Even though the results suggested that collectivism remains influential in decision making in China and Korea, care should be taken not to offer an overoptimistic interpretation of the data. Although several analyses revealed statistically significant trends within the three samples, in each case, substantial numbers of the sample did not conform to the trend shift. For example, in Experiment 2, the percentage of the Korean sample who selected the higher price pizza option when the companion was a family member rather than an acquaintance increased by an impressive 20 percentage points (31.19% to 51.36%, Table 2), which was highly statistically significant. However, almost half of the sample (48.64%) still continued to select the lower priced option. This reinforces the importance of conceptualizing the magnitude of cultural influence as varying along a continuum. Clearly, there are individualists residing in collectivist-dominated societies such as Korea, and collectivists living in individualist cultures such as the United States. Indeed, Hofstede (1994, p. xii) concluded "about half of the country-to-country difference" could be explained by four dimensions, one of which was the collectivism-individualism dimension. This dimension accounted for perhaps 15% of the difference. He reported a high correlation of 0.82 between individualism and a country's wealth. In the years since Hofstede's study was undertaken, Korea and China have experienced an increase in affluence at a rate that is perhaps unparalleled in human history, suggesting that the collectivist influence in those societies may have weakened in recent decades.

Pictures of a complex social reality can be distorted and stereotyped by the use of dichotomies. They pigeonhole whole cultures (Sinha & Tripathi, 1994). The use of a continuum in this conceptualization recognizes that the extent to which people are influenced by the prevailing culture varies. Kim, Triandis, Jigitcibasi, Choi, and Yoon (1994, p. 5) explain, "Although collective entities, by and large, shape individuals' attitudes, beliefs, emotions and behaviors, they do not determine them. Individuals possess characteristics that are often unique and self-directed. They often accept, select, or reject cultural influences." Similarly, others have noted, "there are elements of both independence and interdependence in every self" (Fiske, Kitayama, Markus, & Nisbett, 1998, p. 925), and "interdependent selves do not attend to the needs, desires and goals of *all* others. Attention to others is not indiscriminate; it is highly selective and will be most characteristic of relationships with in-group members" (Markus & Kitayama, 1991, p. 229).

Last, it is very difficult to identify the "real" reasons of consumer behavior because price heuristics are not based on reasoned action but instinctive "rules of thumb" even though this study concluded that cultural factors influenced the extent of use of the price and quality heuristic and so led to different selection frequencies of a higher price option among the cultures. Furthermore, although the use of college student samples has an advantage in the homogeneity, it limits the

generalizability of the findings because college students cannot represent all customers in the culture. Therefore, further research seems to be necessary with more elaborate research question items using general samples.

ORCID

Ji Youn Jeong  <http://orcid.org/0000-0003-2460-2420>

REFERENCES

- Abou-Shouk, M. A., Zoair, N., El-Barbary, M. N., & Hewedi, M. M. (2018). Sense of place relationship with tourist satisfaction and intentional revisit: Evidence from Egypt. *International Journal of Tourism Research*, 20(2), 172–181.
- Arieli, D. (2009). *Predictably irrational: The hidden forces that shape our decisions* (6th ed.). New York: Harper Perennial.
- Bearden, W. O., & Etzel, M. J. (1982). Reference group influence on product and brand purchase decisions. *Journal of Consumer Research*, 9, 183–194.
- Berry, L. L., & Parasuraman, A. (1991). *Marketing services: Competing through quality*. New York, NY: Free Press.
- Biagi, B., Ladu, M. G., & Royuela, V. (2017). Human development and tourism specialization. Evidence from a panel of developed and developing countries. *International Journal of Tourism Research*, 19(2), 160–178.
- Blodgett, J. A., Bakir, A., & Rose, G. M. (2008). A test of the validity of Hofstede's cultural framework. *Journal of Consumer Marketing*, 25(6), 339–349.
- Chen, J. S. (2000). Cross-cultural differences in travel information acquisition among tourists from three Pacific-rim countries. *Journal of Hospitality and Tourism Research*, 24(2), 239–251.
- Childers, T. L., & Rao, A. R. (1992). The influence of familial and peer-based reference groups on consumer decisions. *Journal of Consumer Research*, 19(2), 198–211.
- China Daily. (2014). Top fast food chains in China. Retrieved from: http://www.chinadaily.com.cn/bizchina/2014-07/28/content_17932826.htm
- Copeland, L., & Griggs, L. (1986). Getting the best from foreign employees. *Management Review*, 75(6), 19–26.
- Crompton, J. L. (1981). Dimensions of the social group role in pleasure vacations. *Annals of Tourism Research*, 8(4), 550–568.
- Crotts, J. C., & Erdman, R. (2000). Does national culture influence consumers' evaluation of travel services? A test of Hofstede's model of cross-cultural differences. *Managing Service Quality: An International Journal*, 10(6), 410–419.
- Decrop, A. (2005). Group processes in vacation decision-making. *Journal of Travel & Tourism Marketing*, 18(3), 23–36.
- Dolan, K. B. (2002). Lessons learned in cross-cultural research of Chinese and North American consumers. *Journal of Business Research*, 55, 823–829.
- Filiatrault, P., & Ritchie, J. R. B. (1988). The impact of situational factors on the evaluation of hospitality services. *Journal of Travel Research*, 26(4), 29–37.
- Fiske, A., Kitayama, S., Markus, H., & Nisbett, R. (1998). The cultural matrix of social psychology. In D. Gilbert, S. Fiske, & G. Lindzey (Eds.), *The handbook of social psychology* (4th ed., Vol. 2). (pp. 915–981). New York: McGraw-Hill.
- Forbes. (2015). Top 10 global fast-food brands. Retrieved from: <https://www.forbes.com/pictures/feji45hfkh/top-10-global-fast-food-brands-2/#16540574580c>
- Franchise Direct. (2017). Top 100 global franchise-rankings. Retrieved from: <http://www.franchisedirect.com/top100globalfranchises/rankings/>
- Future Korea. (2016). Big data analyses of fast food franchise brand reputation. Retrieved from: <http://www.futurekorea.co.kr/news/articleView.html?idxno=34826>
- Gainer, B. (1995). Ritual and relationships: Interpersonal influences on shared consumption. *Journal of Business Research*, 32(2), 253–260.
- Gitelson, R., & Kerstetter, D. (1994). The influence of friends and relatives in travel decision-making. *Journal of Travel & Tourism Marketing*, 3(3), 59–68.
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). *Multivariate Data Analysis*, 7.
- Hall, E. T. (1976). *Beyond culture*. New York, NY: Doubleday.
- Hedrick-Wong, Y. & Choong, D. (2015). Mastercard 2015 global destinations city index. Retrieved from: <https://newsroom.mastercard.com/wp-content/uploads/2015/06/MasterCard-GDCI-2015-Final-Report1.pdf>
- Hinkle, S. W., & Brown, R. J. (1990). Intergroup comparisons and social identity: Some links and lacunae. In D. Abrams, & M. A. Hogg (Eds.), *Social identity theory: Constructive and critical advances*. (pp. 48–70). Hemel Hempstead, England: Harvester Wheatsheaf.
- Hofstede, G. (1980). *Culture's consequences: International differences in work-related values*. Beverly Hills, CA: Sage Publications.
- Hofstede, G. (1991). *Cultures and organizations: Software of the mind*. London: McGraw-Hill.
- Hofstede, G. (1994). Foreword. In U. Kim, H. C. Triandis, C. Gigitcibasi, S. C. Choi, & G. Yoon (Eds.), *Individualism and collectivism: Theory, method, and applications*. (pp. ix–xiv). Thousand Oaks, CA: Sage Publications.
- Hogg, M. A., Abrams, D., Otten, S., & Hinkle, S. (2004). The social identity perspective. *Small Group Research*, 35(3), 246–276.
- Hsu, C. H., & Li, M. (2017). Development of a cruise motivation scale for emerging markets in Asia. *International Journal of Tourism Research*.
- Jeong, J. Y., & Crompton, J. L. (2017). The use of odd-ending numbers in the pricing of five tourism services in three different cultures. *Tourism Management*, 62, 135–146.
- Jeong, J. Y., & Crompton, J. L. (2018). Do subjects from high and low context cultures attribute different meanings to tourism services with 9-ending prices? *Tourism Management*, 64, 110–118.
- Kim, H., Cheng, C. K., & O'Leary, J. T. (2007). Understanding participation patterns and trends in tourism cultural attractions. *Tourism Management*, 28, 1366–1371.
- Kim, S. S., & McKercher, B. (2011). The collective effect of national culture and tourist culture on tourist. *Journal of Travel & Tourism Marketing*, 28(2), 145–164.
- Kim, U., Triandis, H. C., Gigitcibasi, C., Choi, S. C., & Yoon, G. (1994). *Individualism and collectivism: Theory, method, and applications*. Thousand Oaks, CA: Sage Publications.
- Manrai, L. A., & Manrai, A. K. (2011). Hofstede's cultural dimensions and tourist behaviors: A review and conceptual frameworks. *Journal of Economics, Finance and Administrative Science*, 16(31), 23–48.
- Markus, H. R., & Kitayama, S. (1991). Culture and the self: Implications for cognition, emotion, and motivation. *Psychological Review*, 98(2), 224–253.
- Mattila, A. S. (1999). The role of culture and purchase motivation in service encounter evaluations. *The Journal of Services Marketing*, 13(4/5), 376–389.
- McAuliffe, B. J., Jetten, J., Hornsey, J. J., & Hogg, M. A. (2003). Individualist and collectivist norms: When it's OK to go your own way. *European Journal of Social Psychology*, 33(1), 57–70.
- McHugh, M. L. (2013). The chi-square test of independence. *Biochemia Medica: Biochemia Medica*, 23(2), 143–149.
- Money, R. B., & Crotts, J. C. (2003). The effect of uncertainty avoidance on information search, planning, and purchase of international travel vacations. *Tourism Management*, 24(2), 191–202.
- Monroe, K. B. (1973). Buyers' subjective perceptions of price. *Journal of Marketing Research*, 10(1), 70–80.
- Monroe, K. B., & Lee, A. Y. (1999). Remembering versus knowing: Issues in buyers' processing of price information. *Journal of the Academy of Marketing Science*, 27(2), 207–225.

- Netemeyer, R. G., Bearden, W. O., & Teel, J. E. (1992). Consumer susceptibility to interpersonal influences and attributional sensitivity. *Psychology and Marketing*, 9(5), 379–395.
- Nguyen, A., Heeler, R. M., & Taran, Z. (2007). High-low context cultures and practices. *Journal of Product and Brand Management*, 16(3), 206–214.
- Peterson, R. A. (2011). On the use of college students in social science research: Insights from a second-order meta-analysis. *Journal of Consumer Research*, 28(3), 450–461.
- Rao, A. R., & Monroe, K. B. (1989). The effect of price brand name, and store name on buyers' perceptions of product quality: An integrative review. *Journal of Marketing Research*, 2(3), 351–357.
- Reisinger, Y., & Mavondo, F. (2006). Cultural differences in travel risk perception. *Journal of Travel & Tourism Marketing*, 20(1), 13–31.
- Ritchie, J. R. B. (1997). Beacons of light in an expanding universe. *Journal of Travel & Tourism Marketing*, 5(4), 49–84.
- Schindler, R. M. (2009). Patterns of price endings used in US and Japanese price advertising. *International Marketing Review*, 26(1), 17–29.
- Scitovszky, T. (1945). Some consequences of the habit of judging quality by price. *The Review of Economic Studies*, 12(2), 100–105.
- Scitutte, H., & Ciarlante, D. (1988). *Consumer behavior in Asia*. New York: New York University Press.
- Sherman, R. C., Buddie, A. M., Dragan, K. L., End, C. M., & Finney, L. J. (1999). Twenty years of PSPB: Trends in content, design, and analysis. *Personality and Social Psychology Bulletin*, 25(2), 177–187.
- Simonson, I. (1989). Choice based on reasons: The case of attraction and compromise effects. *Journal of Consumer Research*, 16(2), 158–174.
- Sinha, D., & Tripathi, R. C. (1994). Individualism in a collectivist culture: A case of coexistence of opposites. In U. Kim, H. C. Triandis, C. Jigitcibasi, S. C. Choi, & G. Yoon (Eds.), *Individualism and collectivism: Theory, method, and applications*. (pp. 123–136). Thousand Oaks, CA: Sage Publications.
- Stone, M. J. (2016). Deciding not to choose: Delegation to social surrogates in tourism decisions. *Tourism Management*, 57(6), 168–179.
- Suri, R., Anderson, R. E., & Kotlov, V. (2004). The use of 9-ending prices: Contrasting the USA with Poland. *European Journal of Marketing*, 38(1/2), 56–72.
- Tajfel, H., & Turner, J. C. (1979). An integrative theory of intergroup conflict. In W. G. Austin, & S. Worchel (Eds.), *The social psychology of intergroup relations*. (pp. 33–47). Monterey, CA: Brooks/Cole.
- Triandis, H. C. (1995). *Individualism and collectivism*. Boulder, CO: Westview Press.
- Triandis, H. C. (1998). Collectivism v. individualism: A reconceptualization of basic concept in cross-cultural social psychology. In G. K. Verma, & C. Bagley (Eds.), *Cross-cultural studies of personality, attitudes and cognition*. (pp. 60–95). London: Macmillan.
- Triandis, H. C., & Gelfand, M. J. (1998). Converging measurement of horizontal and vertical individualism and collectivism. *Journal of Personality and Social Psychology*, 74(1), 118–128.
- Turner, J. C. (1982). Towards a cognitive redefinition of the social group. In H. Tajfel (Ed.), *Social identity and intergroup relations*. (pp. 15–40). Cambridge, England: Cambridge University Press.
- U.S. Department of Commerce (2017). *Top 10 international markets: 2016 Visitation and spending*. Washington DC: Travel and Tourism Office.
- Volckner, F., & Hofmann, J. (2007). The price-perceived quality relationship: A meta analytic review and assessments of its determinants. *Marketing Letters*, 18(3), 181–196.
- Wakefield, K. L., & Inman, I. J. (2003). Situational price sensitivity: The role of consumption occasion, social context and income. *Journal of Retailing*, 79(4), 199–212.
- Walker, G. J. (2009). Culture, self-construal and leisure motivation. *Leisure Sciences*, 31(4), 347–363.
- Walker, G. J., Deng, J., & Dieser, R. B. (2005). Culture, self-construal and leisure theory and practice. *Journal of Leisure Research*, 37(1), 77–99.
- World Tourism Organization. (2016). *Tourism highlights*. Madrid, Spain: UNWTO. Available in: <http://www.e-unwto.org/doi/pdf/10.18111/9789284418145>.
- Yau, O. H. M. (1994). *Consumer behavior in China: Customer satisfaction and cultural values*. London: Routledge.

How to cite this article: Jeong JY, Crompton JL, Hyun SS. What makes you select a higher price option? Price-quality heuristics, cultures, and travel group compositions. *Int J Tourism Res*. 2019;21:1–10. <https://doi.org/10.1002/jtr.2236>