Customer value in the hotel industry: What managers believe they deliver and what customer experience

Hanny N. Nasution, Felix T. Mavondo*

Monash University, Wellington Road, Clayton, Vic. 3800, Australia

Abstract

Delivering value for customers has become a central theme in business. The paper examines customer value from two perspectives, i.e. that of service provider and that of the customer. A total 231 managers and 385 customers responded to the survey. The results indicate that managers' perception of customer value is different to what customers' experience as customer value. The differences persist across different classes of hotels. These results suggest there is a need to align management and customer perspectives to optimize customer value as delivered and experienced. Specifically, hotels should invest in customer understanding and customer linking activities.
Crown Copyright © 2007 Published by Elsevier Ltd. All rights reserved.

Keywords: Customer value; Service quality; Hospitality industry; Business hotels

1. Introduction

The study of customer value has become one of increasing interest to researchers and managers (Slater and Narver, 2000), and is regarded as the next source of competitive advantage (Woodruff, 1997). Customer value and service quality have also been of great interest to hospitality researchers (Ekinci et al., 2003; Oh, 1999; Kim and Oh, 2004). The main responsibility of hoteliers is the delivery of quality service to customers (Su, 2004). Choi and Chu (2001) suggest that to be successful in the industry, hoteliers must provide superior customer value and this must be done continuously and efficiently. In addition, hoteliers need to put more emphasize in improving the quality of their services offerings and in ensuring that the needs and expectations of their guests are being met (Haywood, 1983). This especially true because the hotel sector is highly competitive and is central to the success of the tourism industry.

Service provision can be viewed from two different perspectives: that of the service provider or that of the customers and the perspectives would be expected to differ.

That is, gaps might arise between expectation and actual performance, and differences between perception of the service by the service provider and service receiver (Saleh and Ryan, 1991). Specifically, in the hotel industry, there are some problems involved in the evaluation of service provision. Some customers may perceive a service as being comparatively unimportant while for others it is critical. Management has to optimize under such conditions and may place significant importance upon the tangible components of the hotels such as good décor, etc. (Hartline et al., 2003) to cover for the diversity of their clients. Previous studies have examined customer value from the customer's perspective (Sanchez et al., 2005) or the provider's perspective (Eggert and Ulaga, 2002; Liu et al., 2005) but rarely has research sought to achieve both perspectives in a single study, in particular in the hospitality and tourism sectors. There are several studies in this area that had been published in the hospitality and tourism context mainly related to service quality topics (see Baker and Crompton, 2000; Bigne et al., 2005; Ekinci and Riley, 2001; Weiermair and Fuchs, 1999). This research seeks to achieve this, i.e. customer value as seen by the provider and also as seen by the customer. In other words, the paper seeks to investigate different perceptions of customer value between managers and customers in hotel establishments.

*Corresponding author. Tel.: +61 3 9905 9249; fax: +61 3 9905 9232.
E-mail address: Felix.Mavondo@buseco.monash.edu.au
(F.T. Mavondo).

The context of this study is an important component of the tourism industry in Indonesia namely the hotel sector. The main reason for choosing the hotel industry as the research context is that the tourism industry has become an increasingly important sector as a foreign exchange earner in Indonesia (Blueprint of Indonesia Tourism Marketing, 2003). This is because the tourism industry is considered to hold the best prospect for contributing to the Indonesian economy. The main objective of the Indonesian tourism industry is "making Indonesia as the most popular tourism destination in the South East Asia region" (Blueprint of Indonesia Tourism Marketing, 2003). This indicates that the Indonesian tourism industry plays an important role as a foreign exchange earner.

2. Conceptual background

2.1. Defining customer value

The concept of value has been applied in various fields such as economics, social science, accounting, finance, strategy, product management, information system, marketing (Huber et al., 2001; Ulaga and Chacour, 2001) and in tourism research (Sanchez et al., 2005). It is considered an abstract concept (Weinstein and Johnson, 1999); hence, its interpretation varies according to the context (Sweeney and Soutar, 2001). Holbrook (1999) defines customer value as "an interactive relativistic preference experience" (p. 5). Zeithaml (1988, p. 3) identifies four diverse meanings of value: (1) "value is low price, (2) value is whatever one wants in a product, (3) value is the quality that the consumer receives for the price paid, and (4) value is what the consumer gets for what they give". In a parallel vein, Flint et al. (1997) suggest that value can be classified as values, desired values, and value judgments. The notion of value judgment is the customer's assessment of what has happened (benefits and sacrifices). This implies that value is a process of interpretation of what the customer feels concerning the product or service consumed, relative to the sacrifices (generally price or time). Patterson and Spreng (1997) point out that customer value in the marketing literature is generally defined from the consumer's perspective. In the tourism sector context, Sanchez et al. (2005) investigate the value perceived by customers in general, and tourists in particular. Specifically, they investigate the consumption and purchase experiences of the tourists.

In analyzing these definitions, there are two common themes in most definitions of value: the notions of "trade-off" and "benefit-sacrifices". Trade-off can be interpreted as a difference between benefits and sacrifices. That is, customer value is created when the customer perceives that the benefit of consuming products/services exceeds the sacrifices (Slater and Narver, 2000). In the narrow perspective, benefit is identified as quality, while sacrifice is represented as a price. This interpretation reflects that value is emphasized as a monetary conceptualization (Sweeney and Soutar, 2001). This narrow perspective is criticized as too simplistic and only reflects one dimension of the perceived benefits and sacrifices bundle (Sweeney and Soutar, 2001). Hence, the concept of value needs to include the total bundle of benefits and sacrifices including both monetary and non-monetary aspects. Bolton and Drew (1991) argue that defining value as a function of quality is not enough. It is argued that perceived benefit should be considered as some combination of physical attributes, service attributes, technical support, competence, experience, and social rewards (Petrick, 2002; Walter et al., 2001).

For the purpose of this study, customer value is defined as a trade-off between total perceived benefits and total perceived sacrifices. The term perceived is suggested to reflect the experiential view, in which it is believed that value judgment is dependent upon the consumers' experience. This study adopts the Sweeney and Soutar (2001) scale and the Petrick (2002) scale. The Sweeney and Soutar (2001) scale consist of four components of quality, price, emotional value, and social value. The Petrick (2002) scale consists of five components: behavioral price, monetary price, emotional response, quality, and reputation. The components of customer value in this study are reputation for quality, value for money, and prestige. Reputation for quality captures the notion of quality and reputation and to some extent emotional value. Value for money can be viewed as comparing the benefits and sacrifices and represents monetary valuation. Prestige captures the social value of associating oneself with a product or a service (hotel) and represents what the "important others" think about the respondent for patronizing a given hotel.

2.2. The importance of customer value

Delivering superior value to customers is important for business success (McDougall and Leveque, 2000; Spiteri and Dion, 2004). The source of superior customer value can be identified from organizational resources and capabilities, such as human resource management, innovation, knowledge management, organizational culture and structure (Mittal and Sheth, 2001; Walter and Jones, 2001; Weinstein and Pohlman, 1998). For hotels to deliver superior customer value, i.e. provide the best quality, best prices, and best service, they should view themselves as value-producing entities (Weinstein and Pohlman, 1998). This requires best practice and of innovative thinking at all levels in the organizations (Knox, 2002), valuable core competencies (Walter et al., 2001), mission, strategy, and systems (Dummond, 2000).

Providing superior customer value has a positive impact on stakeholders, i.e. customers (Eggert and Ulaga, 2002; Oh, 1999; Woodruff, 1997), employees, and shareholders (Mittal and Sheth, 2001). Organizations with a strong commitment to delivering of superior customer value would benefit from a supportive corporate culture that focuses on customers' expressed and latent needs (Narver et al., 2004). Superior customer value has been associated

with superior financial performance (McDougall and Leveque, 2000); strong customer orientation (Gowan et al., 2001) and customer satisfaction (Eggert and Ulaga, 2002; Oh, 1999; Woodruff, 1997). Satisfied customers are more likely to repurchase the product/services (Baker and Crompton, 2000; Patterson and Spreng, 1997; Oh, 1999), and spread positive word of mouth (Petrick, 2002). In the long-run, organizations that are successful in maintaining delivery of superior value build customer loyalty (McDougall and Leveque, 2000) and customer retention (Flint et al., 1997) both of which drive up shareholder value (Mittal and Sheth, 2001).

2.3. Customer value: managers' expectations and customers' experiences

From a managerial perspective customer value has to be planned for, resources deployed to achieve the desired level and personnel put in place to implement the plan. For the customer value is a lived experience and is generally a trade off between benefits and costs. In the hotel industry value is delivered through a number of vehicles including quality of rooms, atmospherics of the hotel, meals and recreational/ sporting facilities. Thus, value is a bundle of tangibles and intangibles and differs in configuration across individuals. There are reasonable grounds to expect differences between management's evaluation of customer service and what customers actually experience. Fundamentally, the difference is due to the fact that for managers customer value is a business product to be delivered to customers while for the customer this is a service to be experienced (Parasuraman et al., 1985, 1988). An important source of additional difference is communication. Hotels may aim at conveying a specific image and raise a certain level of expectation. The hotel guests may perceive and interpret this differently. This is consistent with Tsang and Qu (2000) who note the perceptions of tourists and hotel managers in the hotel industry differ due to differences in expectations of quality of service.

The process of delivering customer value in a hotel setting involves three parties, i.e. employees, managers, and customers (Gowan et al., 2001; Hartline et al., 2003); consequently, there are possibilities of errors in the complex and highly interactive service delivery process (Gowan et al., 2001). Since for managers customer service is a product, the customers' experience should be seen as the primary guideline of the quality of customer value hence hotel manager must be attuned to "listening to the customer" (Coyle and Dale, 1993). Specifically, Shoemaker and Lewis (1999) suggest that management should do informal research, i.e. "managing by walking around", and formal research on customer needs and customer expectations. There is additional pressure management in providing superior customer value consistently in that there needs to be effective human resource practices need to be in place.

The hotel classifications across many countries are predicated by differences in customer value. While a number of factors are included in hotel classifications, at the most basic these are aspects that differentiate hotels by customer value. Higher classified hotels are expected to provide superior customer value through better quality of services and facilities as compared to lower classified ones. Top class hotels or prime hotels which include five star hotels may also provide world-class facilities, such as quality restaurants, modern swimming pools, health clubs, special needs rooms, non-smoking rooms, and conference and meeting facilities among many other services. Standard hotels consisting three and four star hotels; whereas budget hotels consist of one and two star hotels may provide standard facilities. Hotel classification serves to provide uniform expectations and higher classified hotels can charge a higher price for the same product such over night rates, liquor and food. This is because they are seen as justified on the basis of customer value, heavier investment and superior training of staff. The findings of Cadotte and Turgeon (1988) study indicate that the atmospherics of hotel lobbies, and quality of food are the key factors in guest satisfaction. In addition, cleanliness of hotel rooms, quality of service, employee knowledge and service, and quietness of surroundings were found to be important factors of hotel guests' satisfaction. This leads to the following hypotheses.

H1. Different classes of hotels deliver significantly different levels of customer value as seen by the managers and the pattern of differences is hypothesized to be:

(a) *Reputation for quality*: Prime hotel are perceived to have higher reputation for quality than standard hotels which in turn are considered to be higher than budget hotels.
(b) *Value for money*: Standard hotels are perceived to be better value for money than prime hotel and budget hotels.
(c) *Prestige*: Prime hotel are perceived as more prestigious than standard hotels which in turn are considered more prestigious than budget hotels.

Using the same logic one can extend the argument to customers. Customers in higher classified hotels perceive themselves as receiving higher customer value than those in lower classified hotels. This is logical as one cannot see any logic in anyone paying higher hotel tariffs for inferior value. Thus, higher classified hotels are likely to provide better value both from managers and customers' perspectives. Thus, the following hypotheses are postulated.

H2. Different classes of hotels deliver significantly different levels of customer value as seen by the their customers and the pattern of differences is hypothesized to be

(a) *Reputation for quality*: Prime hotel are perceived to have higher reputation for quality than standard hotels

which in turn are considered to be higher than budget hotels.

(b) *Value for money*: Standard hotels are perceived to be better value for money than prime hotel and budget hotels.

(c) *Prestige*: Prime hotel are perceived as more prestigious than standard hotels which in turn are considered more prestigious than budget hotels.

Previous studies have identified potential discrepancies between management perception and customers' actual experience in the hotel industry. That is, managers overestimate the service they are providing (see Coyle and Dale, 1993; Saleh and Ryan, 1991; Tsang and Qu, 2000). In addition, managers are likely to have high expectations for the level of service that the organization is providing (Gowan et al., 2001). This implies that managers do not have an in-depth understanding of customers' expressed and latent needs. Consistent with Tsang and Qu's (2000), we hypothesize that there are difference between customers' experiences and management perceptions of the level of customer value. More fundamentally, management perception is really one thing: perhaps planned or emerging customer value. On the other hand, customer value as from the customer's point of view is an experience; it is actual and lived experience. This may lead to differences in evaluating the same phenomenon.

H3. Managers and customers will differ in their evaluation of customer value

(a) for reputation for quality
(b) for value for money
(c) for prestige

The delivery of services involves employees, managers, and customers; this may create differences between the perceptions of service delivered as seen by managers and services experienced by customers (Gowan et al., 2001; Hartline et al., 2003). These differences arise as a result of lack of congruency between managers' plans and how they are carried out by employees. Differences between managers and customers could also arise from communication (what managers planned to communicate) and the messages received by customers. Since employees have more contact with customers (Gowan et al., 2001), the differences between managers and employees would further exacerbate differences between managers and customers (Coyle and Dale, 1993; Tsang and Qu, 2000). Therefore, customers and managers are expected to evaluate delivered customer service. Accordingly,

H4. Managers and customers at the same class of hotel perceive significantly different levels of customer value.

(a) Managers and customers at budget hotels perceive significantly different levels of customer value.

(b) Managers and customers at standard hotels perceive significantly different levels of customer value.

(c) Managers and customers at prime hotels perceive significantly different levels of customer value.

3. Methodology

3.1. Data

This research employed two self-administered questionnaires: one for hotel managers the other for hotel guests. To capture the information from hotel managers, all classified hotels from 29 provinces across Indonesia were included. In total, 247 out of 801 hotels responded to the research. The number of useable questionnaires was 231, which provided the final effective response rate of 29%. The responses covered almost all of the provinces in Indonesia suggesting the sample was adequately representative of the population. The sample of hotel guests was collected from hotels in Java. Seven hotels participated in this guest study. The hotels were selected in such a way as to parallel the proportions in the managers' sample. Approximately, 50 questionnaires for hotel guests were distributed to the seven participating hotels, and then with the assistance of the hotel managers, the questionnaires were distributed directly to the hotel guests. Within a month the researcher picked up the completed questionnaires. The number of respondents who participated in the customer survey was 385.

3.2. Measures

Sweeney and Soutar (2001) developed and empirically tested a measure of perceived value. While the Sweeney and Soutar (2001) scales have been applied to measure of tangible product, Petrick (2002) suggests that there is a need for a different scale to be developed for measuring the perceived value of a service. This study applies the perceived value scale developed by Petrick (2002) to measure the perceived value of service in the hotel sector. Initially, the components of customer value in this study consist of quality, emotional value, monetary price, nonmonetary price, reputation, and social value (there were a total of 18 items). Respondents were asked the extent to which they agree or disagree with each of the statements. The scales ranged from 'strongly disagree' (1) to 'strongly agree' (7). The exploratory factor analysis results provide different pattern of loadings for the components of customer value to the original five factors. This study suggests that factor 1 (reputation) and factor 2 (quality) be combined and named "reputation for quality". The other factors were renamed as "value for money", and prestige (see Appendix 1). The original factor structure was abandoned because of lack of discriminant validity and the factors presented in this study appear to capture the essence of the five factors.

3.3. Psychometric properties

All measures were shown to have acceptable psychometric properties. To establish discriminant validity across the measures, the method suggested by Fornell and Larcker's (1981) was applied. This involves comparing the covariances (between latent factors) and average variance extracted (AVE) of the indicators of each dimension of customer value for both the managers'. Discriminant validity is established if the AVE is larger than the square root of the covariance. The results indicated that for both the managers and customer samples showed discriminant validity for reputation for quality, value for money and prestige are distinct constructs. This is a more rigorous test of discriminant validity than the chi-square difference from imposing unit (1) on the covariances. The results are presented in Table 1.

4. Results and discussion

The results of hypotheses testing H1 and H2 are shown in Tables 2 and 3. The aggregate measure of customer value is used to discuss the average rating across the three dimensions of customer value. The results indicate that the level of reputation for quality as seen by managers is higher for prime hotels than for standard hotels which in turn is significantly higher than budget hotels. Thus, H1a is supported. The same pattern of results is found for value for money and prestige; these results support H1c; while H1b was not supported. The results for prestige and reputation for quality are consistent with received knowledge; the results for value for money are rather interesting. One would normally associate value for money with budget hotels and to some extent standard hotels but not with premium hotels. Thus, perhaps despite the generally higher rates for accommodation and meals, the premium hotels are still perceived as good value for money by managers and patrons.

When the results are looked at from the customers' received customer value, customers indicate they receive superior value at prime hotels which is significantly better than in standard hotels which in turn is higher than budget hotels for reputation for quality. The pattern of results is the same for value for money and prestige. The results support H2a and H2c; while H2b was not supported. These results are a mirror image of the managerial perceptions. This suggests that the classification system of hotels appears to discriminate on quality, value, and prestige.

Table 1
Internal consistency, square roots of average variance extracted, and correlation matrix for customer value

	Managers				Customers			
	Internal consistency	1	2	3	Internal consistency	1	2	3
1 Reputation for quality	0.92	**0.77**			0.91	**0.77**		
2 Value for money	0.89	0.67	**0.73**		0.89	0.67	**0.76**	
3 Prestige	0.88	0.56	0.44	**0.84**	0.92	0.56	0.44	**0.86**

$\chi^2 = 102.267$; d.f. = 44; $\chi^{2/d.f.} = 2.324$; GFI = 0.928; AGFI = 0.873; RMSEA = 0.076　　　　$\chi^2 = 160.965$; d.f. = 44; $\chi^{2/d.f.} = 3.658$; GFI = 0.937; AGFI = 0.888; RMSEA = 0.069

The figures along the diagonal and in bold are square root of the average variance extracted for each construct. The figures in the table are correlations.

Table 2
Perceptions of customer value as seen by managers across different hotel classifications

	Hypothesis	Prime hotel, $N = 31$	Standard hotel, $N = 133$	Budget hotel, $N = 67$	F-Ratio	Different sets
Reputation for quality	H1a	6.35	5.83	5.39	16.09[***]	P > S > B
Value for money	H1b	6.21	5.94	5.63	6.49[***]	P > S > B
Prestige	H1c	6.07	5.32	4.77	14.69[***]	P > S > B

[***] $p < 0.001$. P, prime hotel, S, standard hotel, B, budget hotel.

Table 3
Perceptions of customer value as seen by customers across different hotel classifications

	Hypothesis	Prime hotel, $N = 65$	Standard hotel, $N = 275$	Budget hotel, $N = 45$	F-Ratio	Different sets
Reputation for quality	H2a	5.18	5.06	4.07	31.01[***]	P > S > B
Value for money	H2b	5.07	4.96	4.01	25.32[***]	P > S > B
Prestige	H2c	4.73	4.69	3.79	15.02[***]	P > S > B

[***] $p < 0.001$. P, prime hotel; S, standard hotel; B, budget hotel.

Managers and customers appear to agree on these differences across the hotel classifications. This led us to ask the next question, i.e. whether managers and customers in general significantly differ in their evaluation of customer value (H3) and to the next question whether the differences, if any, persisted even if managers and customers are evaluating the same class of hotel (H4).

Results in Table 4 show that in general the level of customer value as seen by managers is higher than that customers report they are experiencing. The managers' score was approximately 5.76 out of 7; whereas, the customer score was about 4.90 on the same scale the differences were significant. The differences for reputation for quality (H3a) were significant, for value for money (H3b) and for prestige (H3c) were significant. These results show that in general managers are likely to overstate the level of customer value delivered by their hotels while customers are likely to under estimate the customer value they experience or both phenomena are occurring simultaneously. In this situation one can argue that the perspective of the business is less important and potentially biased upwards. It can also be noted that the customer perspective is probably the more important given that this may have benefits of positive word of mouth, willingness to revisit and willingness to stay longer.

Table 5 shows that for budget hotels the managers had much higher scores than customers for customer value across all the hotel classifications. For reputation for quality, the differences were significant and the differences were largest for standard hotels. For value for money, similar differences were found and the largest difference was in the standard hotels. The same findings apply for prestige. This indicates that all hypotheses arising proposition were significantly different. The findings vary from our expectations for value for money. The results show that for both budget and standard hotels value for money was seen by managers as the best customer value while for prime hotels it was reputation for quality. Across all classifications prestige was seen by management as the least important dimension of customer value. This was also consistent with the results for customers. Prestige was scored lowest. The differences were significant. The differences between managers and customers were significant for reputation for quality across all classes of hotels. Value for money was significantly different between managers and customers across all hotel classification. This was somewhat surprising as contrary to expectations value for money was over rated by managers and under rated by customers across all hotel classes. There is a clear indication that customers thought budget hotels were exactly what they expected. On the other hand managers thought although they were running budget hotels, they were providing customers with more value than customers were paying for. From their perspectives, these customers can be seen as more demanding relative to what they were paying.

Table 4
Different perceptions on customer value as seen by managers and customers

	Hypothesis	Manager, $N = 231$	Customer, $N = 385$	t-Value	Different sets
Reputation for quality	H3a	5.77	4.96	11.25***	Manager > Customer
Value for money	H3b	5.88	4.87	13.90***	Manager > Customer
Prestige	H3c	5.26	4.59	7.20***	Manager > Customer

*** $p < 0.001$.

Table 5
Different perceptions on customer value as seen by managers and customers

	Hypothesis	Manager	Customer	t-Value	Different sets
Budget hotel	H4a	$N = 67$	$N = 45$		
Reputation for quality		5.39	4.07	8.14***	Manager > Customer
Value for money		5.63	4.01	9.15***	Manager > Customer
Prestige		4.77	3.79	4.57***	Manager > Customer
Standard hotel	H4b	$N = 133$	$N = 275$		
Reputation for quality		5.85	5.06	9.37***	Manager > Customer
Value for money		5.94	4.96	10.97***	Manager > Customer
Prestige		5.35	4.69	5.82***	Manager > Customer
Prime hotel	H4c	$N = 31$	$N = 65$		
Reputation for quality		6.35	5.18	6.49***	Manager > Customer
Value for money		6.21	5.07	7.47***	Manager > Customer
Prestige		6.07	4.73	6.33***	Manager > Customer

*** $p < 0.001$.

For managers of standard hotels, the average of customer value was 5.83 out of 7 and for customers it was almost 5 out of 7 and the differences were all significant ($p < 0.001$). These results lead to the acceptance of H4b. The gap between management perceptions and customer-received value is narrower for budget hotels, managers still over-estimate the value they deliver and customers perceive they are receiving less than the promise. The biggest difference is on value for money. Managers believe they are delivering as promised and customers experience this as being less value than they are paying for.

For prime hotels, managers scores average about 6.33 out of 7 while those for customers average 5.09 out of 7. Relative to standard hotels this is much wider difference between managers and customers. The differences between managers and customers across the three value measures are significant. This supports H4c. Managers think they are delivering superior value and customers in general agreeing they are receiving superior value relative to customers in lower classified hotels. However, customers perceive significantly less value for what they are paying. There is an indication of less satisfaction with the value received as is shown by the greatest difference occurring for value for money. The results clearly suggest there is a closer alignment between value delivery and value experienced in standard hotels. The differences are much wider in premium hotels followed by budget hotels. In all cases, probably, as expected managers believe they are delivering higher customer value than customers say they are actually experiencing. These results need to be interpreted cautiously given the context of this research. In Indonesia, respondents (customers) are not likely to utilize the full scale in responding to the questions, i.e. they are unlikely to say I totally disagree or I totally agree when evaluating experiences and expressing their feelings. Given the subtleties of the culture and language, one could suspect means around 4 out of 7 appear to suggest unsatisfactory service delivery. The guests were being polite but in fact the customer value they received was poor. On the other hand, values above 5 must be considered good given that higher values are just as unlikely as low ones. The situation is very different for managers who may be rewarded for achieving high customer values and are more likely to use the full scale. There were also a significant proportion of managers who were non-Indonesians especially those representing multi-national hotel chains. In conclusion, the results support all the hypotheses that arose from H3 and H4.

There are several reasons for the differences between management and customers. The delivery of service is usually not the direct responsibility of managers. They set the performance standards, and supervise the staff to achieve these targets but there is always a difference between planned and delivered service. Ideally one would like to involve the employees in the evaluation of customer value delivered but this is problematic for several reasons. The second source of differences could arise from promotional efforts of hotels. Again promotion is usually carried out by an advertising agency and not necessarily consistent with management expectations. Third, managers can genuinely believe they are delivering superior customer value relative to what the customers are paying. These results suggest that hotelier may benefit from research that increases knowledge about customers, their needs and their expectations. Finally, as noted by Slater (1997) customers are increasingly more demanding and expect superior customer value at ever lower prices. This is a result of the high competition among hotelier and the availability of alternatives.

5. Limitations and contributions

5.1. Research limitations

This study has a number of limitations. First, the respondents from budget hotels were relatively small for manager sample, and the results need to be interpreted with some cautions. There was low response rate from this category relative to the other hotels despite special effort being made to the increase response rate. There may be a need for additional strategies to motivate managers at the low hotel classification end to participate. Second, the number of non-Indonesians both as managers and customers was under represented and did not justify further analysis hence the study should be interpreted as presenting an Indonesian perspective as opposed to tourists to Indonesia. Third, while an attempt was made to match customers to hotel classification, the results would have benefited if customers had come from the same hotels as the managers. Attempts were made to match respondents to hotel classification but this should be considered a limitation in interpreting the findings.

5.2. Research implications

This study highlights that the level of customer value as seen by managers is higher than that experienced by customers across all classes of hotels. The study also indicates that managerial perceptions of customer value are closely mirrored by customer-experienced value indicating the effectiveness of hotel classification system. The study was able to show that differences between managers and customers are narrowest for standard hotels and tend to widen for budget and prime hotels. These findings suggest there is a need for more intimate understanding of the drivers of customer value through market research and other information gathering and analysis procedures.

This study makes a number of contributions to the study of customer value. First, previous studies mostly examined customer value from customers' perspective. There has been little empirical research that examines customer value from two the perspectives of the organization and customers. This research approaches customer value from two distinct but complementary perspectives, i.e. that of

the service provider and that of the customer. This was achieved through carefully matching respondents across hotel classifications. However, since the customer responses were not from identical hotels as management responses, this could be seen as a limitation of the study. However, this weakness must be seen from the point of view that the customer respondents came from across Indonesia thus representing potential respondents well. Second, the study develops new measures of customer value, i.e. reputation for quality, value for money and prestige in the context of the hospitality industry in a developing economy. These measures have robust psychometric properties and appear to capture the five construct conceptualizations of previous researchers.

5.3. Managerial implications

From a managerial point of view, the results suggest that hotels should invest in customer understanding and customer linking activities. This would permit alignment of service provision to customer expectations. Managers across different hotel classifications appear to score their hotels consistent with classification. This pattern is closely mirrored by customer ratings of customer value across hotel classifications. However, a hotel that could provide extra customer value may benefit from positive word of mouth and may gain a competitive advantage. Hotel managers must seek to achieve high levels of customer satisfaction while taking into account the financial implications. This study arrives at unexpected conclusion about differences in managers and customers evaluation of hotel classes for value for money, i.e. that managers in higher classified hotels believed they offered value for money and those in lower classified hotels felt the same, i.e. that they provided less value for money. The same result was found for customers (guests). This implies that obtaining a higher hotel classification is desirable as it is positively associated with customer value. The findings also confirm the notion that managers tend to over-estimate the customer value they deliver while customers under-estimate the customer value they experience and potentially both tendencies may be simultaneously occurring. While the drivers of customer value were not investigated in this study, managers need to understand these to ensure they do not over-invest in resources and capabilities that do not contribute to customer value from the customer' perspective. The implication for managers is that a better understanding of customers, their needs and expectations would assist is bridging the gap in perceptions of customer value. We suggest that investment in research to understand customers is a good investment. We encourage managers to adopt the customers' perspective as a useful guide to resource deployment and a potential source of sustainable competitive advantage. That is managers should actually invest in research to identify customer value, customer needs, the drivers of customer value, and invest resources appropriately.

5.4. Industry implications

As has been mentioned previously, the Indonesian hotel industry—as a part of the tourism sector—plays significant role as a foreign exchange earner. The results suggest that hotels having higher level classification provide higher level of customer value as seen by managers and customers. Therefore, the government and hotels associations are encouraged to improve standard quality of hotel services across different hotel classifications. In this instance, each hotel classification seems to provide uniform quality of hotel services for different target markets. While there are significant differences between customers and managers, the results are consistent across hotel classifications. From an industry perspective, it appears more economical to invest in higher classified hotels as this may generate higher receipts. However, balance in classes needs to be maintained to cater for the different market segments and in accordance with rises in incomes.

Furthermore, while the sample size and the approach to data analysis indicate these findings are robust, there is always a lingering question as to whether these results are generalizable or are country specific. We believe Indonesia is a big tourist market and our findings may be representative of that market. However, we urge other researchers to replicate the study in other countries and especially to use the measures developed in this study to test their robustness.

Appendix 1. Customer value scales

Construct	Items
Please indicate to what extent to which you agree or disagree with each of the following statements. Seven-point Likert scale running 1 ("strongly disagree") to 7 ("strongly agree")	
Customer value (manager)	
Reputation for quality	• Our hotel delivers services of the highest quality
	• The quality of our service is consistently high
	• Our customers consider our services very reliable
	• Our hotel is considered a "top quality hotel"
	• Our customers genuinely enjoy staying at this hotel
Value for money	• Our staff treat customers with great respect
	• Our hotel rates are considered reasonable
	• Our hotel offers value for money
	• Our reservation system is considered convenient

Prestige
- Staying in our hotel is considered prestigious
- Staying in our hotel is considered a status symbol
- Staying in our hotel fits customers' social status

Customer value (customer)

Reputation for quality
- The hotel delivers services of the highest quality
- The quality of hotel service is consistently high
- The hotel service is considered very reliable
- This hotel is considered a "top quality hotel"
- I genuinely enjoy staying at this hotel
- The hotel staff treat us with great respect

Value for money
- I consider the hotel rates to be reasonable
- This hotel offers value for money
- The hotel reservation system is convenient for me

Prestige
- Staying in this hotel is considered prestigious
- I consider staying in this hotel a status symbol
- I consider staying in this hotel fits my social status

References

Baker, D.A., Crompton, J.L., 2000. Quality, satisfaction and behavioral intentions. Annals of Tourism Research 27 (3), 785–804.

Bigne, J.E., Andreu, L., Kuster, I., Blesa, A., 2005. Quality market orientation: tourist agencies' perceived effects. Annals of Tourism Research 32 (4), 1022–1038.

Bolton, R.N., Drew, J.H., 1991. A multistage model of customers' assessments of service quality and value. Journal of Consumer Research 17 (4), 375–384.

Cadotte, E.R., Turgeon, N., 1988. Key factors in guest satisfaction. Cornell Hotel and Restaurant Administration Quarterly 28 (4), 44–51.

Choi, T.Y., Chu, R., 2001. Determinants of hotel guests's satisfaction and repeat patronage in the Hong Kong Hotel Industry. International Journal of Hospitality Management 20 (3), 277–297.

Coyle, M.P., Dale, B.G., 1993. Quality in the hospitality industry: a study. International Journal of Hospitality Management 12 (2), 141–153.

Dummond, E.J., 2000. Value management: an underlying framework. International Journal of Operations & Production Management 20 (9), 1062–1077.

Eggert, A., Ulaga, W., 2002. Customer perceived value: a substitute for satisfaction in business markets. Journal of Business and Industrial Marketing 17 (2/3), 107–118.

Ekinci, Y., Riley, M., 2001. Validating quality dimensions. Annals of Tourism Research 28 (1), 202–223.

Ekinci, Y., Prokopaki, P., Cobanoglu, C., 2003. Service quality in Cretan accommodations: marketing strategies for UK holiday market. International Journal of Hospitality Management 22 (1), 47–66.

Flint, D.J., Woodruff, R.B., Gardial, S.F., 1997. Customer value change in industrial marketing relationships: a call for new strategies and research. Industrial Marketing Management 26 (2), 163–175.

Fornell, C., Larcker, D.F., 1981. Evaluating structural equation models with unobservable variable and measurement error. Journal of Marketing Research 18 (1), 39–50.

Gowan, M., Seymour, J., Ibarreche, S., Lackey, C., 2001. Service quality in a public agency: same expectations but different perceptions by employees, managers, and customers. Journal of Quality Management 6 (2), 275–291.

Hartline, M.D., Wooldridge, B.R., Jones, K.C., 2003. Guest perceptions of hotel quality: determining which employees groups count most; for enhanced service quality, pay attention to the front desk first. Cornell Hotel and Restaurant Administration Quarterly 44 (1), 43–52.

Haywood, K.M., 1983. Assessing the quality of hospitality services. International Journal Hospitality Management 2 (4), 165–177.

Holbrook, M.B., 1999. A Framework for Analysis and Research. Morris B. Holbrook, New York.

Huber, F., Herrmann, A., Morgan, R.E., 2001. Gaining competitive advantage through customer value oriented management. Journal of Consumer Marketing 18 (1), 41–53.

Kim, B.Y., Oh, H., 2004. How do hotel firms obtain a competitive advantage? International Journal of Contemporary Hospitality Management 16 (1), 65–71.

Knox, S., 2002. The boardroom agenda: developing the innovative organization. Corporate Governance: The International Journal of Effective Broad Performance 2 (1), 27–36.

Liu, A.H., Leach, M.P., Bernhardt, K.L., 2005. Examining customer value perceptions of organizational buyers when sourcing from multiple vendors. Journal of Business Research 58 (5), 559–568.

McDougall, G.H.G., Leveque, T., 2000. Customer satisfaction with services: putting perceived value into the equation. Journal of Services Marketing 14 (5), 392–410.

Mittal, B., Sheth, J.N., 2001. Value Space: Winning the Battle for Market Leadership. McGraw-Hill, New York.

Narver, J.C., Slater, S.F., MacLachlan, D.L., 2004. Responsive and proactive market orientation and new-product success. Journal of Product Innovation Management 21 (5), 334–347.

Oh, H., 1999. Service quality, customer satisfaction, and customer value: a holistic perspective. International Journal of Hospitality Management 18 (1), 67–82.

Parasuraman, A., Zeithaml, V.A., Berry, L.L., 1985. A conceptual model of service quality and its implications for future research. Journal of Marketing 49 (4), 41–50.

Parasuraman, A., Zeithaml, V.A., Berry, L.L., 1988. SERVQUAL: a multi-item scale for measuring consumer perceptions of service quality. Journal of Retailing 64 (1), 12–40.

Patterson, P.G., Spreng, R.A., 1997. Modeling the relationship between perceived value, satisfaction and repurchase intentions in a business-to-business, services context: an empirical examination. International Journal of Service Industry Management 8 (5), 414–434.

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

Saleh, F., Ryan, C., 1991. Analyzing service quality in the hospitality industry using the SERVQUAL model. Services Industries Journal 11 (3), 324–343.

Sanchez, J., Callarisa, L., Rodriguez, R.M., Moliner, M.A., 2005. Perceived value of the purchase of a tourism product. Tourism Management 27 (3), 394–409.

Shoemaker, S., Lewis, R.C., 1999. Customer loyalty: the future of hospitality marketing. International Journal of Hospitality Management 18 (4), 345–370.

Slater, S.F., 1997. Developing a customer value-based theory of the firm. Journal of the Academy of Marketing Science 25 (2), 162–167.

Slater, S.F., Narver, J.C., 2000. Intelligence generation and superior customer value. Journal of Academy of Marketing Science 28 (1), 120–127.

Spiteri, J.M., Dion, P.A., 2004. Customer value, overall satisfaction, end-user loyalty, and market performance in detail intensive industries. Industrial Marketing Management 33 (8), 675–687.

Su, A.Y.L., 2004. Customer satisfaction measurement practice in Taiwan hotels. International Journal of Hospitality Management 23 (4), 397–408.

Sweeney, J.C., Soutar, G.N., 2001. Consumer perceived value: the development of a multiple item scale. Journal of Retailing 77 (2), 203–220.

Team, 2003. Blueprint of Indonesia Tourism Marketing. The Indonesia Ministry of Culture and Tourism, Jakarta, Indonesia.

Tsang, N., Qu, H., 2000. Service quality in China's hotel industry: a perspective from tourists and hotel managers. International Journal of Contemporary Hospitality Management 12 (5), 316–326.

Ulaga, W., Chacour, S., 2001. Measuring customer-perceived value in business markets. Industrial Marketing Management 30 (6), 525–540.

Walter, D., Jones, P., 2001. Value and value chains in healthcare: a quality management perspective. The TQM Magazine 13 (5), 319–333.

Walter, A., Ritter, T., Gumenden, H.G., 2001. Value creation in buyer–seller relationships: theoretical considerations and empirical results from a supplier's perspective. Industrial Marketing Management 30 (4), 365–377.

Weiermair, K., Fuchs, M., 1999. Measuring tourist judgment on service quality. Annals of Tourism Research 26 (4), 1004–1021.

Weinstein, A., Johnson, W.C., 1999. Designing and Delivering Superior Customer Value. St Lucie Press, Boca Raton.

Weinstein, A., Pohlman, R.A., 1998. Customer value: a new paradigm for marketing management. Advance in Business Studies 6 (10), 89–97.

Woodruff, R., 1997. Customer value: the next sources for competitive advantage. Journal of the Academy of Marketing Science 25 (2), 17–23.

Zeithaml, V.A., 1988. Consumer perceptions of price, quality, and value: a means-end model and synthesis of evidence. Journal of Marketing 52 (3), 2–22.