

Luxe for Less: How Do Consumers React to Luxury Hotel Price Promotions? The Moderating Role of Consumers' Need for Status

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Abstract

As an emerging distribution channel, online discount websites are gaining popularity among luxury hotels. However, little guidance on the effectiveness of such price promotions in luxury hotels is provided in the extant literature. Building on the status consumption theories, we examine the joint effects of price promotions and need for status (NFS) on consumers' attitudes toward the hotel as well as their intentions to return. Our results indicate that consumers who are high in NFS exhibit less favorable attitudes toward the luxury hotel and a lower likelihood to return on having learned that the hotel plans to implement price promotions through discount websites. On the contrary, customers who are low in NFS are unaffected by the presence of price promotions via discount websites. Therefore, luxury hotels that traditionally attract consumers high in NFS need to be aware that using price promotions via discount websites might have a detrimental effect on consumers' perceptions of the hotel.

Keywords

luxury hotel; price promotions; status consumption; need for status

The luxury segment of the lodging industry has experienced substantial growth in the past decade. According to the global luxury hotels market report (Market Publishers 2013), the luxury travel market has experienced strong growth since 2011 and this growth is expected to continue over the next five years. Similarly, the Smith Travel Research Quarterly Hotel Review shows that the luxury segment has the highest occupancy rate (75.5%) in the third quarter of 2013, followed by the upscale (75.2%), and the upper upscale segments (74.9%). The key drivers for luxury hotels' strong performance include the increasing number of high net worth individuals globally and the emergence of new distribution channels such as discount websites and flash sale websites (e.g., Groupon Getaways, Jetsetter, Luxury Link; Market Publishers 2013).

Most hotels need to deal with issues of unused capacity. As hotel rooms are perishable and cannot be stored for later sale, an increasing number of hoteliers have started using price promotions such as discount pricing (e.g., luxurylink.com); opaque pricing, in which the identity of the service provider is hidden until the purchase is finalized (Kang, Brewer, and Baloglu 2007); and flash sales pricing (e.g., Groupon Getaways, Jetsetter), to sell their unsold room inventory. In fact, certain price promotion tools such as flash sale websites and hotel bidding websites have become increasingly popular. These websites mainly serve as an

online platform for the "flash sales" method and offer limited-time availability of products with discounted prices (Ostapenko 2013). Introduced in the early 2000s, flash sale websites began to proliferate by late 2006 with the advent of social media (Piccoli and Dev 2012). Hundreds of restaurant and hotel firms have jumped onto this bandwagon. A survey of approximately 200 international hospitality practitioners indicates that 42 percent had tested a flash deal promotion and some of those companies had offered numerous flash deals (Piccoli and Dev 2012). For example, LivingSocial Escapes—a travel deal website—partnered with more than 800 different properties and sold more than 600,000 room nights around the world in one year (LivingSocial 2011). Undeniably, partnering with these flash sale websites can help firms to quickly remove their unsold inventory (Ostapenko 2013). However, the impact of such practices on consumers' attitudes toward the firm

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remains unclear. Montaner and Pina (2008) suggest that the positive short-term results associated with price promotions may lead to some negative effects such as lower future price expectations (Kalwani and Yim 1992) and a tarnished brand image (Mela, Gupta, and Jedidi 1998; Raghurib and Corfinan 1999).

As premium prices and a prestigious image are critical features of luxury products, we expect that luxury consumers may react negatively to price promotions, resulting in less favorable attitudes and lower intentions to return. Therefore, the current study sets out to understand the effect of price promotions on customers' evaluations and perceptions of luxury hotels. More importantly, we argue that an individual-level trait—need for status (NFS)—will moderate the impact of price promotions on luxury consumers' reactions. Although consumers low in NFS may not have a strong negative reaction toward price promotions, such an effect will be salient among customers high in NFS. Customers high in NFS mainly consume luxury products to signal their wealthy identities (Han, Nunes, and Drèze 2010; Yang and Mattila 2013); therefore, they will perceive the image of the luxury hotel to be contaminated by price promotions catering to less wealthy customers.

To recap, the purpose of this research is to investigate the joint effects of price promotions and the consumer's NFS on his or her attitude toward and intention to return to a luxury hotel. The findings of this study will help luxury hotels understand the consequences of their discounting practices across two different market segments—individuals with high and low NFS.

Literature Review

Price Promotions

Price promotion is a type of sales promotion that usually includes price discounts and coupons. In general, sales promotions comprise a wide variety of promotional tools (Huff, Alden, and Tietje 1999), such as price promotions and non-monetary promotions, and sales promotions are believed to have positive effects on product evaluations and purchase intentions (Chang 2009; Cotton and Babb 1978; Rothschild and Gaidis 1981; Taylor and Long-Tolbert 2002; Tietje 2002). Such promotions typically involve short-term incentives to stimulate purchase behaviors (Kotler 2002). Although non-monetary promotions such as free gifts and contests are gaining popularity in recent years, price promotions are still the most common form of sales promotions used by companies (Montaner, de Chernatony, and Buil 2011).

According to extant research, the effect of sales promotions on customer evaluations and perceptions may differ depending on the type of promotional tools used (Montaner and Pina 2008). Although non-monetary promotions do not damage brand image and may even help to reinforce brand equity, price

promotions may have a detrimental effect on customers' perceptions of a brand (Montaner, de Chernatony, and Buil 2011; Montaner and Pina 2008; Palazón-Vidal and Delgado-Ballester 2005). Because price promotions are directly related to a lower purchase price, they may reduce consumers' future reference prices and damage the brand image (Campbell and Diamond 1990; Kalwani and Yim 1992).

The current study investigates the effect of price promotions on customers' evaluations of luxury hotels. Extant research suggests that consumers may react positively toward a price promotion because it may induce positive feelings (e.g., the entertainment value of participating in sweepstakes and contests) and increase opportunities to explore new products (Chandon, Wansink, and Laurent 2000). In addition, consumers may exhibit a favorable attitude toward price promotions due to their perceived monetary savings, reduced effort in purchase decisions, and increased value perceptions (Chandon, Wansink, and Laurent 2000). Moreover, price promotions tend to have a positive impact on purchase volume (Christou 2011; Helsen and Schmittlein 1992; Morphis 1978; Susskind, Reynolds, and Tsuchiya 2004). However, prior research has also identified some negative consequences of price promotions (Buil, Martínez, and de Chernatony 2013; Montaner and Pina 2008; Muller 1997; Palazón-Vidal and Delgado-Ballester 2009). First, previous studies demonstrate that perceived quality of a brand is negatively related to price promotions because consumers use price as a quality cue (Chang 2009; Suri, Manchanda, and Kohli 2000; Yoo, Donthu, and Lee 2000). Second, price promotions do not lead to brand loyalty, although they are consistently found to enhance temporary brand switching (Gupta 1988). Customers are momentarily attracted to the brand by the transaction utility provided by price promotions. Once the deals end, they lose interest in the brand and switch to the next best deal (Yoo, Donthu, and Lee 2000). Third, discounted prices may increase consumers' price sensitivity (Suri, Manchanda, and Kohli 2000). Price promotions may result in lower expected prices (Kalwani et al. 1990) and increase consumers' reluctance to pay high prices (Krishna 1991). More importantly, price promotions can erode brand associations. Previous research has shown a negative relationship between price promotions and brand image (Montaner and Pina 2008; Muller 1997).

Price promotions typically increase the importance of price in brand choice, which in turn hurts the long-term brand associations (Buil, Martínez, and de Chernatony 2013; Winer 1986). We argue that the negative impact of discounted prices on brand image is particularly salient in the context of luxury consumption. When luxury hotels implement price promotions through discount websites or flash sale websites, the company's brand image might be threatened. Yet, we further propose that consumers' reactions to such price promotions depend on their levels of NFS.

NFS and Luxury Consumption

Consumers' NFS is defined as "the motivational process by which individuals strive to improve their social standing through conspicuous consumption of consumer products that confer and symbolize status both for the individual and surrounding significant others" (Eastman, Goldsmith, and Flynn 1999, 42). Simply put, NFS refers to a consumer's intention to elevate his or her social status by purchasing luxury products. Moreover, NFS has been consistently identified as an important motivator of luxury consumption (Kastanakis and Balabanis 2012; Shukla 2012a; Vigneron and Johnson 1999, 2004; Wiedmann, Hennigs, and Siebels 2007, 2009). Status seekers tend to purchase luxury products to display power and signal their wealthy identities. In fact, the research on consumers' NFS can be dated to 1899, when Veblen published his famous book *The Theory of the Leisure Class*.

In his book, Veblen ([1899] 1994) argues that people crave social status by showy displays. They consistently compare themselves and compete with each other for material resources. Individuals who can afford more expensive products and who are more wasteful are perceived to be in a higher social class. Veblen further argues that in such a pecuniary social competition, people tend to climb the social ladder by mimicking the consumption behaviors of people in a higher social class while distancing themselves from people in a lower class (Veblen [1899] 1994).

Recent research suggests that not all consumers engage in luxury consumption to signal social status. Instead, consumers' NFS can be perceived as an individual trait (Eastman and Eastman 2011; Eastman, Goldsmith, and Flynn 1999; Han, Nunes, and Drèze 2010; Kastanakis and Balabanis 2012). For example, Kastanakis and Balabanis (2012) reveal a relationship between self-construal and NFS. Self-construal refers to how the self is defined and the relationship between the self and others. People with an independent self-construal tend to define the self as an autonomous independent person and focus on self-related goals. In contrast, individuals with an interdependent self-construal tend to define the self according to their relationships with others and are usually concerned about how they appear to the rest of society (Markus and Kitayama 1991; Sirgy 1985; Wong and Ahuvia 1998). Kastanakis and Balabanis (2012) demonstrate that people with an independent self-construal tend to be low in NFS whereas people with an interdependent self-construal tend to be high in NFS. Similarly, Han, Nunes, and Drèze (2010) suggest that luxury consumers can be grouped based on their NFS level, and people who are high in NFS exhibit different luxury consumption behaviors than their counterparts low in this trait.

Prior research suggests that NFS can influence consumers' choice processes and behaviors. For example, Han, Nunes, and Drèze (2010) show that consumers high in NFS

prefer handbags with prominent brand logos, tend to accumulate expensive possessions, and conspicuously display their luxury consumption objects (Yang and Mattila 2014). In addition, considering the inseparability of fellow consumers in the hospitality consumption experiences, NFS may also influence consumer behaviors during the consumption stage. For example, the findings from Walls et al.'s (2011) qualitative study in the luxury hotel context suggest that consumers expect fellow guests to be dressed properly and to share a similar social class. As consumers high in NFS are motivated to dissociate from their less affluent counterparts, they might be highly sensitive to the presence of less affluent consumers during the consumption experience. As an initial attempt to extend the notion of NFS to the context of luxury hotel price promotions, the current study focuses on the pre-consumption stage rather than examining direct customer-to-customer interactions.

Consumers' NFS and Price Promotions

Belk (1988) suggests that consumers purchase certain products not only for what they do but also for what they symbolize (Belk 1988; Belk, Bahn, and Mayer 1982). When purchasing a product that has symbolic value, people prefer to make choices that can effectively signal their desired identities. If a dissimilar group starts purchasing the same product, consumers tend to exhibit negative attitudes toward the product or abandon their original choices (Berger 2008; Berger and Heath 2007, 2008). In other words, people are more likely to react negatively if they use a product to communicate an identity and if the adopters are from dissimilar out-groups.

Consumers who are high in NFS, strive for status and tend to mark their social status by showy displays of material abundance. They purchase luxury products to signal wealthy identities. Consequently, they are expected to exhibit strong dissociative motives and avoid choosing the same product associated with the less affluent consumers. Han, Nunes, and Drèze (2010) indeed reveal that consumers high in NFS display a strong desire to distance themselves from less affluent consumers and tend to abandon the original choices if the less affluent start purchasing the same product (Yang and Mattila 2014).

Price promotions through discount websites inevitably induce bookings from the less affluent, thus changing the composition of the guest mix. As consumers who are high in NFS strive for social status and tend to mark their wealthy identities through luxury consumption, they are likely to perceive the luxury image of a hotel to be contaminated by discount pricing strategy because it invites the infringement of dissimilar groups. In other words, staying at a tainted luxury hotel will no longer help them to signal desired identities (Berger and Heath 2008). To avoid the costs of misidentification, consumers who are high in NFS are expected

to show strong negative attitudes toward a luxury hotel with price promotions and will be less likely to return to such a property. We thus propose the following:

Hypothesis 1 (H1): Consumers who are high in NFS will exhibit a less favorable attitude toward a luxury hotel when the hotel uses price promotions (vs. not).

Hypothesis 2 (H2): Consumers who are high in NFS will be less likely to return to a luxury hotel when the hotel uses price promotions (vs. not).

Conversely, consumers who are low in NFS are not motivated to signal wealthy identities or distance themselves from lower classes through luxury consumption. For example, Han, Nunes, and Drèze (2010) reveal that consumers who are low in NFS do not attempt to dissociate themselves from their less affluent counterparts. People who are low in NFS may stay at luxury hotels to seek other benefits such as hedonic enjoyment and quality service (Vigneron and Johnson 1999, 2004). Therefore, the mere fact that less affluent consumers can afford staying at the same luxury property is not expected to trigger negative reactions among consumers low in NFS:

Hypothesis 3 (H3): Consumers who are low in NFS will exhibit similar attitudes toward a luxury hotel regardless of the presence/absence of price promotions.

Hypothesis 4 (H4): Consumers who are low in NFS will exhibit similar intentions to return to a luxury hotel regardless of the presence/absence of price promotions.

Method

Study Design

A 2 (price promotion: present vs. absent) $\times$ 2 (consumers NFS: low vs. high) quasi-experimental between-subjects design was used. Consumers' NFS was measured using Eastman, Goldsmith, and Flynn's (1999) scale. At the beginning of the survey, all respondents were asked to read the following scenario:

You and a friend are planning for a three-day weekend getaway. When you look up hotels on the internet, you find a luxury resort hotel with great reviews. This hotel provides a sophisticated atmosphere of peace and harmony. All the suites and rooms have been carefully decorated, and are fitted with modern commodities, which seem pleasant and comfortable. International cuisine is offered in a premiere restaurant at the hotel, led by renowned Chef, J.P. Ranjeva, who operates an array of restaurants across the country. Also, various archeological sites near this area could enrich the travel experience with history and culture.

This basic scenario highlighted the luxury elements at the property without naming a specific hotel brand. It was

designed to control for potential confounding factors such as consumers' attitudes toward a specific luxury brand and consumers' emotional bonding with a specific luxury hotel.

Next, all respondents were randomly assigned to either a price promotion present group or price promotion absent group. Both groups were told to imagine that during their flight to the destination, they read an article in the in-flight magazine that featured the hotel they booked. The article in the price promotion group stated that the luxury hotel plans to enter the mass market by providing discounted room rates on online booking websites and flash sale websites. The article in the price promotion absent group simply reiterated the luxury image of the hotel by stating that the hotel has been recently rated as one of the top three luxury resort hotels in the United States. Having read the above scenario, participants were asked to indicate their attitudes toward the hotel they booked and their intentions to return.

Participants

Respondents were recruited through an online research company in May 2013. They were invited to participate in a research project regarding their buying behavior of luxury products. Previous luxury buying behavior was selected as a screening criterion. Respondents who had purchased luxury hospitality services in the past 12 months were recruited in the current study. Examples of luxury hospitality services were provided at the beginning of the survey (e.g., Morton's, Ruth Chris', three-star Michelin restaurants, Mandarin Oriental, Ritz-Carlton). A total of 209 valid responses were collected ($N = 106$, in price promotion present condition, and $N = 103$ in price promotion absent condition).

Among the participants, 122 were male (58.4%), 152 were Caucasian (72.7%), 191 had some college education or higher (91.4%), and the majority had an annual household income between \$50,000 and \$150,000 (56.5%) and were between the ages of 24 and 44 (65.1%). Although the income range might look relatively low, we believe that our sample is appropriate for the current study for two reasons. First, as revealed by Han, Nunes, and Drèze (2010), high-NFS consumers tend to have a lower income than low-NFS consumers. Therefore, our sample is able to capture both types of NFS consumers. Second, as suggested by Granot, Russell, and Brashear-Alejandro (2013), luxury marketers do not necessarily focus on the ultra-rich but rather aim at those who would like to pay a premium price or who have purchased luxury products in the past. Middle class, or even lower income class, is buying luxury products and they are willing to occasionally splurge by staying at a luxury resort or dining at a fine-dining restaurant (Gustafson 2013; Lomsadze 2013; Yankelovich/Futures Company 2010).

Measures

Consumers' NFS was measured using Eastman, Goldsmith, and Flynn's (1999) five-item, Likert-type scale (e.g., "I would buy a product just because it has status"; 1 = *strongly disagree*, 7 = *strongly agree*; Cronbach's $\alpha = .91$). Consumers' attitude toward the luxury hotel was captured through a three-item, 7-point semantic differential scale adapted from Mattila (2004; bad/good; negative/positive; unfavorable/favorable; Cronbach's $\alpha = .99$). Intention to return was assessed by two items adapted from Karmarkar and Tormala (2010; e.g., "Please indicate how much you think you would like staying at this hotel when you next travel to the same destination"; "Please indicate how interested you would be staying at this place next time you travel to the same destination"; 1 = *not at all*, 7 = *extremely so*; $r = .97$, $p < .001$). The manipulation checks for each scenario's efficacy involved two 7-point scales anchored at 1 = *strongly disagree* to 7 = *strongly agree*. For price promotions, we used "The hotel in the scenario is going to provide discount prices." For realism, we used "The situation described in the scenario seems realistic." Socio-demographic questions were captured at the end of the questionnaire.

Results

Consumers' Attitude toward the Luxury Hotel

We first ran a manipulation check to ensure the efficacy of our scenarios. Participants perceived the scenarios to be highly realistic as indicated by an average rating of 5.60 on a 7-point scale, and there was no significant difference between the price promotion present group and absent group ($M = 5.56$, for price promotion present group, $M = 5.61$, for price promotion absent group, $t = 0.26$, $p = .79$). In addition, participants in the price promotion group rated significantly higher ($M = 5.83$) on the price promotion manipulation check question than their counterparts in the price promotion absent group ($M = 1.74$, $p < .001$). Taken together, the results from these manipulation checks suggest that our manipulations were effective.

To test H1 and H3, a moderated regression analysis along with a spotlight analysis was conducted (Aiken and West 1991; Fitzsimons 2008; Irwin and McClelland 2001; West, Aiken, and Krull 1996). Price promotion was dummy coded as *yes* = 1 and *no* = 0. Consumers' NFS was mean centered. We then performed a regression on consumers' attitudes toward the hotel with the following independent variables: (1) dichotomous variable for price promotion, (2) mean-centered NFS score, and (3) interaction term between price promotion and centered NFS. The results (see Exhibit 1) indicated that the main effect of price promotion ($b = -0.411$, $t = -1.219$, $p = .224$) and NFS ($b = 0.251$, $t = 1.640$, $p = .103$) was insignificant, whereas a two-way interaction between

Exhibit 1:

Regression Results of Attitude on Price Promotion and Need for Status.

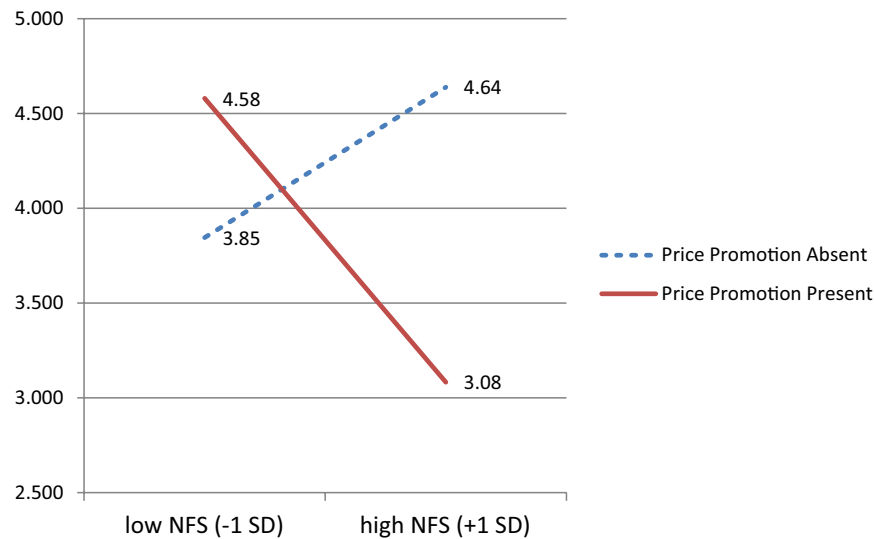
Model	Unstandardized Coefficients		Standardized Coefficients		t	Significance
	B	SE	β			
(Constant)	4.272	.246			17.373	.000
1 Price promotion	-0.413	.345	-.083		-1.195	.233
Need for status	-0.120	.110	-.076		-1.094	.275
(Constant)	4.242	.240			17.676	.000
2 Price promotion	-0.411	.337	-.082		-1.219	.224
Need for status	0.251	.153	.159		1.640	.103
Price $\times$ Status	-0.725	.214	-.328		-3.388	.001

NFS and price promotion was significant ($b = -0.725$, $t = -3.328$, $p < .01$). This interaction is visualized in Exhibit 2.

To further explore the interaction, we used a spotlight analysis to examine the effect of price promotion at one standard deviation above and below the mean of NFS. Spotlight analysis is recommended as a more appropriate approach than analysis of variance (ANOVA), with a median split to examine the interaction effect between a continuous variable and a categorical variable (Fitzsimons 2008; Irwin and McClelland 2001). This technique helps illustrate significant interactions at different levels of a continuous variable. A spotlight analysis at one standard deviation above the mean NFS score suggested that the effect of price promotion was negative and significant ($b = -1.555$, $t = -3.263$, $p = .001$), indicating that consumers who are high in NFS exhibited stronger negative attitudes toward the hotel in the price promotion present condition ($M = 3.08$) than the absent condition ($M = 4.64$). Thus, H1 was supported. Consistent with H3, another spotlight analysis at one standard deviation below the mean NFS suggested that the price promotion was insignificant ($b = 0.734$, $t = 1.537$, $p = .13$), indicating that consumers who are low in NFS exhibited similar attitudes toward the hotel in the price promotion present ($M = 4.58$) and absent conditions ($M = 3.85$).

Consumers' Intention to Return to the Luxury Hotel

To test H2 and H4, similar procedures were used with return intention as a dependent variable. We first performed a moderated regression on consumers' return intention with the following independent variables: (1) dichotomous variable for price promotion (1 = *yes*, 0 = *no*), (2) mean-centered consumers' NFS score, and (3) interaction term between price promotion and centered NFS. The results (see Exhibit 3) indicated that the main effect of price promotion was insignificant ($b = -0.435$, $t = -1.261$, $p = .209$) whereas the main effect of NFS was significant ($b = 0.343$,

Exhibit 2:**Interaction Effects of Price Promotion and NFS on Consumers' Attitudes toward the Hotel.**

Note. NFS = need for status.

Exhibit 3:**Regression Results of Intention to Return on Price Promotion and Need for Status.**

Model	Unstandardized Coefficients		Standardized Coefficients		t	Significance
	B	SE	β			
(Constant)	3.997	.253			15.786	.000
1 Price promotion	-0.437	.356	-.085		-1.229	.221
Need for status	-0.083	.113	-.051		-0.733	.465
(Constant)	3.963	.245			16.145	.000
2 Price promotion	-0.435	.345	-.085		-1.261	.209
Need for status	0.343	.156	.211		2.190	.030
Price $\times$ Status	-0.831	.219	-.366		-3.800	.000

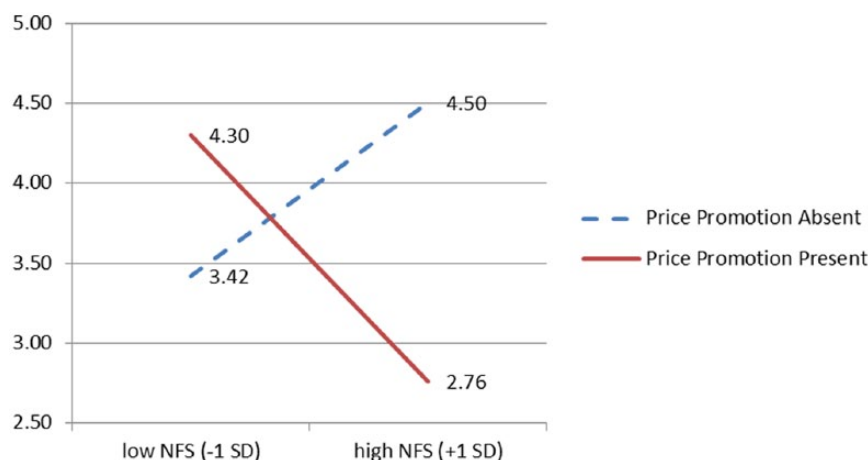
$t = 2.19$, $p = .03$). More importantly, a two-way interaction between NFS and price promotion was also significant ($b = -0.831$, $t = -3.80$, $p < .01$). This interaction is visualized in Exhibit 4.

We then conducted spotlight analysis to examine the effect of price promotion at one standard deviation above and below the mean of NFS. First, a spotlight analysis at one standard deviation above the mean NFS score suggested the effect of price promotion was negative and significant ($b = -1.748$, $t = -3.585$, $p < .01$). In other words, consumers who are high in NFS were less likely to return to the luxury hotel in the price promotion present condition ($M = 2.76$) than the absent condition ($M = 4.50$), thus supporting H2. Another spotlight analysis at one standard deviation below the mean NFS revealed that the effect of price

promotion was marginally significant ($b = 0.878$, $t = 1.798$, $p = .074$), indicating that consumers who are low in NFS were marginally more likely to return to the luxury hotel in the price promotion condition present ($M = 4.30$) than the absent condition ($M = 3.42$).

Discussion

According to Piccoli and Dev (2012), many luxury hotels are using flash sale and discount websites as effective channels for price promotions. About 53 percent of upscale properties, 45 percent of upper upscale hotels, and 41 percent of luxury properties had used flash deals (Piccoli and Dev 2012). Despite the increasing popularity of discount websites, the results of the current study indicate that such a

Exhibit 4:**Interaction Effects of Price Promotion and NFS on Consumers' Intention to Return.**

Note. NFS = need for status.

price promotion strategy can have a detrimental effect on high-NFS customers' attitudes and intentions to return.

We conducted a quasi-experiment to examine the interaction effect of price promotion and NFS. The results suggest that customers high in NFS exhibited a less favorable attitude and a lower intention to return to the luxury hotel that they had booked after learning that the hotel plans to implement price promotions on discount websites. This finding lends support to prior research on consumers' NFS and luxury consumption (Han, Nunes, and Drèze 2010; Yang and Mattila 2014). However, customers who were low in NFS showed similar levels of attitude and behavioral intention across the two price promotion conditions. This finding is consistent with the previous literature demonstrating that customers low in NFS are not motivated to dissociate themselves from less affluent consumers (Han, Nunes, and Drèze 2010).

In addition, we observe a marginal positive effect of price promotions on intentions to return among customers who are low in NFS. Although not hypothesized, the inconsistency between attitude and behavioral intention can be explained based on the theory of planned behavior (Ajzen 1991). According to the theory of planned behavior, both attitude and perceived behavioral control are significant antecedents of behavioral intention. Given the positive influence of price promotions (e.g., monetary savings), consumers will be more likely to afford a luxury hotel room with a price discount. Consequently, their perceived behavioral control is likely to increase. Therefore, although consumers with low NFS exhibit similar attitudes toward the hotel regardless of the presence or absence of price promotions, their increased behavioral control may lead to a marginal increase in their intentions to return.

Theoretical Contribution

The current research has important theoretical contributions as well as implications for practitioners. Theoretically, this study contributes to the price promotion literature by identifying an individual trait—NFS—as a moderator in the context of luxury consumption. Although most research on price promotions has focused on individual traits such as deal proneness (d'Astous and Jacob 2002; Joseph and Sivakumaran 2008), customers' NFS has been largely ignored. We believe that it is important to investigate the moderating effect of NFS on price promotions in the context of luxury hotels, because customers who are high versus low in NFS have different consumption motives, and consequently, exhibit different reactions toward price promotions.

In general, price promotions via discount websites attract the less affluent, thus potentially decreasing the status-signaling value of luxury properties. However, as suggested by Han, Nunes, and Drèze (2010), only high-NFS consumers are interested in signaling wealthy identities through luxury consumption and as a result, they are motivated to dissociate themselves from the less affluent. Low-NFS consumers, however, are not motivated to show off their wealth, and therefore, they do not have a specific desire to distance themselves from the less affluent. Building on the status consumption theories and Han, Nunes, and Drèze's (2010) empirical findings, our study demonstrates that low-NFS and high-NFS consumers react differently to price promotions. Specifically, only customers high in NFS expressed less favorable attitudes toward the luxury hotel and lower intentions to return having learned that the hotel plans to implement price promotions through discount websites.

Managerial Implications

Besides its theoretical contributions, this study offers several managerial implications for luxury hospitality practitioners. A large number of luxury hotels have implemented price promotions by partnering with flash sales or discount websites (e.g., priceline.com, hotwire.com), yet there is little guidance on the efficacy of such strategies. As shown in a recent qualitative study, many luxury hoteliers are concerned that online discount pricing might attract incompatible customer groups (Berezina et al. 2013). The current study reveals that high- and low-NFS consumers react differently to such luxury hotel price promotions. Although consumers' NFS was measured as an individual-level trait in the current study, it can be captured by socio-demographic and geographic information. As suggested by the literature on geographic market segmentation, consumer needs or the way to fill such needs vary geographically (Beane and Ennis 1987). For example, individuals living in the same country, state, or neighborhood tend to share similar attitudes, needs, and characteristics (Goyat 2011). In fact, it is very common for marketing research companies (e.g., Claritas, American Affluent Research Center) to target customers based on their zip codes. For example, people living in a zip code of 90274 (Palos Verdes Peninsula in Los Angeles County in southern California) are likely to be low in NFS (Han, Nunes, and Drèze 2010). Another factor would be country of residence. For instance, compared with most European countries and the United States, some countries experienced newly advanced economic development (e.g., BRIC—Brazil, Russia, India, and China) and the majority of luxury consumers in those countries tend to be high in NFS and purchase luxury products as a way to seek social status and material abundance (Ma 2010; Shukla 2012a, 2012b). Therefore, luxury hoteliers may use both socio-demographic and geographic information to determine the level of NFS in their major markets.

Based on the results of this study, luxury hotels need to be aware that using price promotions through flash sales or discount websites might have a detrimental effect on consumers, especially those seeking status via consumption. For a luxury hotel that attracts the majority of high in NFS consumers, heavily utilizing price promotions may contaminate the luxury image of the hotel and induce negative reactions among its customers. Therefore, luxury hotels should maintain socially desirable status symbols (Catrett and Lynn 1999). Perhaps luxury hotels might want to focus on building relationships with their existing customers and offer them exclusive deals. As elite promotions signal status, the luxury hotels should therefore be highly attractive to the high in NFS luxury hotel customers.

It is interesting to note that in the context of luxury hotels, opaque pricing might be more viable than flash sales because the identity of the hotel will be hidden until the

purchase is finalized (Kang, Brewer, and Baloglu 2007). In the opaque model, customers choose a hotel based on general information regarding the area and amenities without specific details of the brand (Lee and Jang 2013). As such, it protects the brand name of a hotel from potential negative consequences as it only shows the identity of the discounted hotel to those customers who purchase a promotion.

Our results also reveal that customers who are low in NFS are unaffected by the presence of price promotions via discount websites. A marginal increase in intentions to return was also observed. These findings suggest that luxury hotels may find it easier to use price promotions to increase occupancy rates and revenues when they primarily cater to consumers low in NFS. However, hotels should exercise caution and ensure that the more deal-prone customers will not ruin the luxury image of the hotel. As suggested by extant studies, consumers evaluate hospitality services as a multidimensional experience that involves tangible elements (e.g., hotel room), service environment (e.g., lobby décor), as well as customer-to-customer interactions (e.g., a nice conversation with fellow guests; Bharwani and Jauhari 2013; Crick and Spencer 2011; Mattila 1999; Ramanathan 2012; Wall and Berry 2007). In fact, the impact of customer-to-customer interaction is particularly salient in a luxury consumption context. For example, Walls et al. (2011) reveal that consumers evaluate their overall experience in a luxury hotel based not only on service quality, but also on the appearance of other customers. Respondents indicated that the presence of unpleasant customers or customers from different social classes may interfere with their consumption experience in a luxury hotel. Therefore, we suggest that when using price promotions through opaque auction pricing or flash sales pricing, luxury hoteliers should be cautious and carefully use rate fences that can separate different groups of consumers and maintain the property's luxury image. For example, using redemption restrictions will allow the less affluent to enjoy the benefits of discounted prices in a luxury hotel while restricting them to slow periods (e.g., summer months for a luxury resort in Florida).

Limitations and Future Suggestions

As with all research, there are a few limitations that need to be addressed. First, this study used a scenario-based experimental design that manipulated the presence or absence of price promotions. Consequently, consumers' real behaviors were not captured. Alternative research methodologies such as a field study could be conducted in the future to capture real behaviors and include other variables such as previous experiences with the hotel and brand perceptions. Second, this study was limited to a single type of sales promotions: price promotions. Other kinds of promotions such as non-monetary promotion have not been examined. Prior research

suggests that non-monetary promotions, such as gifts or premiums, provide stronger hedonic benefits as opposed to utilitarian benefits (Chandon, Wansink, and Laurent 2000). Therefore, they are less likely to negatively influence perceived brand image (Montaner, de Chernatony, and Buil 2011). As such, future research should investigate the role of non-monetary promotion and its interaction with NFS in the context of luxury hospitality services.

Third, the frequency of price promotions was not examined in the present study. Several authors have pointed out that frequent promotions might hurt the brand image (Mela, Gupta, and Jedidi 1998). Thus, future research should investigate the impact of promotion frequency on consumers' attitudes and behavioral intentions in the context of luxury hotels. Fourth, this study examined the joint impact of NFS and price promotions during the pre-consumption stage. However, consumers' actual experiences may also influence their reactions to price promotions. Future studies may incorporate actual hotel experiences and examine the joint effects of price promotions and service quality perceptions on customer satisfaction and intent to return.

Fifth, our manipulation of price promotion message in this study was relatively simple and explicit (e.g., an article directly stating that the luxury hotel is entering the mass market).

Although the current findings should hold true when consumers learn the price promotion information through different sources in the real world, future studies may consider using more subtle manipulation messages. For example, consumers may find the luxury price promotions through online reviews/blogs or word-of-mouth communications. A subtle manipulation message will help attenuate any potential leading effect and also enable researchers to incorporate more variables (e.g., fellow customers' reviews and reactions) in the context of NFS and luxury price promotions.

Last, customer-to-customer interaction was not captured in the current study. Using price promotions through discount websites may introduce customers from different social groups to a luxury environment and may pose a threat to the luxury atmosphere. Future studies on luxury price promotions should address customer-to-customer interactions and investigate how traditional consumers react when the price promotions bring consumers from mass markets to the luxury hotel and when the less affluent consumers interfere with the luxury service environment.

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