

ARE YOU WILLING TO PAY MORE FOR BRANDED AMENITIES?

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ABSTRACT

Maximizing sales is important for increasing revenue. Since hotels mostly operate by advance reservations, upselling through in-person sales is challenging. Amenities, however, are barely used as the upselling tool, considering as necessary, but complimentary items for a hotel product. This study investigates the impact of amenities on willingness to pay more for a hotel when offering branded products. The results of this study show that branded amenities have a positive impact on willingness to pay more and the effects are significantly different by hotel classes. Conversely, guests are willing to pay less when non-branded in-room amenities are provided, instead.

Keywords: in-room amenity, willingness to pay more, branded amenities, revenue, and hotel.

Introduction

Once a customer decides to purchase a product, a firm tries to maximize the sales volume with existing resources. For a hotel, however, this is challenging because they do not generate in-person sales, operating instead by advance reservation. After a room is booked at a set rate, hotels have scant opportunity to generate extra revenue when a guest arrives. Although hotels can pursue additional sales by suggesting a room-upgrade or a meal-inclusive option at a promotional price, the upselling methods are practically limited.

On the other hand, amenities, such as toiletries, television, and beddings, are barely used as the upselling tool, considering as necessary, but complimentary items for a hotel product. As a product to sell, a hotel has limited visible sources to be evaluated because one of the important parts is an intangible factor: service. In-room amenities, as a tangible factor, become a cue for delivering information to guests. The tangible elements positively influence a customer's quality perception and motivate purchase intention of hotels [1]. Although in-room amenities serve some benefits, the costs are borne by hotel owners and investors with no extra charges to guests [2]. If such amenities can stimulate customers' willingness to pay extra, not only will the cost be justified, but will hotels have another tool to up-sell the price. Previous research suggests that newly generated value provided by a hotel can promote a customer's purchase intention. Additionally, willingness to pay more indicates potential extra sales that a customer would spend more for a particular feature [3]. In a luxury hotel setting, a set of luxury brands' in-room amenities stimulates customer willingness to pay [4]. Hotels achieve extra value from well-established attributes by providing branded amenities.

In the same vein, the current study explores the impact of branded amenities on willingness to pay more for three different hotel classes. Additionally, this study investigates the possibility of willingness to pay less when non-branded in-room amenities are provided, instead. A present study anticipates that guests' value perception related to in-room amenities can be differently perceived by the presence of brands and by class of hotels where guests stay.

Results

In order to examine willingness to pay more and less for hotels using in-room amenities, one-way analysis of variance tests are used. Among a total of 472 participants, 212 (44.9%) of respondents are willing to pay more for receiving branded amenities, and 359 (76.1%) respondents are willing to pay less for receiving non-branded amenities. Guests' intention to pay extra for branded amenities are hotel guests are willing to pay more for upgrading their amenities with well-known brands, and 45.6% of midscale and 33.1% of budget hotel guests agree on the intention. When guests are provided non-branded amenities instead of branded amenities, customers are willing to pay less. The intention to pay less is also significantly different by the hotel classes, $F(2, 469) = 5.085, p = .007$. Among 492 respondents, 129 (82.2%) of budget and 124 (78.5%) of midscale hotel guests are willing to pay less, and 106 (67.5%) of luxury hotel guests would also pay less instead of receiving branded amenities.

Conclusion and Implications

The findings of this study suggest that hotels can utilize in-room amenities as a payload for generating the extra revenue since willingness to pay more is directly associated with an increase in instant sales. This study confirmed the impacts of branded in-room amenities on guests' willingness to pay more. Additionally, willingness to pay more of a hotel room by branded amenities can be affected by hotel segments. The findings suggest that luxury hotels stock a set of upgraded in-room amenities with favorable brand products and use them for promoting revenue. Based on the findings, midscale and budget hotels may attempt to increase their revenue using branded amenities but may not effective as much as luxury hotels. Another opportunity for budget hotels can be found by utilizing the willingness to pay less since the majority of budget hotel guests are willing to pay less for non-branded amenities as an alternative to branded amenities. Given that the guests staying in the budget hotels are price-sensitive, these hotels can increase the number of guests by offering discounts instead of providing non-branded amenities. For midscale and budget hotels, branded amenities can be employed in both ways: as a means of pursuing extra revenue and as a marketing tool to attract customers with a discount promotion. The goal of this study is to highlight in-room amenities for modulating the willingness to pay more and less. The current study provides distinguished business strategies, depending on hotel segments. Understanding the role of in-room amenities in the customer willingness to pay helps hotel operators optimize future revenue. However, the study limits the benefits of branded amenities on the willingness to pay. This warrants future investigations studying the effects of branded amenities on a different point of view, such as guest' perception of a hotel brand.

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