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THE EFFECTS OF PRICE PROMOTIONS TYPE AND PROMOTION DEPTH OF TRAVEL PRODUCTS ON CONSUMERS' BEHAVIOR

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ABSTRACT

The objective of study is to exam the effect of price promotions type (price-off vs. Coupon) and promotion depth (low-depth promotion vs. High-depth promotion) on expected future prices and the relationships among expected future prices, perceived quality, perceived value, and buying intentions. The experimental design will be a 2 (price promotions type: price-off vs. coupon) x 2 (promotion depth: high-depth promotion vs. low-depth promotion) between-subjects factorial. A total of 260 subjects who have attended the International Travel Fair participated in this study. Participants will be randomly assigned to one of the four situations (price-off vs. low-depth promotion, price-off vs. high-depth promotion, coupon vs. low-depth promotion, and coupon vs. high-depth promotion) in the experiment. Each situation contained at least 60 participants. There are nine hypotheses developed in this study and most hypotheses are supported excepted H3 and H4 are partially supported. The results are beneficial to tourism industry managers and for future tourism study regarding price promotion and promotion depth of travel products.

Keywords: Effect, Price promotion type, Promotion depth of travel product, Consumer behavior
INTRODUCTION

Inducing consumers to buy this brand is the advantage of the promotion. Nevertheless, the advantage will be neutralized by the damage of brand preference after the promotion ends (DelVecchio, Henard and Freling, 2006). After promoting, the brand perceived value and perceived quality may be adversely affected.

Although a wide variety of price and non-price promotions are launched in the market, most of the academic research on promotions has focused on price promotions, namely price offs and coupon offers (Blattberg, Briesch and Fox, 1995). Alvarez (2005) also concluded that price promotions have a greater impact on consumer behavior than other promotions.

Several studies have investigated the impact of promotional frequency and promotional discount levels. Brands that are heavily promoted have reduced levels of brand equity with a resulting reduction in the consumer reference price (Blattberg, Briesch and Fox, 1995).

Therefore, choosing promotion activities that can match or enhance brand image and value as far as possible (Kotler, 2003) when firms are doing promotion is one of the aims of the study.

LITERATURE REVIEW

Jacobson and Obermiller (1990) indicate that expected future price is another reference price that emerges from experience or other price information and forms a natural part of the decision-making context. Consumers play an important role in deciding whether to buy now or buy later in the decision-making on the promotion of the brand after the end of the expected future price. Rajendram and Tellis (1994) indicate price expectations appear to be a function of previously observed prices. Consumers form internal reference prices by touching various price information, and then judge price on the basis. Therefore, expected future price is one kind of internal reference price. Thus, by lowering the price that consumers observe for a product, a price promotion may lower price expectations and, in turn, future brand choice (DelVecchio, Henard and Freling, 2006).

Furthermore, price promotions of three key features are: the depth of promotion, promotion duration and frequency of price promotion (Fibich, Gavious and Lowengart, 2007). In addition to offering more promotions, manufacturers are deepening price discounts (DelVecchio et al., 2007). Increasing the depth of a promotion is attractive because choice is positively related to the face value of a promotion (e.g., Leone and Srinivasan, 1996). But in the case of a substantial discount in price and quality associations, consumers may regard promote as a signal of negative quality, which led to the opportunity to choose the product has been dropped (Bearden, Carlson and Hardesty, 2003). Therefore, although the depth of promotion can increase sales immediately, it may hurt the long-term image of quality, sales and price expectations. In contrast, low-depth promotion to increase sales despite relatively limited, but the damage to the quality and expected prices will be relatively light. Therefore, the topic which we also want to explore in this research is whether the depth of promotion affects expected future price, and then which affects perceived value, and then which affects buying intention.

Because subjects respond differently to different descriptions of the same decision question (Frisch, 1993), variations in the description of a decision problem may evoke systematically different interpretations (Frisch, 1993; Johnson, Häubl, & Keinan, 2007; Reyna & Brainerd, 1991, Shafir, Simonson, & Tversky, 1993). Jacobson and Obermiller (1990) also indicate that the conceptualization of reference price as an expectation of future price has special relevance to price promotions. As travel agencies employ different types of price promotions information, therefore, price promotions will significantly affect consumers' price perception (Folkes and Wheat, 1995).
Based on such arguments, this objective of study is to examine the effect of price promotions type (price-off vs. Coupon) and promotion depth (low-depth promotion vs. High-depth promotion) on expected future prices and the relationships among expected future prices, perceived quality, perceived value, and buying intentions.

**METHODOLOGY**

**Theoretical Framework**

According to the literature review, we develop a theoretical framework to examine the effects of price promotions type and promotion depth on future price expectations. We also examined whether future price expectations affect both perceived value and perceived quality and whether perceived quality affects perceived value. Finally, we attempt to justify the impacts of perceived value and perceived quality on buying intention. The theoretical framework of the study was shown in Figure 1.

Following DelVecchio, Krishnan, and Smith (2007), there are two dimensions in the concept of promotion depth as follows: high-depth promotion and low-depth promotion. Referring to some travel agencies’ opinion of maximum promotion depth in low season, The study set high-depth promotion as discount of 28% and low-depth promotion discount of 8%. Following popular price promotions type in Taiwan, the study select two types of price promotion, namely, price-off and coupon. The hypotheses are as below.

H1: Consumers’ expected future prices are higher when price promotions types are framed in coupon than in price-off.

H2: Expected future prices are higher when promotion depth is low-depth promotion than high-depth promotion.

H3: Expected future prices mediate the effect of price promotions type on perceived value.

H4: Expected future prices mediate the effect of price promotions type on perceived quality.

H5: The relation between expected future price and perceived quality is positive.

H6: The relation between expected future price and perceived value is positive.

H7: The relation between perceived quality and perceived value is positive.

H8: The relation between perceived quality and buying intentions is positive.

H9: The relation between perceived value and buying intentions is positive.

![Figure 1. The Conceptual Framework](image-url)
**Population and Sampling**

Population is a group of individuals or items that share one or more characteristics from which data can be gathered and analyzed. The population of this study will focus on the visitors who have attended the International Travel Fair in Taichung city, 2012. The experiential product of this study is the 3-day Hong Kong tour package.

Sampling methods are classified as either probability or nonprobability. Probability methods include random sampling, systematic sampling, and stratified sampling. The advantage of probability sampling is that sampling error can be calculated. This study adapted random sampling.

**Measurement of Variables**

Price promotions type. We will manipulate price promotions type to be either price-off or coupon. As to how to measure the variable price promotions type, we will label 1, but for the group receives price-off, we will label 2.

Promotion depth. We will manipulate promotion depth to be either high-depth promotion or low-depth promotion. According to practitioners’ opinion about promotion depth in travel industry, we manipulated depth with print ads that indicated discounts of 28% or 8%. As to how to measure the variable promotion depth, for the group receives low-depth promotion, we will label 1, but for the group receives high-depth promotion, we will label 2.

Expected future price. It refers to the price consumers would expect for the tourism product the next time they shop. The specific wording of the expected price measure was as follows: "Please indicate the price that you would expect to pay for the same tourism product the next time you shop".

Perceived value. The perceived value will be measured using Grewal, Krishnan, Baker, and Borin (1998) six-item scales. All items will be measured on a 7-point scale from 1 (strongly disagree) to 7 (strongly agree).

Perceived quality. It will be measured by three seven-point semantic differential scales adopted from previous studies (Grewal, Monroe, and Krishnan, 1998; Boulding and Kirmani, 1993; Keller and Aaker, 1992).

Buying intention. The buying intention will be measured using Grewal, Krishnan, Baker, and Borin’s (1998) three-item scales. The three items are shown on table 1. All items will be measured on a 7-point scale from 1 (strongly disagree) to 7 (strongly agree).

**Experimental design**

The experimental design will be a 2 (price promotions type: price-off vs. coupon) x 2 (promotion depth: high-depth promotion vs. low-depth promotion) between-subjects factorial. A total of 260 subjects who have attended the International Travel Fair participated in this study. Participants will be randomly assigned to one of the four situations (price-off vs. low-depth promotion, price-off vs. high-depth promotion, coupon vs. low-depth promotion, and coupon vs. high-depth promotion) in the experiment. Each situation contained at least 60 participants (see table 1). We tested the effects of price promotions type and promotion depth using an experiment in which participants viewed experimental stimuli on a DM and completed a set of measures in a response booklet. The experimental design will be 2 (price promotions type: price-off vs. coupon) × 2 (promotion depth: high-depth promotion vs. low-depth promotion) between-subjects factorial. The stimuli consisted of 3-day Hong Kong tour package print ads.
Procedure

We will use a three-step procedure in this experiment. First, in accordance with different experimental situations participants viewed either price-off or coupon description. Second, participants viewed tour package on the DM advertising, including promotion information, travel names, travel features, route planning, departure date, accommodation information, notes and other information. Third, after finishing reading the above information, subjects will be asked to complete the questionnaire, including manipulation checks, perceived value, perceived quality, buying intention, and the price they would expect for the same tourism product the next time they shop. As to the name of the travel agency, the study employed the virtual name of “Wizard of Oz” to avoid affecting subjects’ response.

Manipulation Checks

To ascertain that the respondents who received different experimental treatments perceived the desired effects, manipulation checks will be performed on both the price promotions type and the tour package scenarios. The price promotions type manipulation will be checked by asking the subjects the following question: “Who can enjoy special offers promotion on DM advertising you viewed? (1=everyone, 2=people who receive this coupon).” For coupon group subjects, they will be considered invalid responses if they answered 1; for price-off group subjects, they will be considered invalid responses if they answered 2.

The manipulation of the tour package scenarios will be checked by asking the subjects the following three questions: “(1) Where is the destination of the tour package on the DM advertising?" (1=Thailand, 2=Japan, 3=Hong Kong, 4=Malaysia). “(2) How much is the original price of the tour package on the DM advertising?” (1=17,599 NT dollars, 2=19,599 NT dollars, 3=21,599 NT dollars, 4=23,599 NT dollars). “(3) How much is the promotional price of the tour package on the DM advertising?” (1=13,550 NT dollars, 2=14,550 NT dollars, 3=15,550 NT dollars, 4=16,550 NT dollars). “(4) How many days is this tour package? ”(1=two days, 2=three days, 3=four days, 4=five days. They will be considered invalid responses if they answered these three questions incorrectly.

The Choice of Targeting Products

In this study, tourism product is as the target product. In fact, due to large variability in travel characteristics of the product, it may easily lead to price differences. Tourism product price differences caused by the reason that the quality of tourism products and services have large degree of variation, various travel agents ‘tour itinerary are quite similar, and the price of
tourism products often have great sales and the gap, so the price of tourism products has been playing an important role in assessing product quality and consumer purchase evaluation.

Furthermore, because of the significant seasonal of tourism products and the large elasticity of demand, the “promotion” for tourism and tourism products is very important. In this case, the tour operator must use good price promotions in order to avoid the lower expected future prices to consumers after promotion, and then affecting the perceived value and perceived quality. For the above reasons, this study choose “tourism product” as targeting product of the study.

Based on past experience, there still are nearly 60% of travelers took a trip to Hong Kong specially for business or sightseeing purposes except for transfer passengers. Therefore, we can conclude that in many tourist areas, the people of Taiwan for Hong Kong’s tourism product familiarity and contact the highest degree. Therefore, we can conclude that Taiwanese have the highest familiarity and contact degree for Hong Kong's tourism product in many tourist areas. Therefore, in this study, we used Hong Kong’s tourism product as the study of experimental products.

For the manipulation of coupon and direct price from discount coupons group, this study stating the following text on the first page that shows the promotions of travel itinerary to subject: “This is a coupon for The Wizard of Oz agency exclusive member. Only exclusive members receive this coupon can enjoy the following “Hong Kong 3D2N package tour” special promotions fine trip. Imagine you are an exclusive member of The Wizard of Oz tour, received the Hong Kong package deal coupon. Please take time to answer the questionnaire questions after reading the advertising content. “To give a definition of coupon in this study: Consumers have to get discount of this travel product by the coupon.

For the group of direct price, we state to the subjects on the first page of advertising promotional tours the following text “This is ‘Hong Kong 3D2N package tour’ for travel-loving people by Wizard of Oz travel agency special promotions fine trip. Please take time to answer the questionnaire questions after reading the advertising content.” In this study to create a definition of direct price: each consumer can enjoy this discount offer when buying this travel product.

Analysis of Data

The basic information for samples will be analyzed using descriptive statistics. Independent sample t-test, one-way ANOVA and regression analysis will be used to test the hypotheses. SPSS 17.0 for Windows will be used for these analyses.

RESULTS AND DISCUSSIONS

Profile of Respondents

The respondent profile was summarized in table 6. The great majority of the respondents were aged from 21-30 (49.8%) and 31-40 (40.4%) with a great majority of female visitors (65.3%). Majority of the respondents were married (65.5%). Service industry (22.4%), industry (21.2%) and students (20.8%) were the main divisions of occupation for respondents. In all, 83.2% had a college degree or higher qualification. Most visitors were from middle area (69.2%) of Taiwan. The great majority of the respondents had a monthly income less than NT$ 50,000 (83.4%). 79.1% of the respondents had the experience of outbound tourism.

Hypotheses Testing

Effect of price promotions type on expected future prices

To test H1, we conducted a t-test to examine whether the price promotions type had any effect on expected future prices. The results shown in Table 2 indicated that the consumers received
coupon had higher expected future prices than the consumers received price-off (M coupon=19,122 vs. M price-off=18,491; t=2.072, p=0.039). Thus, H1 is supported.

Table 2. Mean differences of expected future prices scores by price promotions type

<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>Price Promotions Type</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coupon (130)</td>
<td>Price-off (130)</td>
<td></td>
</tr>
<tr>
<td>Expected Future Prices</td>
<td>19,122</td>
<td>18,491</td>
<td>2.072</td>
</tr>
</tbody>
</table>

*Mean scores with different superscripts are significantly different (p<0.05)

Effect of promotion depth on expected future prices

In order to test H2, we conducted a t-test to examine whether the promotion depth had any effect on expected future prices. The results shown in Table 3 indicated that the low-depth promotion had higher expected future prices than the high-depth promotion (M low-depth promotion=19,537 vs. M high-depth promotion=18,075; t=4.986, p=0.000). Thus, H2 is supported.

Table 3. Mean differences of expected future prices scores by promotion depth

<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>Price Promotions Type</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coupon (130)</td>
<td>Price-off (130)</td>
<td></td>
</tr>
<tr>
<td>Expected Future Prices</td>
<td>19,537</td>
<td>18,075</td>
<td>4.986</td>
</tr>
</tbody>
</table>

*Mean scores with different superscripts are significantly different (p<0.05)

Mediating effect of expected future price

In order to establish a mediating effect that a variable has on the relationship between an independent variable and a dependent variable, we employed the mediator conditions proposed by Baron and Kenny (1986). For this purpose, three regression equations were estimated: 1) the mediator (M) on the independent variable (X), 2) the dependent (Y) on the independent variable, and 3) the dependent on both the independent and mediating variable together. For mediation to be established, equations 1 and 2 must be significant and the mediator must significantly affect the dependent variable in the third equation. To have a complete mediating effect, the regression coefficient of M must be significant whereas that of X must not be in the third equation.

On the other hand, when the regression coefficients associated with both the independent variable and the mediating variable are statistically significant in the third equation. To have a partial mediating effect, then, the effect of the independent variable on the dependent variable in the third equation must be less than its effect in the second equation.

In order to test H3, i.e., whether expected future price is, as expected, a mediating variable in the relationship between price promotions type and perceived quality, we conducted mediation analyses via regression analyses according to Baron and Kenny (1986). Regression
coefficients generated by regression analyses are presented in Table 4, which revealed that expected future price partially mediated the relationship between price promotions type and perceived quality because the regression coefficient was reduced (from 0.333 to 0.289) but was still significant. Therefore, H3 is partially supported by the results.

Table 4. Mediating of expected future price on price promotions type and perceived quality

<table>
<thead>
<tr>
<th>Equation</th>
<th>Std error</th>
<th>Std beta</th>
<th>t-value</th>
<th>Adjusted $R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equation 1: Price promotions type→Expected future price</td>
<td>299.935</td>
<td>0.212</td>
<td>3.488*</td>
<td>0.041</td>
</tr>
<tr>
<td>Equation 2: Price promotions type→perceived quality</td>
<td>0.107</td>
<td>0.333</td>
<td>5.667*</td>
<td>0.107</td>
</tr>
<tr>
<td>Equation 3: Price promotions type &amp; expected future price →perceived quality</td>
<td>0.107</td>
<td>0.289</td>
<td>4.912*</td>
<td>0.145</td>
</tr>
<tr>
<td>Expected future price→perceived quality</td>
<td>0.000</td>
<td>0.207</td>
<td>3.513*</td>
<td></td>
</tr>
</tbody>
</table>

*p<0.01

In order to test H4, we conducted similar analyses with perceived value instead of perceived quality as the dependent variable. Our results presented in Table 5 showed that expected future price partially mediated the relationship between price promotions type and perceived value because the regression coefficient was reduced (from 0.351 to 0.293) but was still significant. Therefore, H4 is partially supported by the results.

Table 5. Mediating of expected future price on price promotions type and perceived value

<table>
<thead>
<tr>
<th>Equation</th>
<th>Std error</th>
<th>Std beta</th>
<th>t-value</th>
<th>Adjusted $R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equation 1: Price promotions type→Expected future price</td>
<td>299.935</td>
<td>0.212</td>
<td>3.488*</td>
<td>0.041</td>
</tr>
<tr>
<td>Equation 2: Price promotions type→perceived value</td>
<td>0.124</td>
<td>0.351</td>
<td>6.017*</td>
<td>0.120</td>
</tr>
<tr>
<td>Equation 3: Price promotions type &amp; expected future price →perceived value</td>
<td>0.122</td>
<td>0.293</td>
<td>5.110*</td>
<td>0.188</td>
</tr>
<tr>
<td>Expected future price→perceived value</td>
<td>0.000</td>
<td>0.273</td>
<td>4.773*</td>
<td></td>
</tr>
</tbody>
</table>

*p<0.05
The Effects of Price Promotions Type and Promotion Depth of Travel Products on Consumers' Behavior

Effect of expected future prices on perceived quality and perceived value
In order to test H5 and H6, we performed two simple regression analyses with the expected future prices as the independent variable and the perceived quality and perceived value, respectively, as the dependent variables. Table 6 and table 7 illustrate the regression results. There is a significantly positive relationship between expected future price and perceived quality, thus supporting H5 ($\beta=0.268, p=0.000$). There is also a significantly positive relationship between expected future price and perceived value, thus supporting H6 ($\beta=0.336, p=0.000$).

Table 6. Regression of expected future prices on perceived quality

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Std error</th>
<th>Std beta</th>
<th>t-stat</th>
<th>Adjusted $R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected future prices</td>
<td>0.000</td>
<td>0.268</td>
<td>4.466*</td>
<td>0.068</td>
</tr>
</tbody>
</table>

*p<0.05

Table 7. Regression of expected future prices on perceived value

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Std error</th>
<th>Std beta</th>
<th>t-stat</th>
<th>Adjusted $R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected future prices</td>
<td>0.000</td>
<td>0.336</td>
<td>5.722*</td>
<td>0.109</td>
</tr>
</tbody>
</table>

*p<0.05

Effect of perceived quality on perceived value
In order to test H7, we performed a simple regression analysis with the perceived quality as the independent variable and the perceived value as the dependent variable. Table 8 illustrates the regression results. There is a significantly positive relationship between perceived quality and perceived value, thus supporting H7 ($\beta=0.480, p=0.000$).

Table 8. Regression of perceived quality on perceived value

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Std error</th>
<th>Std beta</th>
<th>t-stat</th>
<th>Adjusted $R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>perceived quality</td>
<td>0.064</td>
<td>0.480</td>
<td>8.778*</td>
<td>0.227</td>
</tr>
</tbody>
</table>

*p<0.05

Effect of perceived quality and perceived value on buying intentions
In order to test H8 and H9, we performed a multiple regression analysis with the buying intentions as the dependent variable and the perceived quality and the perceived value as the independent variables. Table 9 illustrates the regression results. Both perceived quality and perceived value had significantly positive effects on the dependent variable buying intentions respectively, confirming Hypotheses H8 ($\beta=0.179, p=0.001$) and H9 ($\beta=0.550, p=0.000$).
The Effects of Price Promotions Type and Promotion Depth of Travel Products on Consumers' Behavior

Table 9. Regression of perceived quality and perceived value on buying intentions

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Std error</th>
<th>Std beta</th>
<th>t-stat</th>
<th>Adjusted $R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived quality</td>
<td>0.068</td>
<td>0.179</td>
<td>3.342*</td>
<td>0.227</td>
</tr>
<tr>
<td>Perceived value</td>
<td>0.058</td>
<td>0.550</td>
<td>10.252*</td>
<td></td>
</tr>
</tbody>
</table>

*p<0.05

Summary
The objective of study is to examine the effect of price promotions type (price-off vs. Coupon) and promotion depth (low-depth promotion vs. High-depth promotion) on expected future prices and the relationships among expected future prices, perceived quality, perceived value, and buying intentions. There are nine hypotheses developed in this study. Most hypotheses are supported except H3 and H4. The results of the hypotheses testing are summarized in Table 10.

Table 10. Summary of hypotheses testing results

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Testing results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Consumers' expected future prices are higher when price promotions types are framed in coupon than in price-off.</td>
<td>Supported</td>
</tr>
<tr>
<td>H2: Expected future prices are higher when promotion depth is low-depth promotion than high-depth promotion.</td>
<td>Supported</td>
</tr>
<tr>
<td>H3: Expected future prices mediate the effect of price promotions type on perceived value.</td>
<td>Partially supported</td>
</tr>
<tr>
<td>H4: Expected future prices mediate the effect of price promotions type on perceived quality.</td>
<td>Partially supported</td>
</tr>
<tr>
<td>H5: There is a positive relationship between expected future price and perceived quality.</td>
<td>Supported</td>
</tr>
<tr>
<td>H6: There is a positive relationship between expected future price and perceived value.</td>
<td>Supported</td>
</tr>
<tr>
<td>H7: There is a positive relationship between perceived quality and perceived value.</td>
<td>Supported</td>
</tr>
<tr>
<td>H8: There is a positive relationship between perceived quality and buying intentions.</td>
<td>Supported</td>
</tr>
<tr>
<td>H9: There is a positive relationship between perceived value and buying intentions.</td>
<td>Supported</td>
</tr>
</tbody>
</table>
CONCLUSION AND RECOMMENDATION

This paper aims to examine the effects of both price promotions type and promotion depth on expected future price, perceived value, perceived quality, and buying intention. Although the issue related to price promotions has been widely studied in marketing literature, in tourism industry there are very few studies that analyze variables such as the price promotions type, promotion depth, and expected future price. As a result, this study took the travel product as a subject of study, exploring the relationship between the above variables. With the framework of this study, the relationship between the six studied variables was meticulously explored. Important research results are as follows:

According to Folkes and Wheat (1995), portraying the price discounts as a coupon is less likely to reduce consumers’ internal reference price (i.e., expected future prices). The results from this study indicate that consumers’ expected future prices are higher when price promotions types are framed in coupon than in price-off.

According to the anchoring and adjustment theory, this study confirms expected future prices are higher when promotion depth is low-depth promotion than high-depth promotion. The result is also consistent with DeVecchio et al. (2007). Our results also establish that expected future price partially mediates the effect of price promotions type on perceived quality and perceived value, respectively. This is because, in the tourism context, price promotions type has a significant effect on expected future price, and expected future price in turn influences perceived quality and perceived value.

Customers’ internal reference price (i.e., expected future price) can powerfully influence the perceived value of a product considered for buying (Grewal et al., 1998; Lichtenstein and Bearden, 1989; Thaler, 1985). Besides, past research also indicates that actual price and perceived quality are positively related (Dodds and Monroe, 1985; Dodds et al., 1991; Rao and Monroe, 1989). We propose that the price-quality mapping holds for expected future price and perceived quality. Indeed, the results of this study indicate that expected future prices have a significantly positive effect on perceived value. Against our expectations, however, expected future prices were found to insignificantly influence perceived quality. The cause of this may be attributed to the chosen population in the experiment. The probable explanation for such result is that the prospective customers had already been offered the advantage of a price discount for a long period of time in the marketplace. Thus, both present and prospective customers may take this advantage for granted.

Consistent with the study outcomes of Baker et al. (2002) and Snoj et al. (2004), the results of this study indicate that perceived quality positively influence perceived value. Buying intention is positively associated with perceived value (Biswas and Blair, 1991; Cronin et al., 2000; Dodds et al., 1991; Grewal et al., 1998). In addition, Positive perceived quality also increases buying intentions (González et al., 2007). Similarly, our results reveal perceived value and perceived quality have significantly positive effects on buying intentions, respectively. However, it is important to point out that the effect of perceived value on buying intentions is definitely higher than perceived quality.

Managerial suggestion

Although large promotions may help meet sales goals during the promotion, they may also undermine preference for the brand when they are removed. Managers may consider solving this dilemma by offering more frequent, but less valuable, promotions to both increase sales and protect their brand. However, this solution is less attractive in light of evidence that frequent exposure to promotions may train consumers to wait for discounts, thus undermining the ability to attract a premium price (e.g., Mela, Gupta, and Lehmann 1997).
Brand managers spend more money on sales promotions than they do on advertising expenditures (DelVecchio, Henard, and Freling, 2006). As managers engage in promotion activity they can protect their brands against negative effects by carefully selecting the type and depth of the price sales promotion they offer. An implication of the results is that future price expectations can be protected when offering a low-depth promotion or offering a coupon type of price promotions. As future price expectations can be protected consumers’ perception of the travel product’s value and quality will be higher. Furthermore, consumers can have higher buying intentions during the promotion period.

**Suggestion for Theory Development**

The theoretical implications of our research must be viewed in accordance with the limitations that arise from the limited range of promotions depth and price promotions types we employ. Consumers may view very large promotions depth (>50%) with suspicion (Gupta and Cooper 1992), thus compressing the effect of promotions depth on price expectations beyond some discount depth threshold. Regarding the type of price promotions types, only both price-off and coupon were considered in this study. Other types of price promotions such as rebate have been not included in this study.

This research offers significant theoretical implications as follows. Such implication stems from a joining of the topics of price expectations and price promotions type. Each of these topics has received considerable attention in marketing field, but there has been little research to integrate these two important and related topics in tourism industry.

If travel products prices are stable, price expectations will move toward the market price, expected prices will be equal to observed prices, and price expectations will not play a maximal role in determining choice. However, travel products prices fluctuate as the factors of seasons and competition, and price expectations have been shown to play an important role in determining consumers’ brand choices (Lattin and Bucklin, 1989). Although “regular” prices for travel products vary, the prevalence of price promotions in tourism industry results in promotions being the cause of most of the price changes consumers observe. Thus, understanding how consumers update price expectations in response to new prices is mainly an issue of understanding how they integrate promotional prices into price expectations. The results indicate that such understanding cannot appear without considering the issue of price promotions type and promotion depth.

**REFERENCES**


