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### Hotel Daily Deals: Insights from Asian Consumers

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## Hotel Daily Deals: Insights from Asian Consumers

### Abstract

Given that Asia accounts for more than half of the world's population and its hotels are thriving, this study analyzes the attitudes toward daily deal offers of hotel guests in five Asian nations. While the respondents, from China, India, Indonesia, Korea, and Japan, have many common attitudes regarding daily deals, certain differences stand out. Overall, it becomes clear that frequent guests take advantage of the discounts offered in daily deals, thus confirming concerns of cannibalization. Worse, those frequent guests reported that they felt as though they were treated differently due to their use of the daily deal, and this gave them a diminished view of the hotel. On the other hand, respondents from most nations said that they took the opportunity of the deal to spend more money than usual during their hotel stay, and they were happy to recommend the hotel to their friends, a phenomenon known as being a market maven. Moreover, use of the daily deal did not seem to interfere with guests' loyalty levels, which seemed to be the same for daily deal purchasers and those who did not use such offers. One other downside to offering daily deals is that the survey indicates a reduced value perception for those who purchase numerous deals, indicating that the deal's charm eventually fades. While the findings seem contradictory in some ways, they also provide guidelines for hoteliers who wish to target Asian consumers with these types of deals while also avoiding the pitfalls.

### Keywords

hotels, Asia, daily deals

### Disciplines

Business | Hospitality Administration and Management

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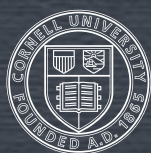


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## Cornell Hospitality Report Vol. 13, No.9 September 2013

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Cornell Hospitality Report  
Vol. 13, No. 9 (September 2013)  
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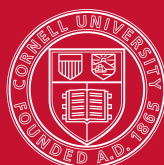
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### EXECUTIVE SUMMARY

**G**iven that Asia accounts for more than half of the world's population and its hotels are thriving, this study analyzes the attitudes toward daily deal offers of hotel guests in five Asian nations. While the respondents, from China, India, Indonesia, Korea, and Japan, have many common attitudes regarding daily deals, certain differences stand out. Overall, it becomes clear that frequent guests take advantage of the discounts offered in daily deals, thus confirming concerns of cannibalization. Worse, those frequent guests reported that they felt as though they were treated differently due to their use of the daily deal, and this gave them a diminished view of the hotel. On the other hand, respondents from most nations said that they took the opportunity of the deal to spend more money than usual during their hotel stay, and they were happy to recommend the hotel to their friends, a phenomenon known as being a market maven. Moreover, use of the daily deal did not seem to interfere with guests' loyalty levels, which seemed to be the same for daily deal purchasers and those who did not use such offers. One other downside to offering daily deals is that the survey indicates a reduced value perception for those who purchase numerous deals, indicating that the deal's charm eventually fades. While the findings seem contradictory in some ways, they also provide guidelines for hoteliers who wish to target Asian consumers with these types of deals while also avoiding the pitfalls.

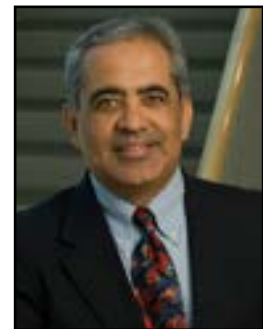
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## ABOUT THE AUTHORS

**Sheryl E. Kimes**, Ph.D., is a professor of operations management in the School of Hotel Administration at Cornell University, where she has served both as interim dean and as the school's director of graduate studies. Her research interests include revenue management and forecasting in the restaurant, hotel, and golf industries. She was given the Lifetime Achievement Award by the College of Service Operations of the Production and Operations Management Society and was honored with the Industry Relevance Award by the Cornell University Center for Hospitality Research in 2010 and 2012. She has published more than 50 articles in leading journals such as *Interfaces*, *Journal of Operations Management*, *Journal of Service Research*, *Decision Science*, and *the Cornell Hospitality Quarterly*. In addition, she has published over 25 *Cornell Center for Hospitality Research Reports* and has been an invited speaker at numerous international conferences. Focused primarily on service productivity and revenue management practices, she serves as a consultant to many business enterprises around the world, including Fairmont Raffles Hotels International, Walt Disney World Resorts, Yum! Brands, The Peninsula Group, Aramark, Starwood Asia-Pacific, and Troon Golf.



**Chekitan S. Dev**, Ph.D., is associate professor of strategic marketing and brand management at the School of Hotel Administration. Recognized as a leading authority on strategic marketing and brand management, his award-winning research has been published in several peer reviewed journals, including the *Journal of Marketing* and *Harvard Business Review*, and he is the author of *Hospitality Branding* (Cornell University Press, 2012). He has won all major hospitality research awards including the 2002 John Wiley & Sons award for lifetime contribution to hospitality and tourism research. A former corporate executive with Oberoi Hotels & Resorts, he has served corporate, government, education, advisory, and private equity clients in over 40 countries on six continents as consultant, seminar leader and expert witness. These include Accor, Crystal Cruise Lines, Disney, Expedia, ExpoGourmand Chile, Four Seasons Mumbai, French Culinary Institute, Hilton, Holiday Inn, Horwath Austria, HOTUSA Spain, Hyatt, IHRAI Philippines, InterContinental, Jumeirah Dubai, Kerzner Mauritius, Leela India, Mandarin Singapore, Marriott, Mövenpick Switzerland, Orbitz, Peninsula, PlanHotels Italy, Priceline, Rosewood, Sarovar India, Starwood, Taj India, Travelocity, and Westin. He was selected as one of the "Top 25 Most Extraordinary Minds in Sales and Marketing" for 2009 by The Hospitality Sales and Marketing Association International (HSMIAI).



The authors would like to thank the Institute on Asian Consumer Insight for their generous funding of this study. They would also like to thank Yuan Luo, a graduate student at Cornell University, for her assistance with the data analysis

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Over the past few years, hoteliers have been inundated with sales pitches from companies such as Groupon, Living Social, and TravelZoo to run daily deals for their customers. Hotels in Asia are no exception to this tidal growth. Although daily deals can help hotels fill unused capacity, the great concern for hoteliers is that coupon-bearing customers may displace full-price guests or may themselves be full-price guests who are taking advantage of discounts, meaning that the coupons have cannibalized existing demand.



With the growth of daily deals in Asian nations, we consider it important to develop a profile of customers who purchase daily deals—with the idea of helping hoteliers determine whether and how to offer daily deals. As a complement to studies of daily deal customers in the U.S.,<sup>1</sup> we wanted to find out what types of consumers use hotel daily deals in Asia, what they think about such deals, and how they use them. Since one reason for offering daily deals is to use them as a gateway to bring in new customers, we especially wanted to know whether these Asian customers intend to return to the hotel after they've taken advantage of the deal.

In this report, we will first provide a brief review of studies that have examined daily deals and coupons, and then we'll share the results of our customer survey. We will conclude with a discussion of how hoteliers can use the results of our survey.

## Advantages and Disadvantages of Daily Deals

To say that daily deals are controversial is an understatement. On the one hand, daily deals have been said to create new customers, increase revenue and profit, and provide greater exposure for hotels. On the other hand, hoteliers have expressed concern about the cost of daily deal promotions, cannibalization of full-paying customers, the potential displacement of full-paying guests during busy periods, and the consequences of daily deals customers' poor behavior on employee morale.<sup>2</sup>

## Insights from Research on Traditional Coupons and Promotions

Several concepts from the promotions literature are relevant to the study of daily deals. Among these are consumers' coupon responsive behavior, value consciousness, impulsive purchase behavior, relational orientation, and market maven behavior.

**Coupon responsive behavior.** Consumers who purchase daily deal offers may simply be the type who like to use coupons, particularly those who are value conscious.<sup>3</sup> Such consumers, referred to as "coupon prone," often use coupons as a sign of a good deal and may not even consider the cost savings.<sup>4</sup> Coupon proneness is defined as a higher chance of

<sup>1</sup> Sheryl Kimes and Utpal Dholakia, "Restaurant Daily Deals: Consumer Response to Social Couponing," *Cornell Hospitality Report*, Vol. 11, No. 20 (2011) Cornell Center for Hospitality Research.

<sup>2</sup> Gabriele Piccoli and Chekitan S. Dev. "Emerging Marketing Channels in Hospitality: A Global Study of Internet-Enabled Flash Sales and Private Sales," *Cornell Hospitality Report* Vol. 12, No. 5 (2012). Cornell Center for Hospitality Research.

<sup>3</sup> Donald R. Lichtenstein, Richard G. Netemeyer, and Scot Burton, "Distinguishing Coupon Proneness from Value Consciousness: An Acquisition-Transaction Utility Theory Perspective," *Journal of Marketing*, Vol. 54, No. 3 (1990), pp. 54-67.

<sup>4</sup> Valerie A. Zeithaml, "Consumer Perceptions of Price, Quality, and Value: A Means-End Model and Synthesis of Evidence," *Journal of Marketing*, Vol. 52 (July 1988), pp. 2-22.

redeeming a coupon because it makes consumers feel better about their purchase.

**Value consciousness.** Value consciousness is related to customers who want to pay lower prices for a product or service at a given level of quality. Based on these findings, it seems reasonable to expect that daily deal purchasers will be more coupon responsive than non-users, and will show both higher coupon proneness and higher value consciousness.

**Impulsive purchasing behavior.** Impulsive buying is defined as a customer tendency to spontaneously purchase things without necessarily having a solid reason to purchase the item. It seems reasonable to expect that daily deal users may show a certain level of impulsive buying behavior, given the typical approach of setting limited time availability. Similarly, daily deal users may also be less conscious of their spending than non-users and might well score toward the spendthrift end of the Tightwad-Spendthrift scale,<sup>5</sup> which ranks customers on an 11-point scale in which 1 = tightwad and 11 = spendthrift.

**Market mavens.** Market mavens enjoy introducing new brands and products to their friends.<sup>6</sup> Daily deal users may be more likely to consider themselves as a good source of information about new products and services. We predict that daily deal users will have a higher likelihood of being a market maven than non-users.

**Relational orientation.** Daily deal users have been accused of being fickle and only loyal to the next deal.<sup>7</sup> In contrast, customers with a higher relational orientation like to be loyal to companies that treat them well.<sup>8</sup> We expect that daily deal users will have a lower relational orientation than non-users.

## Daily Deals: The Industry Experience

Research is gradually catching up with the explosion in daily deal sites, but the number of studies is still limited. We've listed several in the footnote,<sup>9</sup> and summarize some of the studies' findings in the next section.

<sup>5</sup> Scott I. Rick, Cynthia E. Cryder and George Loewenstein, "Tightwads and Spendthrifts," *Journal of Consumer Research*, Vol. 34, No. 6 (2008), pp. 767-782.

<sup>6</sup> Lawrence F. Feick and Linda L. Price, "The Market Maven: A Diffuser of Marketplace Information," *Journal of Marketing*, Vol. 51, No. 1 (1987), pp. 83-97.

<sup>7</sup> Brandeau, *op.cit.*; Howard, *op.cit.*; and Sullivan, *op.cit.*

<sup>8</sup> Utpal Dholakia, "How Customer Self-Determination Influences Relational Marketing Outcomes: Evidence from Longitudinal Field Studies," *Journal of Marketing Research*, Vol. 43, No. 1 (2006), pp. 109-120.

<sup>9</sup> For example, see: Utpal Dholakia, "What Makes Groupon Promotions Profitable for Businesses?" Rice University Working Paper, (2011): [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1790414](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1790414), viewed July 7, 2011; Utpal Dholakia and Gur Tsabar, "A Start-Ups Experience with Running a Groupon Promotion," Rice University Working Paper, (2011). [http://papers.ssrn.com/col3/papers.cfm?abstract\\_id=1828003](http://papers.ssrn.com/col3/papers.cfm?abstract_id=1828003),

### Daily deal purchasers by age, gender, and location

Gender	Percentage of Purchasers
Male	68.5%
Female	62.4%
Age	Percentage of Purchasers
18-24	68.1%
25-34	65.2%
35-44	70.7%
45-54	61.8%
55-64	52.4%
Country	Percentage of Purchasers
China	80.0%
India	62.0%
Indonesia	69.0%
Japan	48.0%
South Korea	72.0%

A study of restaurant daily deals by Kimes and Dholakia found that the respondents who had purchased a restaurant daily deal were generally pleased with their daily deal experiences.<sup>10</sup> Many stated that they would return to the restaurant even at full price, and they were likely to recommend the restaurant to their friends and family.

Kumar and Rajan developed a model to assess the profitability of a daily deal, which they applied to three different small businesses.<sup>11</sup> They found that all three businesses lost money from offering the deal, primarily due to cannibalization. However that study did not calculate overage, which is the (hoped-for) additional customer spending on top of the deal amount. Comparing customers who used daily deals with those who redeemed traditional coupons, Kumar and Rajan contended that the daily deal customers were of low value to the businesses, and they were bargain seekers.

viewed July 8, 2011; Utpal Dholakia, "How Businesses Fare with Daily Deals: A Multi-Site Analysis of Groupon, LivingSocial, OpenTable, Travelzoo and BuyWithMe Promotions," Rice University Working Paper, (2010), <http://ssrn.com/abstract=1863466>. viewed November 23, 2010; Piccoli and Dev, *op.cit.*

<sup>10</sup> Kimes and Dholakia, *op.cit.*

<sup>11</sup> V. Kumar and Bahrath Rajan, "Social Coupons as a Marketing Strategy: a Multifaceted Perspective," *Journal of the Academy of Marketing Science*, Vol. 40, No. 1 (2012), pp. 120-136.

However, they presented no empirical data to support those claims.

Jing and Xie studied how companies can use group-buying sites as a mechanism to have their customers market the company to other consumers.<sup>12</sup> Essentially, they found that in situations where there was a moderate difference in product knowledge between "expert" customers and "novice" customers, companies can use the associated discount to "hire" informed customers to work as "sales agents" to encourage novice customers to join the group.<sup>13</sup>

Given the mixed results of daily deal outcomes and the many unresolved questions, we wanted to extend the daily deal research to new venues in Asia, with its emerging markets for daily deals.

### Study of Asian Consumers

In November 2012, we conducted an online survey of adults from the five most populous Asian countries (China, India, Indonesia, Korea, and Japan) who had purchased a hotel daily deal within the previous six months. We compared those consumers with a similar sample of adults who had never purchased a hotel daily deal, and a group who had purchased a deal longer than six months before the study.

Working with a well-respected survey panel company, we used a quota sample to ensure that we had 100 completed responses from each of the five countries, and also that about 40 percent of our sample fell into the recent-purchase category. We came reasonably close to that target, as 37.7 percent of the respondents who started the survey had purchased a daily deal within six months of the survey.

### Respondent Profile

About 60 percent of the respondents were men (62.2%), and well over half of the respondents were under age 35 (18-24: 18.2%; 25-34: 42.0%; 35-44: 24.6%; 45-54: 11.0%; 55-plus: 4.2%). However, we found no significant differences in deal purchases by gender or by age (Exhibit 1).

A majority (57.2%) of subjects had children at home, and we found that daily deal users were significantly more likely to have children at home.<sup>14</sup> Chinese and South Korean respondents were more likely to have used a daily deal, while Japanese respondents were least likely to have done so.

### Daily Deal Experiences

For respondents who had recently purchased a deal, we asked them to recall their most recent hotel daily deal. Our boundary here was six months because we were concerned

<sup>12</sup> Xiaoqing Jing and Jinhong Xie, "Group Buying: a New Mechanism for Selling through Social Interaction," *Management Science*, Vol. 57, No. 8 (2011), pp. 1354-1372.

<sup>13</sup> *Ibid.*, p. 1255.

<sup>14</sup> We used chi-square to analyze the data. All results reported as significant were statistically significant at the  $p < 0.05$  level.

EXHIBIT 2

Type of hotel visited for daily deal

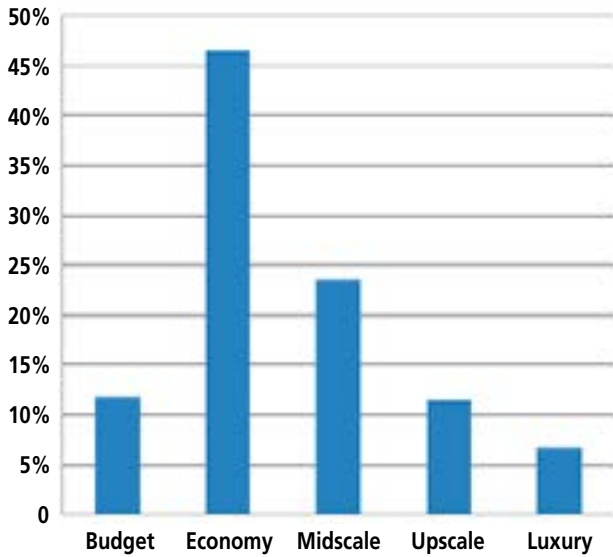
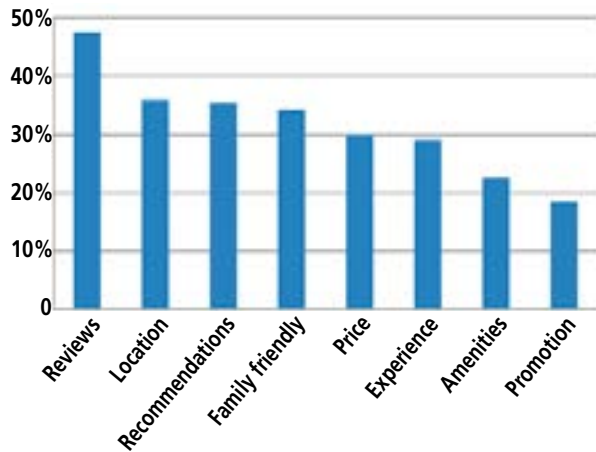


EXHIBIT 4

Reasons for choosing the daily deal hotel

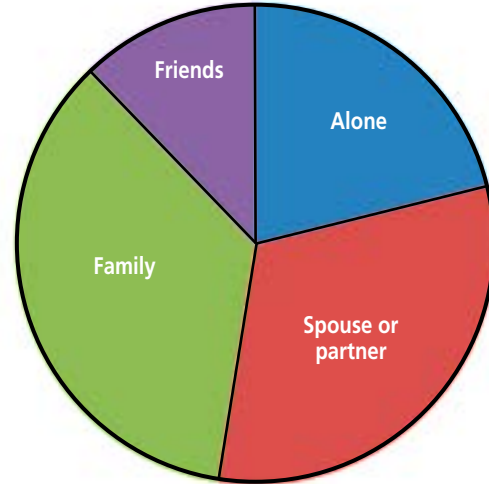


that people might not clearly remember all the details of something that had occurred before that time. After they described the daily deal they had purchased, we asked a variety of questions about their experience with the daily deal.

**Type of hotel.** About half (46.4%) of the daily deal offers purchased were for economy hotels and only 6.8 percent of the daily deals purchased were for luxury hotels (Exhibit 2). There were no significant differences by nationality on the type of hotel visited.

EXHIBIT 3

Participants in daily deal party



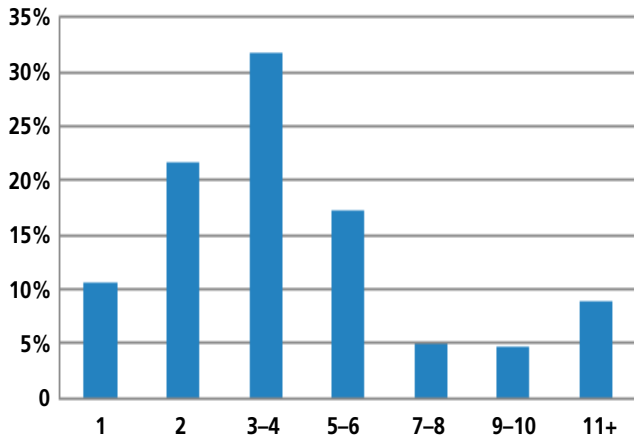
**Deal companions.** Most respondents were accompanied by their family (35.1%) or spouse or partner (31.4%), while 12.1 percent went with friends (Exhibit 3). Chinese respondents were significantly more likely to go alone (35.3%), while over half (52.8%) of Indian respondents were significantly more likely to go with their spouse or partner.

**How they chose the hotel.** When we asked our respondents how they selected the hotel, 48 percent responded that they checked on whether the hotel had good reviews (48%). That criterion was followed by convenient location (36%), recommendations from friends (35%), and whether the hotel was family friendly (34%) (Exhibit 4). The weights for the selection criteria varied substantially by nationality. Nearly two-thirds of Indian respondents (62%) based their choice on reviews, for instance, while only 30 percent of Japanese respondents did so. Location was a particularly important basis for Chinese respondents (cited by 43%) and Indian respondents (49%). Recommendations from friends were more important for Indonesian respondents (49%) and Indian respondents (51%) than for Japanese respondents (15%). Price and promotions were relatively unimportant for respondents from all nations except for Indonesia, where 40 percent of the respondents cited price and 32 percent focused on promotions.

**Number of deals purchased during the past year.** Of the 37 percent of the respondents that had purchased a deal, about 80 percent had purchased between one and four hotel daily deals in the previous year (1–2: 32.5%; 3–4: 48.9%), and about 9 percent had purchased more than ten

#### EXHIBIT 5

### Number of deals purchased in the year prior to the survey



#### EXHIBIT 7

### Survey statements for daily deal evaluation

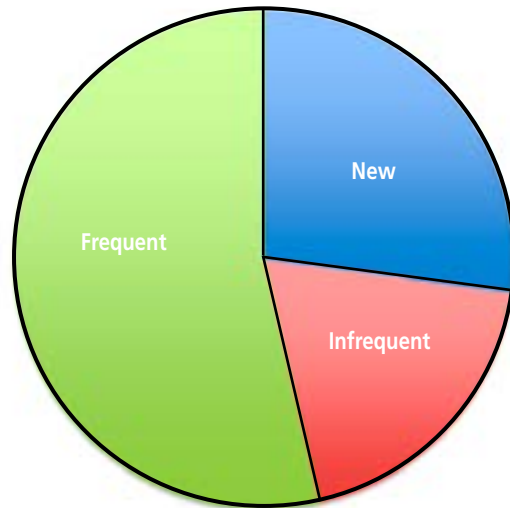
1. I spent more at this hotel than I usually do because of the daily deal.
2. I purchased more hotel services than I normally do because I was using the daily deal.
3. During my stay, I felt I was treated like a second-class guest because I used the daily deal.
4. The fact that this hotel offered a daily deal makes me think less of it.
5. I intend to stay at this hotel again only if it offers a daily deal.
6. I would have stayed at this hotel even if it had not offered the daily deal.
7. Overall, I was very satisfied with my stay at this hotel.
8. This hotel would be a good value even without the daily deal.
9. I will recommend this hotel to my family and friends.
10. I intend to stay at this hotel again in the future even if I have to pay full price.

hotel daily deal promotions (Exhibit 5). Deal purchase behavior did not vary by nationality.

**Relationship with the hotel.** The deals did pull in some new customers, as 27.1 percent of the respondents said that they were new customers for the hotel. But we also see evidence of cannibalization, since more than half (53.6%)

#### EXHIBIT 6

### Customer status: Frequent, infrequent, or new



of respondents were already frequent guests of the hotel in question, and the remaining 19.3 percent were infrequent guests, having been to the hotel before, but not as regular customers (Exhibit 6).

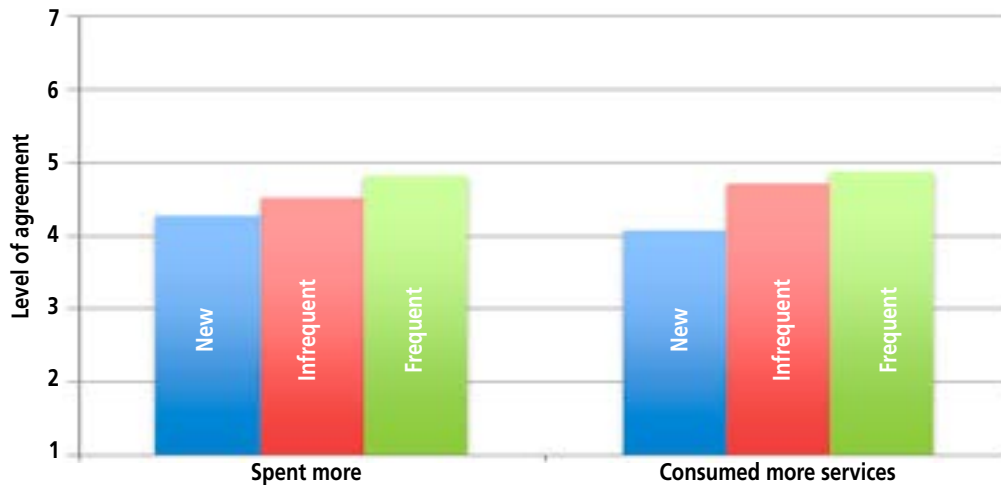
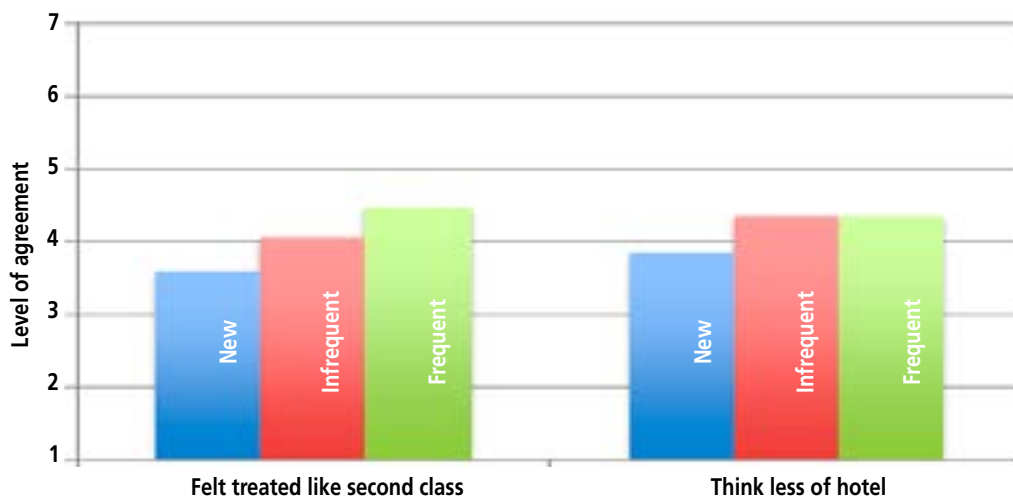
The relationship with the hotel varied significantly by nationality. Nearly half (47.5%) of Japanese respondents were new customers with the daily deal, while only 16.2 percent of Chinese respondents were new. Cannibalization was most prevalent among the Chinese and Korean respondents, with 72.1 percent of Chinese respondents and 66.7 percent of Korean daily deal purchasers indicating that they were already regular guests of the hotel.

**Frequency of hotel patronage.** Not surprisingly, daily deal users were significantly more likely to be regulars at a hotel than non-users. Over a quarter (28.4%) of daily deal users had stayed at a hotel at least once a month during the previous year, while only 18.0 percent of non-users had done so.

### Daily Deal Evaluation

For respondents who had purchased a daily deal, we asked for their agreement on ten statements about their experience (1 = strongly disagree, 7 = strongly agree; Exhibit 7). The wording for new customers was changed to reflect the fact that they had not been to the hotel before. We then compared the responses of the new customers, the frequent customers, and the infrequent customers.<sup>15</sup>

<sup>15</sup> We used a one-way ANOVA to compare the results. All results presented as significant were statistically significant at  $p < 0.05$ .

**EXHIBIT 8****Spending and consumption behavior: Frequent, infrequent, and new customers****EXHIBIT 9****Assessment of service experience: Frequent, infrequent, and new customers**

**Spending and consumption behavior.** Overall these daily deal buyers reported that they spent a bit more than they usually did during a hotel stay (Exhibit 8). Frequent customers were significantly more likely to agree that they spent more than usual (4.82), as compared to infrequent customers (4.52) and new customers (4.18). In addition, repeat customers were significantly more likely to agree that they used more hotel services than usual (frequent guests: 4.87; infrequent guests: 4.72) than new customers (4.07).

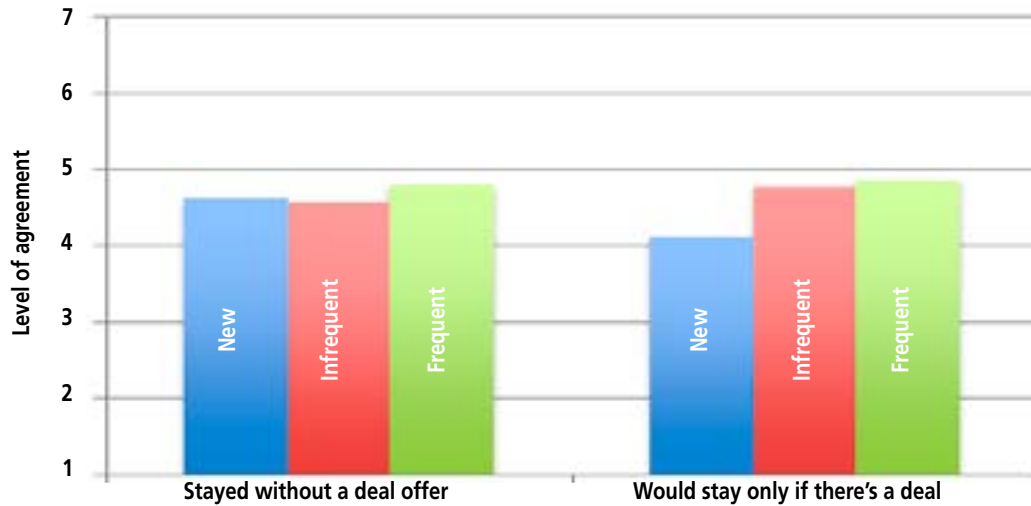
Spending behavior varied by nationality with Indian respondents leading the charge on spending more than usual (5.13), as compared to Japanese (4.25) or South Korean

respondents (4.30). Consumption behavior did not significantly vary by nationality.

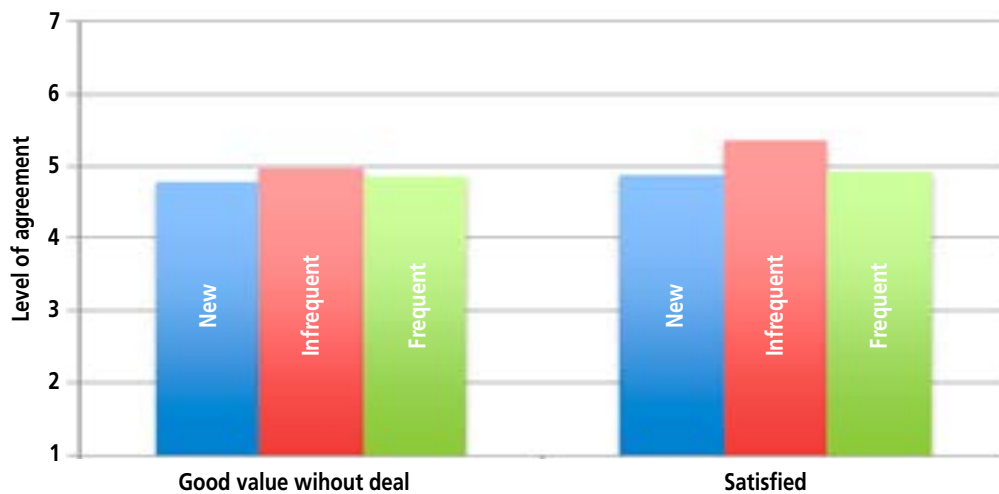
**Service experience.** We received a clear signal from our respondents who were frequent customers that they felt they were treated like second-class customers when they used the deal (frequent customers: 4.48; infrequent customers: 4.06; new customers: 3.59). In turn, that it made them think less of the hotel (frequent customers: 4.36; infrequent customers: 4.35; new customers: 3.84) (Exhibit 9). There were no significant differences in service treatment by nationality.

**Cannibalization and new customers.** Respondents indicated that they would have gone to the hotel

Assessment of service experience: Frequent, infrequent, and new customers



Assessment of satisfaction: Frequent, infrequent, and new customers



even without the daily deal (4.71). There was no significant difference by type of guest in that connection, but compared to the other nationalities Indian respondents were much more likely to agree that they would have gone to the hotel without the deal (5.49). Repeat guests, by contrast, were significantly more likely to aver that they would only stay at the hotel if it offered a deal (frequent, 4.87; infrequent, 4.78), as compared to new guests (4.13) (Exhibit 10). There were no other significant differences by nationality. Counter intuitively, daily deals seem to be more effective in bringing first time users back.

**Satisfaction:** On balance, the hotels delivered on their service promise. We found no significant differences in satisfaction levels by nationality, and respondents were overall

quite satisfied with their daily deal experience (frequent: 4.93; infrequent: 5.35; new: 4.87).

As another indication of possible cannibalization, respondents also indicated that the hotel would have provided good value even without the deal (frequent: 4.85; infrequent: 4.98; new: 4.79) (Exhibit 11). As compared to participants from other nations, Indian respondents were most likely than respondents from other countries to indicate satisfaction with their experience (5.94) and to indicate that the hotel provided good value without the deal (5.58).

Surprisingly, infrequent customers reported the highest satisfaction levels. We wonder if there is a diminishing effect of deals that may confuse the hotel’s value proposition if used too often.

EXHIBIT 12

Patronage and referral intentions: Frequent, infrequent, and new customers

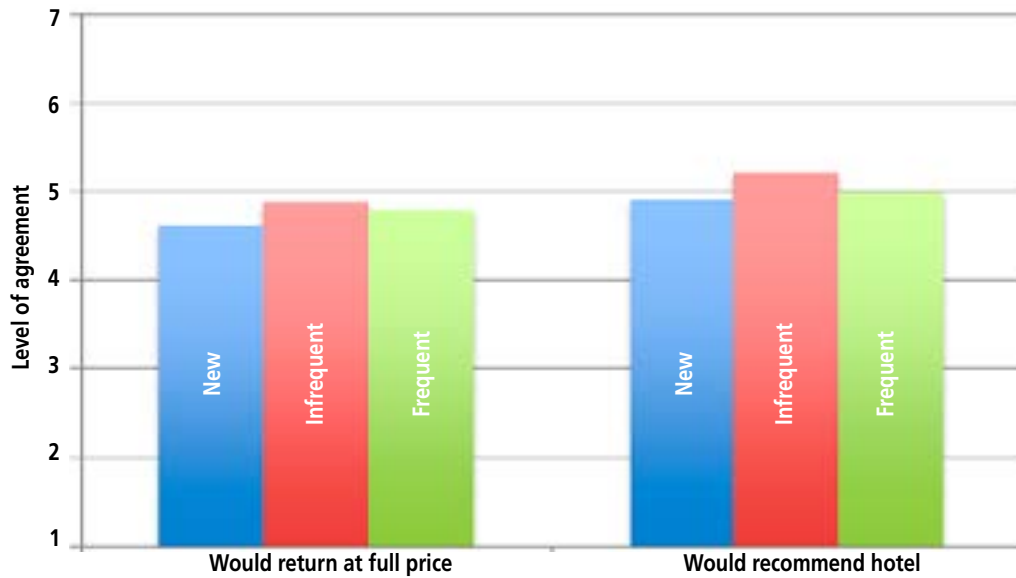
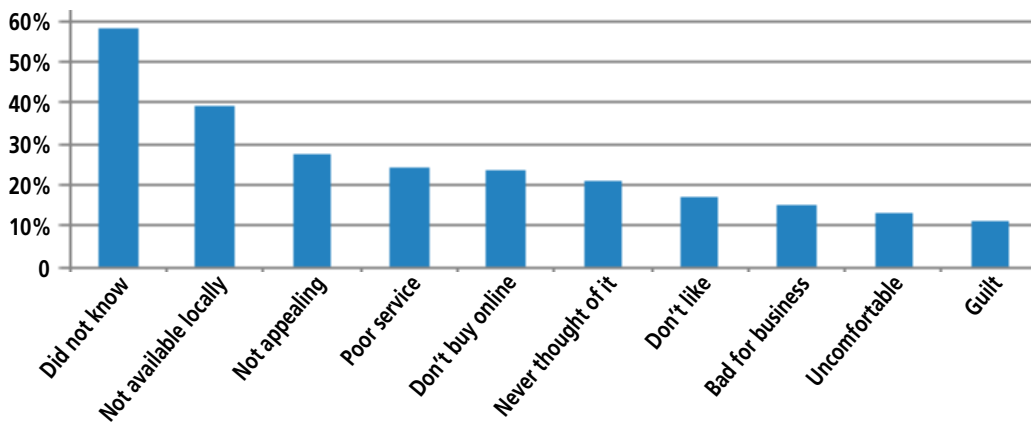


EXHIBIT 13

Reasons for not purchasing a daily deal



**Referral intentions.** Respondents in all three categories were equally likely to recommend the hotel to friends (frequent: 5.00; infrequent: 5.58; new: 4.91) and said they would return to the hotel even if they paid full price (frequent: 4.81; infrequent: 4.89; new: 4.63) (Exhibit 12). Indian respondents were more likely to recommend the hotel to friends (5.87) than were Japanese respondents (4.20). Indian respondents were also more likely to indicate that they would return to the hotel even if they had to pay full price (5.49). Again, infrequent customers reported the highest

intent to refer, which again calls into issue the potential for deals to muddy the hotel's value proposition.

**Why They Hadn't Done the Deal**

We asked the respondents who had never purchased a hotel daily deal why they had not done so (Exhibit 13). The most frequent reasons were that they did not know about such deals (58.0%), that deals were not available in their area (39.1%), and that businesses that offered this sort of promotion were not appealing to them (27.8%).

## Questionnaire constructs and items

Construct	Items	Cronbach's Alpha
Buying Impulsiveness	I often buy things impulsively.	.824
	I buy things according to how I feel at the moment.	
	"Buy now, think about it later" describes me.	
	Sometimes I am a bit reckless about what I buy.	
Tightwad-Spendthrift Scale	Which of the following descriptions fits you better (1 = tightwad, 11 = spendthrift)	
Market Maven	I like helping people by providing them with information about many kinds of products.	.848
	My friends think of me as a good source of information when it comes to new products or services.	
	I like introducing new brands and products to my friends.	
Relational Orientation	When I find a brand I like, I tend to remain loyal to it for a long time.	.831
	I like to develop long-term relationships with products and brands I like.	
	I am loyal to companies that treat me well.	
Value Consciousness	When purchasing a product, I always try to maximize the quality I get for the money I spend.	.847
	When I buy products or services, I like to be sure I am getting my money's worth.	
	I always check prices at the grocery store to be sure I am getting the best value for the money I spend.	
Coupon Proneness	I enjoy using coupons regardless of the amount I save by doing so.	.809
	I am more likely to buy brands for which I have a coupon.	
	Coupons have caused me to buy products that I normally would not buy.	

### Factors Driving Choice

We also examined which customer personality traits were associated with daily deal purchases, and whether these traits varied by daily deal use and nationality.<sup>16</sup> Respondents were presented with seventeen different statements about six different characteristics and asked to indicate their level of agreement with each on a 7-point scale (see Exhibit 14).

**Buying impulsiveness.** As we expected, daily deal users had a significantly higher buying impulsiveness (4.45)

<sup>16</sup> We again used a one-way ANOVA to compare the results. All results presented as significant were statistically significant at  $p < 0.05$ .

than non-users (4.22). Buying impulsiveness did not vary by nationality.

**Spendthrifts.** Again as expected, daily deal users scored higher than others on the 11-point Tightwad-Spendthrift scale and were significantly more likely to love to spend money (7.11) than non-users (6.48). Unlike impulsiveness, the propensity to spend money did vary by nationality. Indian respondents (8.15) and Chinese respondents (7.47) were significantly more likely to want to spend money, compared to respondents from other countries (Indonesia, 6.06; Japan, 6.47; South Korea, 6.32), who were more reticent to spend. (Exhibit 15).



EXHIBIT 15

Tightwad-Spendthrift scale by country (self-reports)

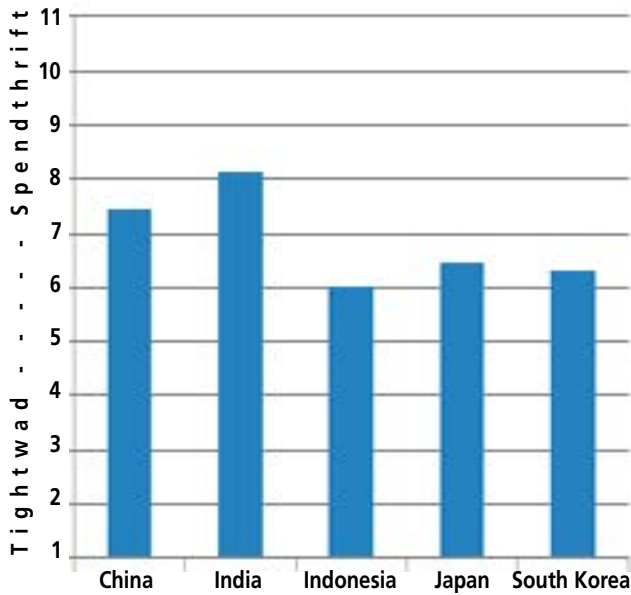


EXHIBIT 16

Market maven behavior by country

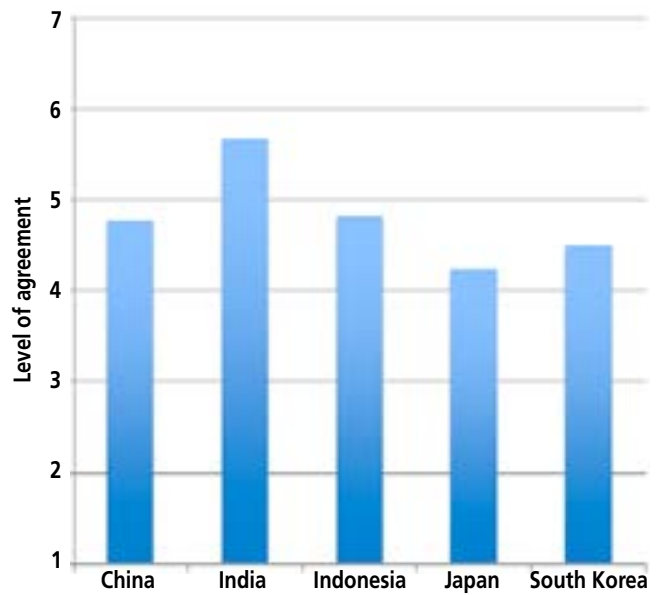
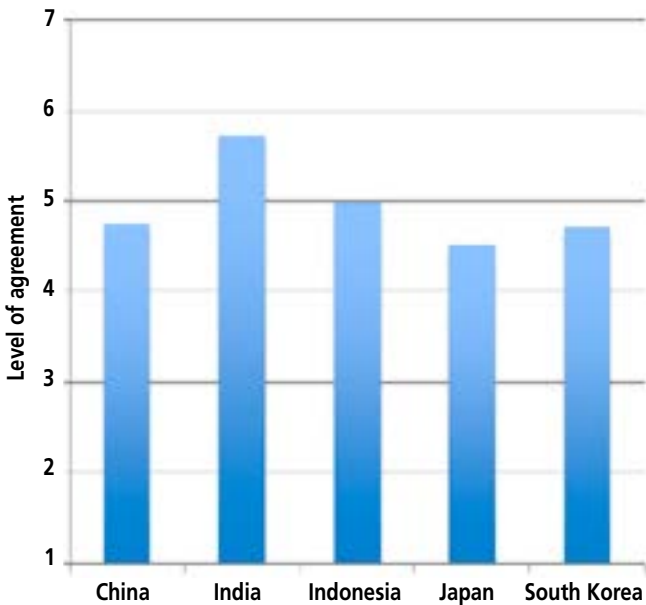


EXHIBIT 17

Relational orientation (loyalty) by country



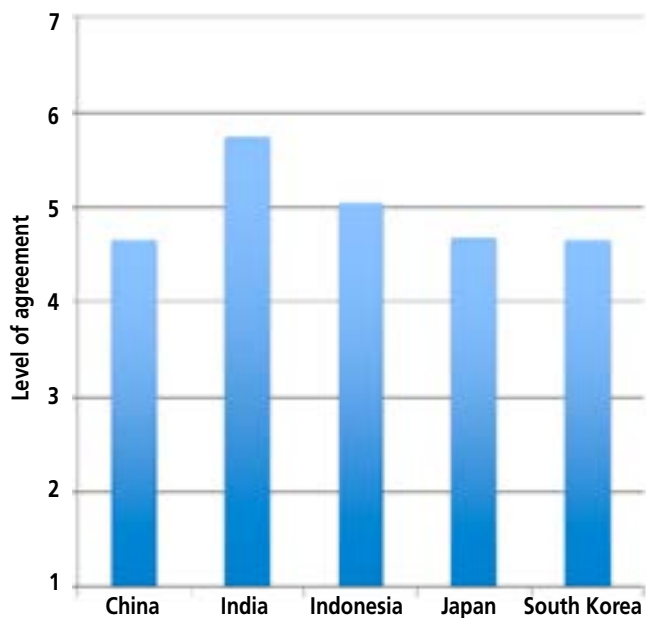
**Market mavens.** Daily deal users were significantly more likely to be a market maven (4.92) than were non-purchasers (4.58). This indicates that there may be a “social utility” benefit from daily deal participation, giving users “bragging rights” once they have purchased a deal. The tendency to be a market maven also varied by nationality

(Exhibit 16). Indian respondents were significantly more likely to be a market maven (5.66) than respondents from other countries. Japanese respondents were the least likely to be a market maven (4.24). This may be an indicator of a cultural “volubility,” where Indians like to talk more about their experience, and the Japanese less so.

**Relational orientation.** Daily deal users have been accused of being fickle and only loyal to the next deal, but our results show that this is not the case. There was no significant difference in relational orientation between deal users (4.97) and non-users (4.89). Relational orientation did, however, vary by nationality (Exhibit 17). Indian respondents were more likely to have a relational orientation (5.73) than respondents from other countries. Japanese respondents had the lowest relational orientation (4.52).

**Value consciousness and coupon proneness.** We hypothesized that daily deal users would have higher value consciousness and coupon proneness than non-users. To the contrary, we found no significant differences in value consciousness between users and non-users (users: 5.69; non-users: 5.62), although daily deal users did have a higher propensity to use coupons (users: 4.85; non-users: 4.32). Value consciousness varied by country, with Indian respondents having the highest level of value consciousness (5.73) (Exhibit 18). In addition, Indian respondents were significantly more likely to exhibit coupon-prone behavior (4.93) (Exhibit 19). Not surprisingly, the two indicators work in tandem by country: the more value conscious a customer, the more prone they are to use coupons.

## Value consciousness by country



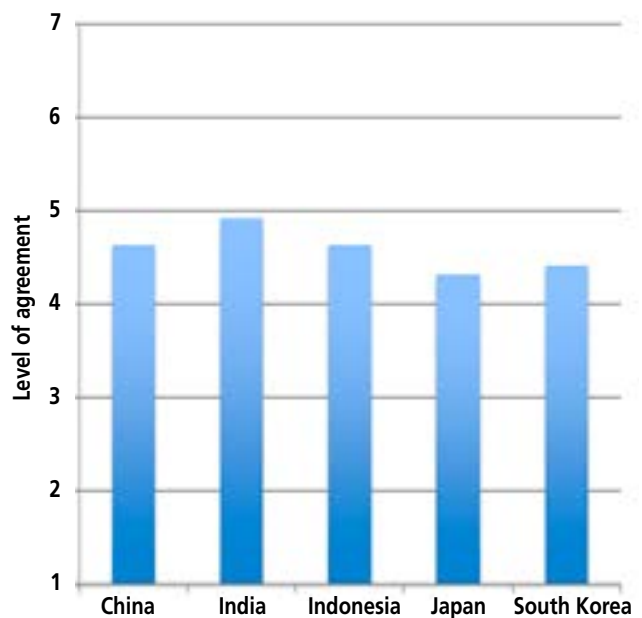
## Implications

Cannibalization remains a major issue for hotels offering daily deals. Indeed, we found strong evidence of cannibalization, since only 27 percent of customers were new and over half of the customers who purchased the coupon were already regular customers of the hotel. Cannibalization was more pronounced in China and South Korea, but was not as much of an issue in Japan since nearly half of the guests were new to the hotel. As has occurred in other studies, we conclude that hotels should be cautious when designing a social coupon promotion.

**Intent to return and recommend.** Perhaps counterbalancing the cannibalization issue is the promotional value of bringing these guests into the hotel. We say this because our respondents were likely to return to the hotel even if they had to pay full price, and they were also likely to recommend the hotel to friends. Combined with the finding that daily deal users are more likely to be market mavens than non-users, these conclusions suggest that it would behoove hotels that are using daily deals to make it easy for daily deal users to recommend the hotel, perhaps by encouraging them to post their experience on a social media site or by providing some sort of incentive to assist the hotel in generating incremental revenue.

This behavior was particularly pronounced for Indian respondents, who were significantly more likely to recommend the hotel to friends and were also more likely to say they would return to the hotel at full price. Not surprisingly, Indian respondents were much more likely to be market

## Coupon-prone behavior by country



mavens. This may imply that hotels catering to Indian consumers should pay particular attention to making it easy for their guests to recommend the hotel to others. On the other hand, given the significantly lower intent to recommend and market maven behavior of the Japanese respondents, it seems that the promotional opportunity might not be as substantial for hotels that cater to Japanese guests.

**Spending behavior.** We have no way of determining whether the additional spending and consumption by daily deal users offset the cannibalization effect, but we do note that the extra spending was particularly noteworthy for regular guests of the hotel. Combined with the fact that daily deal users are significantly more likely to love to spend money and that they tend to be impulsive buyers, this suggests that hotels using social coupon promotions should be sure to promote their other services to daily deal users, especially their regular guests, since it is likely that they have a higher likelihood of purchasing them.

Indian respondents were significantly more likely to spend more than Japanese and South Korean respondents were and, along with the Chinese respondents, those from India were also significantly more likely to love to spend money. This may imply that hoteliers should pay particular attention to offering additional services for a fee to their Indian and Chinese guests since they have a higher propensity to spend.

**Loyalty issues.** Our study indicates that concerns about the loyalty of daily deal users may be overstated. The relational orientation of daily deal users in this study was essen-

## Summary findings and implications for hoteliers

Key Finding	Implications
Only about half of customers using daily deals were regular guests of the hotel.	Consider restricting deal usage to new customers. Structure deals in such a way as to maximize additional spending.
Only about a quarter of daily deal guests were new to the hotel.	Plan how to convert these new customers into repeat customers.
There is no difference in the relational orientation of daily deal users and non-users.	If daily deal customers are treated well, they're likely to return since they like to build long-term relationships with companies.
Daily deal customers are more likely to recommend the hotel to others.	Encourage daily deal customers to post reviews and to tell their friends and family about their experience.
Daily deal customers are more likely to like to spend money.	Encourage the purchase of other hotel services.
Customer behavior and personality varies by nationality.	Consider how to structure your marketing message differently for each nationality.

tially the same as that of non-users, except for respondents from India, who maintained a significantly higher relational orientation. This implies that operators should perhaps offer daily deal guests some sort of incentive to enroll in a loyalty program.

**Brand equity.** On the other hand, operators' concern that offering a daily deal may harm their brand image seems at least somewhat rooted in fact, based on the following findings. Repeat guests were significantly more likely to feel as though they were treated like second class citizens when they were using the daily deal coupon, and further they said that this made them think less of the hotel. To prevent this problem, operators should ensure that staff is trained to treat all guests in a similar fashion, regardless of the promotion they are using. Research has shown that proper preparation and training of staff prior to the launch of a daily deal is a key to the success of that promotion.

**Value consciousness.** Perhaps one of the most puzzling findings is that daily deal users and non-users were equally likely to be value conscious. At the same time, the daily deal customers were satisfied with their experience on balance and indicated that the hotel would have provided good value even without the deal. As we noted, both of these findings are particularly true of our respondents from India.

**Coupon-prone behavior.** Value consciousness and impulsiveness feed into daily deal users' preference for coupons, particularly Indian respondents. Perhaps operators could encourage additional spending at the hotel by providing some sort of coupon or promotion for selected services—structuring the offer in a profitable way that results in incremental sales. It seems that, given the coupon proneness of daily deal users, such an approach might lead to ancillary revenue increases.

### Limitations of the Research

Self-reporting and a relatively small sample are two of the major limitations of this study. As with all surveys, the responses were self-reported. It is possible that respondents' actual experiences and attitudes are different than how they responded. All findings were statistically significant as stated, although the sample numbered just 100 persons per country. Different results may have been obtained if a truly representative sample from each country had been used. Moreover, the study was only conducted for the hotel industry and only conducted in Asia. Given that the combined populations of the five countries in this study account for approximately 40 percent of the world's population, it seems wise to study this immense market.

### Directions for Future Research

The results of our study lead to a number of interesting additional research questions, the answers to which would prove valuable for hotel operators. One of the most striking things about our results is the diverse responses by nationality. Most research on international differences has focused more on the differences between Western consumers and Asian consumers, but this study finds noticeable differences among consumers from different Asian countries. Future research should delve further into this area to determine the underlying reasons for these differences. The results of this research would help hotels offer more appropriate services and also better market to people from different parts of Asia. This is particularly important given expectations of continued growth there.

It would also be interesting to study the experience and assessment of hotel operators regarding daily deals. We wonder whether hotel operators fully appreciate the relational

Significant differences between national groups on key characteristics

		Market Maven	Spendthrift-Tightwad	Relational Orientation	Value Consciousness	Coupon Proneness
China	India	★		★	★	
	Indonesia		★			
	Japan	★	★			
	South Korea		★			
India	China	★		★	★	
	Indonesia	★	★	★	★	
	Japan	★	★	★	★	★
	South Korea	★	★	★	★	★
Indonesia	China		★			
	India	★	★	★	★	
	Japan	★		★		
	South Korea					
Japan	China	★	★			
	India	★	★	★	★	★
	Indonesia	★		★		
	South Korea					
South Korea	China		★			
	India	★	★	★	★	★
	Indonesia					
	Japan					

Note: Starred cells indicate that Tamhane post-hoc test is significant at  $p < .05$  level. Consumers in the nations listed in the first column scored significantly higher than those in the second column when the star is red (★) and significantly lower when the star is blue (★). Thus, the Chinese respondents scored lower on the “market maven” criterion than did respondents from India, but the Chinese scored higher than the Japanese on the market maven attributes.

orientation and spending propensity of these customers and are consequently missing marketing opportunities.

We focused on daily deals here, but such offers are, of course, just one form of promotion. It would be useful to study the profitability of different types of promotions, as well as customers’ reactions to other types of promotion. The result would help operators make more informed decisions on which types of promotions to offer and who should receive the promotions. A related study would be to assess whether the personality traits that we discovered for daily deal users are similar for users of other types of promotions.

Finally, this study examined respondents for only one industry in one part of the world, albeit in five diverse nations. It would be useful to expand this to other industries and other parts of the world to see if the results are generalizable, and also to repeat this study with a larger pool of respondents.

Summary and Conclusions

Based on our study of consumers in China, India, Japan, South Korea, and Indonesia, we found that hotel daily deals are fairly popular in Asia. Over a third of our respondents had recently purchased a hotel daily deal, and these offers were particularly popular in China and South Korea, although not as popular in Japan. The evidence on how well these promotions work is mixed (see Exhibits 20 and 21). It seems that the deals invited cannibalization of frequent guests, but that issue was at least partly offset in some nations by greater spending and referrals by those guests.

As far as we know this is the first investigation of daily deals in the five most populous Asian countries. By offering insights into who buys these deals, why they buy, and how they evaluate their experience, we give hoteliers guidelines to improve their offers for greater guest retention and profitability. ■

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