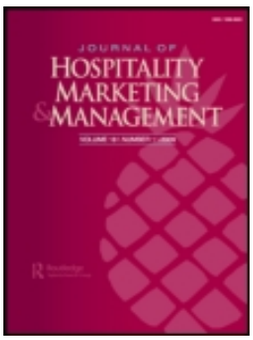

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An Integrated Model of Service Experience, Emotions, Satisfaction, and Price Acceptance: An Empirical Analysis in the Chinese Hospitality Industry

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This study investigated the relationships between service experience, emotions, satisfaction, and price acceptance in Chinese resort hotels. A self-administered survey was used to collect the data from respondents. A total of 500 questionnaires were distributed to customers at resort hotels in three cities of China; 170 were returned representing a response rate of 34%. The results of this study show a significant relationship between service experience and emotions, jointly influencing customer satisfaction, which influences price acceptance of customers. These results indicate that management of resort hotels need to consider how the physical environment, interaction with employees, and other customers within resort hotels can be managed in order to satisfy the customers emotionally, which will lead them to accept premium prices charged by resort hotels. This study would enable resort hotels to have a better

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understanding of how a great experience and positive emotions influences customer satisfaction and price acceptance.

KEYWORDS service experience, emotions, customer satisfaction, price acceptance, resort hotels

INTRODUCTION

In a highly competitive and dynamic hospitality industry, service providers today are developing various strategies to ensure customer satisfaction (Geissler & Rucks, 2011; Wu & Liang, 2009). It is evident that customer satisfaction is closely linked to many other marketing concepts including service quality, customer relationship marketing, customer confidence, loyalty, distribution, price, and emotions (Ali & Zhou, 2013; Berezina, Cobanoglu, Miller, & Kwansa, 2012; Jang, Liu, & Namkung, 2011; Jani & Han, 2011; Ryu, Lee, & Kim, 2012). For example, in the hospitality industry, customer satisfaction can be ensured by developing an attractive physical environment or servicescape (Ali & Amin, 2014; Bitner, 1992; Countryman & Jang, 2006; Kincaid, Baloglu, Mao, & Busser, 2010; Ryu et al., 2012), eliciting positive emotions (Kincaid et al., 2010; J. Lin & Liang, 2011), providing memorable service experiences (Hou, Wu, & Hu, 2013), and ensuring great interaction with staff members and customers (Jani & Han, 2011; Kincaid et al., 2010; Ruiz, Castro, & Diaz, 2012). In this context, the influence of the service experience on customer satisfaction has received significant attention from researchers (Dölarslan, 2014; Grace & O'Cass, 2004; Oh, Fiore, & Jeoung, 2007; Olsson, Friman, Pareigis, & Edvardsson, 2012; Slatten, Krogh, & Connolley, 2011; Turley & Milliman, 2000). Although, the relationship between service experience, emotions, and customer satisfaction has been studied in the hospitality industry (Ladhari, 2009), how these factors influence price acceptance and behavioral responses in resort hotels has not been studied well (Han & Ryu, 2009; Huber, Herrmann, & Wricke, 2001; J. Lin & Liang, 2011; Martin-Consuegra, Molina, & Esteban, 2007).

This study is conducted in the context of resort hotels, which are one of the fastest growing segments of tourism attractions and have been rapidly growing in number, diversity, and popularity since the economic boom of 1960s (Ali, Omar, & Amin, 2013). Nowadays, many people travel to lodge in resort hotels that are situated in exotic and beautiful destinations in order to enjoy themselves and escape from their daily routine (Yang & Chan, 2010). In this regard, Gee (2000, p. 22) stated, "The core principle of the resort concept is the creation of an environment that will promote and enhance a feeling of well-being and enjoyment." Furthermore, Gee (2000) identified two characteristics of a resort hotel: (a) sufficient indoor amenities including quality services, pleasant physical surroundings, convenient entertainment,

and other facilities; and (b) unique location in terms of climate, scenery, and recreational attractions. This definition of resort hotels is also supported by other scholars and practitioners (Ali & Amin, 2014; Gonzalez, Comesana, & Brea, 2007; Meng, Tepanon, & Uysal, 2008; Prideaux, 2000). Moreover, the United Nations World Tourism Organization also stated that the importance of resort hotels in tourism and hospitality has been consistently growing (United Nations World Tourism Organization, 2013); however, it is surprising that this sector has not gained much attention in research (Ali et al., 2013). For example, Line and Runyan (2012) reviewed 274 articles published in four top hospitality journals from 2008 to 2010, and suggested that resort hotels are an emergent research trend and continually growing in hospitality marketing research (Kim, 2014).

From the customers' point of view, resort hotel services are intangible and heterogeneous; therefore, price perceptions and acceptance play an important role in influencing the customer's consumption and postconsumption processes (Han & Ryu, 2009; Matzler, Bidmon, & Grabner-Krauter, 2006). Price is also one element of the marketing mix, and it has direct influences on inflow of resources (Chiang & Jang, 2007; Goi, 2011; Low & Tan, 1995; Martin-Consuegra et al., 2007). Although recent researchers have studied various aspects of price including determinants of price for a service, perceived price, and hedonic price (Chiang & Jang, 2007; Jiang & Rosenbloom, 2005; Varki & Colgate, 2001), there is limited focus on examining the effect of price acceptance in the hospitality and tourism industry.

Considering the discussion in preceding paragraphs, this study attempts to add to this research stream by proposing and empirically testing a more comprehensive model of service experience, customer emotions, satisfaction, and price acceptance in resort hotels. Building on extant research, this study describes the theoretical relationships between the aforementioned constructs. To be more precise, the objective of this study is to investigate the relationships between service experience, customer's emotions, satisfaction, and price acceptance in resort hotels.

LITERATURE REVIEW

Service Experience

Service experience, introduced by Pine and Gilmore (1999) in their conceptualization of "experience economy," is a fundamental concept in service-dominant logic, and research on service experience is growing rapidly (Olsson et al., 2012; Vargo & Lusch, 2008). Service experience is in conjunction with a list of other social sciences disciplines such as economics, psychology, and management and marketing areas. Yet, there is growing consensus that the area of service experience requires universally accepted definition that integrates different perspectives (Klaus & Maklan, 2012; Volo, 2009).

Ros, Clark, Samouel, and Hair (2012) conceptualized consumer experience as a psychological construct, which is a holistic and subjective response resulting from customer contact with the service provider; it might involve customer's cognition as well as affect (Palmer, 2010). Within this milieu, experience is believed to have some experiential aspects, as Holbrook and Hirschman (1982) theorized. Similarly, Schmitt (1999) also attempted to explore the way companies create experiential marketing by assuming the customer's sense, feeling, thinking, and action related to a company and its brand. Later, Berry, Carbone, and Haeckel (2002) suggested that for service providers to compete, their services must satisfy and create positive customer experiences. They can do this through detecting clues that customers will note while buying process. Moreover, Padgett and Allen (1997, p. 17) posited, "Researchers point out that for many services the experience itself is the key perceptual event from the customer's point of view." Accordingly, this article supports that argument and adopts the definition of service experience as the interplay of any direct or indirect contact with the company or its resources (Olsson et al., 2012).

Many researchers have studied the composition of service experience across industries (Chang & Horng, 2010; Huang, Liu, & Hsu, 2014; Kim, 2014; Mossberg, 2007; Pine & Gilmore, 1999). The initial conceptualization was developed and presented by Pine and Gilmore (1999) proposing four dimensions of experiences, namely aesthetic, education, entertainment, and escapism. Oh et al. (2007) later operationalized these four dimensions in the hospitality industry. Grace and O'Cass (2004) articulated that services may possess experience and credence attributes that can only be determined during or after consumption; therefore information about servicescape, core service, and employee service gathered during consumption is contributory in developing the consumer's experience and service performance perceptions. Customer experience develops over time (Bitran, Ferrer, & Oliveira, 2008), however, it starts when a customer interacts with the service provider in the form of its employees and physical surroundings or environment, as well as with other customers that are present during that encounter (Gil, Berenguer, & Cervera, 2008; Wu & Liang, 2009). Berry et al. (2002) have pointed out that service experience is composed of clues with functional and emotional characteristics. Service experience clues are to compensate the intangible nature of services, reduce the perceived risk associated with purchasing a service, and to improve the buying experience (Wu & Liang, 2009). In this context, Grove, Fisk, and Bitner (1992) argued that many of the theatre concepts and principles might be used to capture the service experience. Grove, Fisk, and Dorsch (1998) stated that three key theatrical components constitute the service experience, including the actors (service personnel), the audience (consumers) and the setting (physical environment). A review of the literature related to service experience allows us to comprehend the conceptual meanings of experience discussed by Grace

and O'Cass (2004), Mossberg (2007), and Walls, Okumus, Wang, and Kwun (2011). Accordingly, this study acknowledges the broader definition of the service experience composition and thus focuses on the physical environment (setting), interaction with employees (actors), and interaction with other customers (audience) as significant dimensions of service experience based on Grove et al.'s (1998) service theatre model.

EMOTIONS

Customer emotion has been studied as a central element by researchers while investigating perceptions of service experiences (Bigne, Mattila, & Andreu, 2008; J. Lin & Liang, 2011). For example, Bagozzi, Gopinath, and Nyer (1999, p. 184) defined emotion as:

> A mental state of readiness that arises from cognitive appraisals of events or thoughts; has a phenomenological tone; is accompanied by physiological processes; is often expressed physically; and may result in specific actions to affirm or cope with the emotion, depending on its nature and the person having it. (p. 184)

Burns and Neisner (2006) comprehended and regarded emotions as intentional and based on objects. Consequently, emotions are not merely reactions to appraisals but also include tendencies to action (Martin, O'Neill, Hubbard, & Palmer, 2008). Emotions are a person's positive ("pleased," "relaxed," etc.) and negative ("nervous," "annoyed," etc.) feelings. People in positive emotional states have shorter decision times compared to the people in negative emotional states (Y. Lee, Back, & Kim, 2009). Numerous researchers have pointed out the significant contribution of customer emotions in selection of service providers, evaluation of service quality, determination of repeat purchasing behaviors, and development of brand loyalty (Burns & Neisner, 2006; Y. Lee et al., 2009; Martin et al., 2008).

Emotional aspects have been emphasized as consumption experience by many researchers, because it broadens the understanding of the customers' process of service evaluation. For example, Dubé and Menon (2000) stated that consumption emotions are developed based on the perceptions of a product or service performance. These emotions are actually intentional, because they are relying not only on mood but also on intensity, motivational potency, situational specificity, and psychological urgency (Y. Lee et al., 2009). Consumption emotion can be described by independent emotions such as anger, joy, or fear. They can also be described in different emotional dimensions such as pleasant and unpleasant emotions and calm and excited emotions (Pareigis, Edvardsson, & Enquist, 2011). Several researchers agreed that consumption emotion means a series of emotional

responses produced during service experience and product application. It is a procedure of emotions that change during the process of service experience and product application (Dubé & Menon, 2000). Therefore, this study adopts the definition of emotions given by Dubé and Menon (2000), considering consumption emotions as the affective responses triggered by a guest's service experience.

Customer Satisfaction

Satisfying customers is the ultimate goal of every business due to its potential impact on repeat purchasing behavior and profits (Ali, Khan, & Rehman, 2012; Frias-Jamilena, Barrio-García, & López-Moreno, 2012; Jani & Han, 2011; Ryu et al., 2012). During the last decade, numerous researchers have developed measures of satisfaction and examined antecedents and consequences of the construct because of the benefits of satisfaction to consumers and firms (Y. Chen, Lehto, & Choi, 2009; Han & Ryu, 2012; Slatten et al., 2011). The definition and conceptualization of customer satisfaction varies throughout the marketing literature. However, all of these definitions and conceptualizations agree that the concept of satisfaction implies the necessary presence of a goal that the consumer wants to achieve. For example, Oliver (1997) defined customer satisfaction as meeting the customer's expectations of products and services by comparing with the perceived performance. If the perceived performance matches customer expectations of services, they are satisfied. If it does not, they are dissatisfied (Amin & Nasharuddin, 2013). Similarly, Day (1984, p. 497) described satisfaction from a cognitive perspective as "a post-choice evaluative judgment concerning a specific purchase selection." This cognitive definition is the most popular satisfaction model used across industry (Oliver, 1997; Patterson, 2000; Wirtz & Lee, 2003; Wirtz & Mattila, 2001). Various studies such as Oliver (1993), Westbrook (1987), and Wirtz and Bateson (1999) have suggested that satisfaction is a partly cognitive and partly affective evaluation of a customer experience in service settings. For this reason, some studies supported the argument that customer satisfaction should be defined from a boarder perspective rather than cognition and emotion definition (Churchill & Surprenent, 1982; Teixeira et al., 2012). This study also picks up this notion and adopts the definition of Westbrook and Oliver (1991) who stated that satisfaction is a postchoice evaluative judgment concerning a specific purchase selection, and "emotion coexists alongside various cognitive judgments in producing satisfaction" (Oliver, 1997, p. 319) and that it is central to understanding customers' consumption experiences. Although there is no consensus in literature regarding customer satisfaction definition, literature shows that both emotions (Mano & Oliver, 1993; Westbrook, 1987; Westbrook & Oliver, 1991) and cognition (Oliver, 1980; Oliver & DeSarbo, 1988) significantly influence customers' judgments of satisfaction (Kollman, 2000; Martin-Consuegra et al., 2007).

The studies on customer satisfaction in the hospitality and tourism industry had more concerns about understanding the attributes of satisfaction. For instance, Barsky and Labagh (1992) counted nine attributes of customer satisfaction: employee attitudes, location, room, price, facilities, reception, services, parking, and food and beverage. In the same notion, Amin, Yahya, Ismayatim, Nasharuddin, and Kassim (2013) pointed out that customer satisfaction in the hotel industry is based on four factors: reception, food and beverage, housekeeping, and price. On the other hand, emotions have emerged as an important theme in the broad satisfaction field. It is now widely accepted that emotions may be one of the core components of the consumer satisfaction construct (Martin et al., 2008). For this reason, researchers now propose that measures of customer satisfaction should include an additional affective component or scale (Martin et al., 2008). Various studies, however, also assessed satisfaction with four emotion-laden items derived from Westbrook and Oliver's (1991) satisfaction measure (Jin, Lee, & Huffman, 2012), which is very much related to the conceptualization of customer satisfaction adopted by this study.

Price Acceptance

Many studies in marketing indicate that variability in service performance enhances customer uncertainty. In this situation, customers usually consider price as a cue in their expectations of the service performance, which shapes their attitude and behavior as well (Han & Ryu, 2009). Moreover, price has also been established as a determinant of value perceptions (Varki & Colgate, 2001), therefore a number of researcher's works have studied some aspects of price within marketing literature. For instance, Jiang and Rosenbloom (2005) studied price perceptions of customers in online context and they observed that price perceptions have direct and positive effect on overall customer satisfaction and intention to return. Moreover, Bolton and Lemon (1999) examined the impact of price fairness on customer use of cellular phone and entertainment services. Their findings indicated that customer perceptions of price fairness/unfairness significantly affected their overall satisfaction and behavioral intentions in both industries. In another study, Han and Ryu (2009) examined the moderating role of price on the relationships among perceived quality of food, service, and physical environment and customer satisfaction in the restaurant industry. They further stated that customers' perceptions of a reasonable price intervenes as a moderator variable to enhance the impact of quality on their satisfaction. These studies highlight various aspects of price, yet little research has been conducted on the concept of price acceptance.

In the literature, the concept of price acceptance's definition is close to one that the theorists name as reservation price in microeconomics, which refers to the maximum price that a buyer is ready to pay for the given

product or service (Huber et al., 2001; Kollmann, 2000; Martin-Consuegra et al., 2007). Price acceptance is based on the assimilation–contrast theory presented by (Sherif, Taub, & Hovland, 1958), which suggests that a new stimulus experienced by a customer is compared with a background of previous experiences (reference scale) providing the basis for comparisons and evaluations. Consequently, the researchers applied assimilation–contrast theory to price perceptions and posited latitude of price acceptance (Martin-Consuegra et al., 2007). Price acceptance can be explained as consumers' intention in the function of price (Huber et al., 2001) and as the maximum price that a buyer is prepared to pay for the product or service (Monroe, 1990). Contrary to economists, marketing academics emphasize that not only an upper price threshold exists but a lower price threshold can be determined as well (Ofir, 2004), and the two price points comprise the range that is acceptable for the consumers and by which they are willing to buy. Since then, acceptance of price has not received significant attention as compared to other results of customer satisfaction such as loyalty, repurchase intentions, and word-of-mouth (Martin-Consuegra et al., 2007), rather than revenue management specific studies (Maier, 2012).

HYPOTHESES DEVELOPMENT

Influence of Service Experience on Emotions

It has been empirically shown that various constituents of service experience including physical environments, staff, and other customers can elicit an emotional response from the customers (Ali, Hussain, & Ragavan, 2014; Bitner, 1992; Ladhari, 2009; Pareigis et al., 2011). Similarly, Grace and O'Cass (2004) showed a positive relationship between the customer's service experience and their emotions. Moreover, Ali et al. (2014) tested and confirmed the relationship between the customer's experience and their emotions in Chinese resort hotels. Hosany and Gilbert (2010) and Hosany and Witham (2010) also observed a significant impact of service experience on customer emotions in the tourism and cruise holiday context, respectively. This discussion thus concludes that service experience dimensions, including physical environmental factors and interaction with service employees and other consumers (Grace & O'Cass, 2004; Grove et al., 1998; Walls et al., 2011), may influence the emotional states of the customers. It is therefore hypothesized:

H1: Service experience significantly influences emotions.

Influence of Service Experience on Customer Satisfaction

It is generally accepted that service experience effects the customer's overall satisfaction with the services brand (Grace & O'Cass, 2004). Because of being generally associated with a particular transaction at a particular time (Cronin, Brady, & Hult, 2000), satisfaction is the immediate response to both tangible and intangible brand stimuli. It is evident from the service marketing literature that customer satisfaction is influenced by the physical environment of a service setting (Han & Ryu, 2009; Ruiz et al., 2012; Wakefield & Blodgett, 1996; I. Wong, 2013). Similarly, the core service, employee service, and feelings aroused during service consumption are also argued to have a direct effect on satisfaction (Grace & O'Cass, 2004). Literature related to environmental psychology also discussed the link between the service environment and customer satisfaction (J. Lin & Liang, 2011). Additionally, Grace and O'Cass (2004) proposed that the presence of other consumers in the same service environment directly influences customer satisfaction. Wakefield and Blodgett (1996) also suggested that a positive perception of various factors and cues in physical environments could result in better customer satisfaction. It is therefore hypothesized:

H2: Service experience significantly influences customer satisfaction.

Influence of Emotions on Customer Satisfaction

Previous research suggests that emotions associated with the service encounter play an important role in defining satisfaction (Hou et al., 2013; Jani & Han, 2011; Ma, Go, Scott, & Ding, 2013; Martin et al., 2008; Oliver, 1997; Westbrook & Oliver, 1991; A. Wong, 2004). For example, when a customer experiences positive emotions in a service encounter, they will express higher levels of satisfaction which will lead them to stay with the same service provider and spread positive word-of-mouth (Grace & O'Cass, 2004; Jang & Namkung, 2009). In a recent "experiential view" framework, customer satisfaction can be studied as a cognitive affective state resulting from cognitive evaluations and from the emotions evoked by such cognitive evaluations (Wu & Liang, 2009). In studies conducted by Y. Chen et al. (2009) and Eroglu, Machleit, and Barr (2005), researchers observed a positive direct effect of positive emotions on satisfaction and vice versa. Therefore, it can be hypothesized that:

H3: Emotions significantly influences customer satisfaction.

Influence of Customer Satisfaction on Price Acceptance

Although how customer satisfaction influences price acceptance has not been well investigated in the resort industry, some studies have attempted

to relate it to price sensitivity or willingness to pay more. One of the frequently named consequences of satisfaction is the increase of price sensitivity (Cronin et al., 2000; Faiswal & Niraj, 2011; Huber et al., 2001; Zeithaml, Berry, & Parasuraman, 1996). This is based on the fact that companies with higher satisfaction values are able to receive higher prices from customers. Excess of price that a customer would be willing to pay, rather than go without having a thing, over what they actually pay is the economic measure of their satisfaction surplus (Bigne et al., 2008; Martin-Consuegra et al., 2007). Thus it is expected that customers who are satisfied with a product or a service will accept a higher price for that product or service. E. Anderson (1996) reported a positive association between changes in customer satisfaction and changes in price acceptance and is also supported by Martin-Consuegra et al. (2007). Therefore, it is hypothesized:

H4: Customer satisfaction significantly influences price acceptance.

RESEARCH METHODS

Measures

In this study, service experience construct is measured as a formative construct consisting of three dimensions—physical environment (setting), interaction with customers (audience), and interaction with staff (actors)—considering the conceptualization of service experience presented by Grove et al. (1998). Five items of physical environment, three items of interaction with staff, and three items of interaction with customer were adapted and modified from Wu and Liang (2009) and Jani and Han (2001). Emotions were measured with four items adopted from Lin and Liang (2011), while customer satisfaction was operationalized using the four emotion-laden items proposed by Westbrook and Oliver (1991). Lastly, the four items for price acceptance were adopted from Martin-Consuegra et al. (2007). All items were rated on a 5-point Likert scale (1 = *strongly disagree* to 5 = *strongly agree*). Modification of items was conducted and reviewed by academic faculty majoring in hospitality management. Based on their review, the questionnaire was refined in terms of structure, clarity, reselection of words, and editorial corrections. The questionnaire was translated from English to Chinese and then retranslated to English by experts from Beifang University of Nationalities, China in order to ensure item equivalence (I. Y. Lin & Mattila, 2010).

Sample Design and Data Collection

The target population for this study was limited to those guests who had stayed at Chinese resort hotels at least once. The reason for selecting guests at

resort hotels is because a good service experience at a resort hotel can make their stay memorable by influencing their emotions. Data were collected through a survey conducted at various locations within the selected resort hotels in three cities of China (i.e., Beijing, Xian, and Yinchuan) with the help of School of Management, Beifang University of Nationalities, Yinchuan, China. Data collection was conducted by distributing questionnaires to guests by using systematic sampling at different times of the day (morning, noon, and evening), over a period of four weeks. In order to reduce the referrals to participate, guests were informed of the purpose of the research. Questionnaires were distributed to 500 customers at resort hotels out of which 170 were returned back and deemed fit for the analysis, representing a response rate of 34%. Out of these 170 respondents, 48.2% were male and 51.8% were female; 12.4% were under 20 years of age, 44.1% were between 21 and 30 years, 27.1% were between 31 and 40 years, and 16.5% were older than 41 years; 50.6% of the total respondents had a bachelor's degree whereas 38.2% had a master degree. Amongst the 170 respondents, 59.4% were Chinese whereas 40.6% were foreigners. A nonresponse analysis using wave analysis was conducted as suggested by Rylander, Propst, and McMurtry (1995). Responses that were collected in the first two weeks were grouped as early responses whereas responses that were collected in the last two weeks were grouped as late responses. An independent *t*-test was conducted, which revealed no significant difference between the two groups (i.e., early responses and late responses). Based on this it was concluded that the sample did not suffer from nonresponse bias (Cobanoglu, Berezina, Kasavana, & Erdem, 2011).

ANALYSIS

Structural equation modeling–partial least squares (SEM-PLS) method was used to validate the model as the model contains both formative and reflective constructs and violates the assumption of multivariate normality (Gefen & Straub, 2005). SEM-PLS and is now commonly used by different researchers and provides a robust way of analyzing survey data (Herath & Rao, 2009; Simkin & McLeod, 2010). SEM-PLS requires a sample size with at least 10 times the largest number of indicators of the construct in the model (Peng & Lai, 2012). For the hypothesized model in this study, service experience had the most indicators numbering to 11. Thus, the minimum sample size was 110. The sample size for this model was 170, which exceeded the minimum requirement. To run the analysis, Smart PLS (Ringle, Wende, & Will, 2005) software was used by applying bootstrapping technique to assess the significance of the factor loadings and path coefficients. A two-step analysis approach suggested by J. Anderson and Gerbing (1988) is adopted for this study. First, the measurement model was tested by performing validity and

reliability analyses on each of the measures of the model, and then the structural model was tested by estimating the paths between the constructs in the model, determining their significance as well as the goodness of fit (GoF) of the model.

Common Method Bias Test

The common method bias implies that the covariance among measured items is driven by the fact that some or all of the responses are collected with the same type of scale (Hair, Black, Babin, Anderson, & Tatham, 2006). To determine the presence of common method variance bias among the study variables, a Harman's (1967) one-factor test as suggested by Podsakoff, MacKenzie, Lee, and Podsakoff (2003) was employed. All the items of this study were entered into a principal component analysis with varimax rotation to identify if a single factor emerges from the factor analysis or one general factor accounts for more than 50% of the covariation. The results extracted six dimensions from 23 items and the accumulated variation explained was 28.97%, and thus this study did not have a serious problem with common method variance.

Measurement Model

First, the measurement model was tested for convergent validity. This was assessed through factor loadings, composite reliability (CR), and average variance extracted (AVE; Hair et al., 2006). Internal consistency of all the constructs was measured by employing CR as suggested by Hoffmann and Birnbrich (2012). For this measure, the threshold criterion is 0.70 (Herath & Rao, 2009; Nunnally, 1978) and all the constructs included in this study exceeded the recommended level. Moreover, convergent validity of the constructs was tested by examining the factor loadings and the average variance extracted (AVE). The value of AVE should exceed 0.5 to suggest adequate convergent validity (Bagozzi & Yi, 1988); all the constructs included in this study exceeded the recommended level except for one item, PE1, which had loadings below 0.7 and was therefore deleted. The remaining 22 items were used to measure the constructs. Table 1 shows the factor loadings, results of CR and AVE for all the constructs.

Discriminant validity was assessed based on the correlation matrix of the latent constructs (see Table 2), where the square roots of the AVE values calculated for each construct are reported in boldface along the diagonal. Hair et al. (2006) suggested that average variance shared between a construct and its measures should be greater than the variance shared between the constructs and other constructs in the model. Discriminant validity is given, when the diagonal elements (square root AVE) are greater than the

TABLE 1 Validity and reliability for constructs.

Constructs	Items	Loadings	CR[a]	AVE[b]
Physical environment	The resort's temperature is comfortable.	0.741	0.819	0.509
	The resort's environment is clean.	0.768		
	The resort's architecture is impressive.	0.807		
	The colors within the resort are complementary and coordinating.	0.767		
	The resort's lighting is appropriate.[c]	0.591		
Interaction with staff	The staffs provide a thorough and satisfactory service.	0.887	0.895	0.740
	The staffs are reliable.	0.872		
	The staffs are professional.	0.823		
Interaction with customers	Other guests are not loud.	0.902	0.948	0.859
	Other guests behave nice.	0.957		
	Other Guests are not problematic.	0.923		
Emotions	After visiting this resort, I feel elated.	0.801	0.891	0.673
	After visiting this resort, I feel peppy.	0.773		
	After visiting this resort, I feel relaxed.	0.849		
	After visiting this resort, I feel excited.	0.856		
Customer satisfaction	I am satisfied with my decision to use this resort as service provider.	0.822	0.913	0.724
	My choice to choose this resort as a service provider was a wise one.	0.821		
	I think I did the right thing when I chose to stay at this resort.	0.899		
	I feel that my experience with this resort has been enjoyable	0.858		
Price acceptance	Sometimes I am willing to pay more.	0.911	0.949	0.824
	I know the reference price level.	0.924		
	I usually accept changes in prices.	0.864		
	I have a good knowledge of price distribution in resorts.	0.954		

[a]Composite reliability = (square of the summation of the factor loadings)/[(square of the summation of the factor loadings) + (square of the summation of the error variances)]. [b]AVE = (summation of squared factor loadings)/(summation of squared factor loadings) (summation of error variances). [c]The item was deleted because of low loadings.

TABLE 2 Discriminant validity.

Constructs	PE	IC	IS	EM	SAT	PA
PE	**0.713**					
IC	0.077	**0.926**				
IS	0.280	0.264	**0.860**			
EM	0.222	0.055	0.382	**0.820**		
SAT	0.275	0.055	0.418	0.671	**0.850**	
PA	0.128	0.077	0.245	0.407	0.359	**0.907**

Note. Square root (AVE) on the diagonal in boldface and construct correlations below the diagonal. PE = physical environment; IC = interaction with customers; IS = interaction with staff; EM = emotions; SAT = customer satisfaction; PA = price acceptance.

off-diagonal elements in the corresponding rows and columns. Overall, all the measures show satisfactory reliability and validity (see Table 2).

Structural Model

SmartPLS 2.0 was used to test the structural model and hypotheses (Ringle et al., 2005). A bootstrapping procedure with 1000 iterations was performed to examine the statistical significance of the weights of subconstructs and the path coefficients (Chin, Peterson, & Brown, 2008). The SEM-PLS approach using SmartPLS software does not provide a traditional assessment of overall model fit as in CB-SEM (Chin, 1998). Therefore, the corrected *R*-squared of all constructs were calculated to employ a diagnostic tool, the GoF index presented by Tenenhaus, Vinzi, Chatelin, and Lauro (2005). The GoF measure uses the geometric mean of the average communality and the average *R*-squared (for endogenous constructs). Hoffmann and Brinbrich (2012) reported the following cut-off values for assessing the results of the GoF analysis: $GoF_{small} = 0.1$; $GoF_{medium} = 0.25$; $GoF_{large} = 0.36$. For the complete model in this study, a GoF value of 0.419 is obtained indicating a very good global model fit (see Table 3). However, it is noteworthy that GoF cannot be used as a statistical tool for model validation. Rather, it is a diagnostic tool to indicate how well the collected data fits the proposed model (Henseler & Sarstedt, 2013).

Following the measurement model and GoF, the hypothesized relationships in the structural model were tested. Figure 1 shows the results of the structural model. The values in the figure shows the standardized coefficients and their respective *t*-values. The corrected *R*-squared values refer to the explanatory power of the predictor variable(s) on the respective construct and are reported in Figure 1. Service experience of customers explains 11.4% of their emotions ($R^2 = 0.114$). On the other hand, service experience and emotions explain 49% of customer satisfaction ($R^2 = 0.490$), whereas customer satisfaction predicts 19.8% of customers' price acceptance ($R^2 = 0.198$).

TABLE 3 Goodness of Fit Index.

Constructs	AVE		R^2
Physical environment	0.509		—
Interaction with customers	0.859		—
Interaction with staff	0.740		—
Emotions	0.673		0.114
Customer satisfaction	0.724		0.490
Price acceptance	0.824		0.198
Average scores	0.721		0.244
AVE × R^2		0.176	
$(GOF = \sqrt{AVE \times R^2})$		0.419	

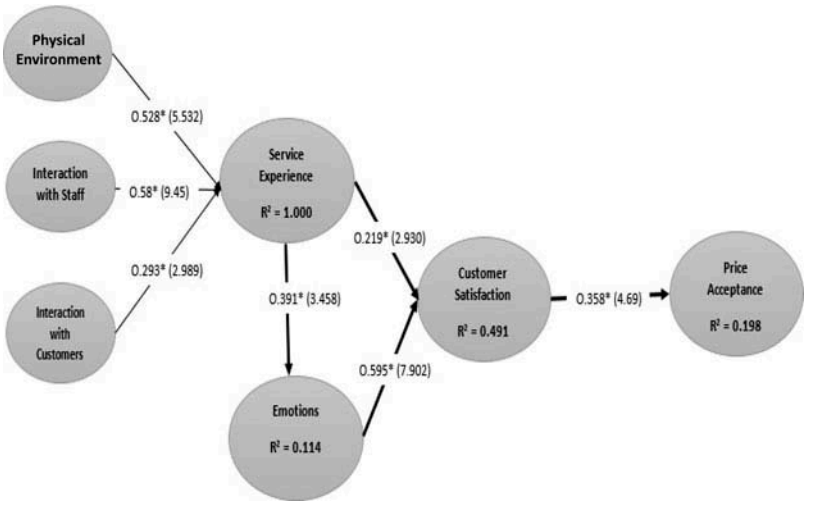

FIGURE 1 Structural results of the proposed model.

In regard to model validity, Chin et al. (2008) classified the endogenous latent variables as substantial, moderate or weak based on the *R*-squared values of 0.67, 0.33, or 0.19, respectively. Accordingly, emotions ($R^2 = 0.114$), customer satisfaction ($R^2 = 0.490$), and price acceptance ($R^2 = 0.198$) can be described as weak, moderate, and moderate, respectively.

Calculating Predictive Relevance (Q^2) and Effect Size (f^2)

In addition to the size of *R*-squared, the predictive sample reuse technique (Q^2) can effectively be used as a criterion for predictive relevance (Chin et al., 2008). Based on blindfolding procedure, Q^2 evaluates the predictive validity of a complex model by omitting data for a given block of indicators and then predicts the omitted part based on the calculated parameters. Thus, Q^2 shows how well the data collected empirically can be reconstructed with the help of model and the SEM-PLS parameters (Akter, D'Ambra, & Ray, 2011). For this study, Q^2 was obtained using cross-validated redundancy procedures as suggested by Chin (2010). As per Akter et al. (2011), a Q^2 greater than 0 means that the model has predictive relevance whereas Q^2 less than 0 mean that the model lacks predictive relevance. As shown in Table 4, Q^2 for emotions, customer satisfaction, and price acceptance are 0.074, 0.342, and 0.098, respectively, indicating acceptable predictive relevance.

In some models, endogenous variables are predicted by more than one predicting/exogenous variables. In this situation, according to K. K. Wong (2013), effect sizes are calculated to assess how much a predicting (exogenous) variable contributes to an endogenous latent variable's *R*-squared value by using the equation $f^2 = (R^2_{\text{included}} - R^2_{\text{excluded}})/(1 - R^2_{\text{included}})$.

TABLE 4 Predictive relevance (Q^2) and effect size (f^2).

Constructs	Q^2	f^2 (Customer satisfaction)
Physical environment	—	—
Interaction with customers	—	—
Interaction with staff	—	—
Service experience	—	0.279 (Medium)
Emotions	0.074	0.650 (Large)
Customer satisfaction	0.342	—
Price acceptance	0.098	—

According to K. K. Wong (2013), f^2 value of 0.02 shows a small effect, f^2 value of 0.15 shows a medium effect, and f^2 value of 0.35 shows a large effect. In this study, customer satisfaction is predicted by service experience and emotions, therefore relative effect sizes (f^2) of the predicting (exogenous) constructs were calculated and are shown in Table 4. In regard to predicting customer satisfaction, service experience had medium effects whereas emotions had a large effect size (Peng & Lai, 2012).

Second-Order Construct Assessment

The measurement quality of the formative second-order constructs was tested in two steps (Chin et al., 2008). In the first step, the correlations between the first-order constructs (physical environment, interaction with customers, and interaction with staff) of service experience were examined. The correlations between these first-order constructs of service experience range from 0.060 to 0.287. These results support the hypotheses that service experience is better represented as a formative second order construct and not as reflective ones, since a reflective second order construct would show extremely high correlation among its lower-order constructs ($\geq$0.8; Peng & Lai, 2012). Following this, variance inflation factor (VIF) for the first-order factors of service experience was computed to assess multicollinearity. As shown in Table 5, the VIF values for all three first-order constructs are 1.090, 1.076, and 1.169, which are below the cut-off value of 3.3 (Peng & Lai, 2012), indicating that there is no multicollinearity between the first-order constructs of service experience. Moreover, the significance of the relationships between service experience and its first-order dimensions was also assessed. According to Table 5, all first-order dimensions forming service experience were found to be significant at 1%.

Structural Estimates and Hypotheses Testing

After estimating the structural model, the complete results are summarized in Table 6. H1 proposed that perceptions of service experience would influence

TABLE 5 Reliability and validity of second-order construct.

	Correlation amongst the first-order constructs			Weights of the first-order constructs on service experience		
Constructs	PE	IC	IS	Weights	*t*-value	VIF
PE	1			0.528***	5.532	1.09
IC	0.060	1		0.293***	2.989	1.076
IS	0.287	0.266	1	0.587***	9.45	1.169

Note. VIF = variance inflation factor; PE = physical environment; IC = interaction with customers; IS = interaction with staff.
***Significant at the 1% level.

TABLE 6 Results of the structural model.

Hypothesis		Standard beta	Standard error	*t*-statistics	Decision
H1	Service Experience → Emotions	0.3391	0.0980	3.458**	Supported
H2	Service Experience → Customer Satisfaction	0.2196	0.0749	2.930**	Supported
H3	Emotions → Customer Satisfaction	0.5951	0.0753	7.902**	Supported
H4	Customer Satisfaction → Price Acceptance	0.3581	0.0763	4.695**	Supported

**$p > .01$.

customer emotions, thus H1 was accepted (H1: b = 0.339, t = 3.458, sig < 0.01). These results are consistent with the previous studies (Grace & O'Cass, 2004; Jani & Han, 2011; Ma et al., 2013). Similarly, H2 and H3 proposed that perceptions of service experience and customer emotions would significantly influence customer satisfaction, thus H2 and H3 were accepted (H2: b = 0.219, t = 2.930, sig < 0.01; H3: b = 0.595, t = 7.902, sig < 0.01). Emotions were the most significant predictor of customer satisfaction. These results are consistent with the previous studies (Han & Ryu, 2009; Jang & Namkung, 2009; J. Lin & Liang, 2011; Martin et al., 2008; Oliver, 1997; Ruiz et al., 2012; Wakefield & Blodgett, 1996; I. Wong, 2013). H4 proposed that customer satisfaction would influence price acceptance, thus the hypothesis was accepted (H4: b = 0.358, t = 4.695, sig < 0.05). These results are consistent with the previous studies (Huber et al., 2001; Martin-Consuegra et al., 2007).

CONCLUSION AND MANAGERIAL IMPLICATIONS

The objective of this study is to investigate the relationships between service experience, customer's emotion, satisfaction, and price acceptance in resort hotels. SEM-PLS method was used to analyze the data based on structural equation modeling techniques and test the relationships between the constructs. The result of this study found that all hypotheses are supported.

In particular, the results show that there is a significant relationship between service experience and emotions. Service experience and emotions, in turn, jointly influence customer satisfaction, which, as a result, influences price acceptance. These findings are all in line with the previous studies (Grace & O'Cass, 2004; Han & Ryu, 2009; Huber et al., 2001; Jang & Namkung, 2009; Jani & Han, 2011; J. Lin & Liang, 2011; Ma et al., 2013; Martin et al., 2008; Martin-Consuegra et al., 2007; Oliver, 1997; Ruiz et al., 2012; Wakefield & Blodgett, 1996; I. Wong, 2013).

The findings show that customers' perceptions of service experience have a significant influence on emotions, thus H1 was supported. This indicates that positive perceptions of service experience will lead to elicitation of positive emotions in customers. This relationship between service experience elements such as physical environment, interaction with staff and customers, and emotions has been studied in the hospitality industry (Jani & Han, 2011; Pareigis et al., 2011). For example, Grace and O'Cass (2004) in their study also observed a positive relationship between the customer's service experience and their emotions. In this study service experience was having three dimensions: servicescape, core service, and employee service. Similarly, H2 stated that perceptions of service experience significantly influences customer satisfaction. The results show that H2 was accepted. It means that positive perceptions of service experience will lead to satisfaction of customers, which is consistent with the findings from previous studies (Han & Ryu, 2009; Ruiz et al., 2012; Wakefield & Blodgett, 1996; I. Wong, 2013). For example, Lin and Liang (2011) observed a positive link between the service environment and customer satisfaction in their study in retail industry whereas I. Wong (2013) discussed a positive effect of service experience on customer satisfaction in casinos. Additionally, H3 proposed a significant relationship between emotions and customer satisfaction. The findings of this study support H3, which is similar to the findings from previous studies (Han & Ryu, 2009; Jang & Namkung, 2009; Lin & Liang, 2011; Martin et al., 2008; Oliver, 1997; Ruiz et al., 2012; Wakefield & Blodgett, 1996; I. Wong, 2013). For example, A. Wong (2004) has indicated the positive and significant association between a customer's positive affect and satisfaction. Similarly Jani and Han (2011) observed that positive emotions of customers would lead to their satisfaction in the hospitality industry. Similarly, the findings of this study also showed that customer satisfaction influences their price acceptance, thus H4 was accepted. This indicates that if a customer is satisfied with the services provided by a resort hotel, it is likely that they will accept the prices charged. Research on price acceptance is scant, so the influence of customer satisfaction on customer price acceptance has been proposed but not properly tested. The relationship between customer satisfaction and price acceptance, however, has been tested by Martin-Consuegra et al. (2007), which support the findings of this current study.

This study links several important marketing concepts and demonstrates the influence of service experience emotions and satisfaction on price acceptance. The study shows that if the customer is satisfied and has positive emotions from their experience at resort hotels, they will be likely to pay the comparatively higher prices of this industry. Consequently, resort hotels may be able to charge premium prices, because once customers are satisfied with their experiences, they attach themselves emotionally to those specific experiences (Ma et al., 2013). Since the findings show a positive linkage of service experience, emotions, and satisfaction, management of resort hotels need to consider how the physical environment, interaction with employees and other customers can be managed in order to satisfy the customers emotionally. In order to do this, management needs to examine the primary needs of their customers regarding physical environment and interaction with staff and customers. In addition to this, management should also examine the different aspects of service experience that can create a competitive advantage. This can help the customers to accept the prices charged by resort hotels. Additionally, the findings of the study show that all three dimensions (i.e., physical environment, interaction with staff, and interaction with customers) of service experience function as significant contributors to customers' service experience at Chinese resort hotels. Since all three dimensions develop service experience for the customers, the resort hotel management needs to know the relative importance of each of these elements with regards to the service experience to better understand the distinct role of each individual dimension.

This study also revealed the importance of stimulating positive emotions, which has important implications for managers (Jang et al., 2011). Emotions have a significant impact on customer satisfaction, thus resort hotel managers can use physical and social interaction to create great customer experiences to elicit positive emotions in them, which may result in favorable behaviors. The significance of emotions is apparent, given the pleasure-seeking motive for staying at resort hotels. Therefore, resort hotel management can focus on refining the physical environment to heighten popularity and desired feelings. Lastly, the model also included interaction with staff and customers, which is also referred to as "social factors" by Ryu and Han (2010). These social factors are very essential because of the often inseparability of the service from employee, who is the service provider. Considering this argument, resort hotels must focus on their human capital as a marketing imperative and provide continual investment in staff training in order to make the experience of their customers better. This will help the customers to better judge the steps taken by the resort hotels to ensure their experience will elicit positive emotions and satisfy them and will also ultimately end up in their willingness to accept the prices as well as pay higher prices for getting that experience.

This study has several limitations that should be considered when evaluating the results, but which also provide interesting avenues for future research. When using instruments across cultures, there are various types of equivalence such as idiomatic equivalence, metaphorical equivalence, and metric equivalence. For this study, the questionnaire was translated and assessed only the linguistic equivalence. Moreover, the sample size for this study was low and was drawn from selected resort hotels in China; therefore generalization of the results needs to be cautiously conducted. For instance, the findings should be interpreted with caution when applied to different types of hotels or different industries. Future research should examine the proposed relationships in other types of hotels, industries and countries with a larger sample size. It is advisable to use a unidimensional approach of service experience in future studies. Future studies might also consider how people having different characteristics perceive service experience and its effect on their emotions and behaviors. Another avenue for future research can be using additional variables such as perceived value and customer loyalty, which can determine the unexplained variance in customers' price acceptance.

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