



Contents lists available at ScienceDirect

## Journal of Destination Marketing &amp; Management

journal homepage: [www.elsevier.com/locate/jdmm](http://www.elsevier.com/locate/jdmm)

## Research paper

## Digging deeper into decision-making of Chinese long-haul outbound tourists: A two-stage preference-estimation approach

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## ARTICLE INFO

## Article history:

Received 13 April 2016

Received in revised form

26 July 2016

Accepted 6 September 2016

## Keywords:

Preference estimation

Consideration-set formation

Chinese outbound tourists

## ABSTRACT

A detailed understanding of tourists' preferences is of great importance both for decision-making theory and destination marketing practice. This study investigates the use of consideration-set formation together with conjoint analysis to estimate the destination preferences of Chinese long-haul outbound tourists. Through the integration of choice-set and characteristic theories, the study demonstrates how to optimise the advantages of both approaches in order to obtain more comprehensive insights into destination choice processes. The findings show that preferences can be analysed effectively in a two-stage model, which can reveal detailed additional insights regarding tourists' preferences towards destination attributes that cannot be gained through each approach independently, thus contributing to marketing insight on destination choice and selection.

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## 1. Introduction

Understanding consumer choice, and particularly destination selection, is critical for effective tourism marketing. Two main research approaches dominate the research in this area: behavioural and choice-set approaches (Sirakaya & Woodside, 2005). The former focuses on the attributes influencing the process of destination choice while the latter concentrates on investigating the range of choice stages used by decision makers. Most behavioural studies investigate tourists' decisions as a homogeneous process without considering the possibility that preferences toward attributes may differ at different stages in the choice process. This may result in less accurate prediction (Gensch, 1987). As for studies adopting the choice-set approach, alternative destinations are usually treated as holistic units, which means that analysts are neither able to explain the reasons why some destinations are included in the consideration set, nor why a particular destination is eventually selected and others rejected (Perdue & Meng, 2006). Each approach, however, has made important contributions to the understanding of tourist's decision making and preferences for destinations. Therefore, it is surprising that these two perspectives have rarely been integrated to provide a more accurate

and comprehensive explanation of destination choices. This is what motivated the current study.

As a rapidly growing market, Chinese outbound tourists have been the focus of a number of empirical studies over the last two decades (Tussyadiah, Kono, & Morisugi, 2006). Of those that have investigated tourists' destination choice preferences, most were conducted on samples of Chinese tourists who were visiting one specific destination, such as Hong Kong (Zhang & Lam, 1999), the United States (Cai, O'Leary, & Boger, 2000), Australia (Chow & Murphy, 2007) and so on. In other words, the tourists in these studies had already chosen their destination. How Chinese tourists evaluate and compare different alternatives prior to reaching their final choice has been rarely studied, let alone addressing possible preference variance at different decision stages. Thus it is important to focus on this emerging and dynamic market. Of specific interest are Chinese long-haul (outside Asia) outbound tourists, since this group has not been studied comprehensively in previous research and most of this market are first-time tourists (Li, Meng, Uysal, & Mihalik, 2013), who may have different preference patterns compared to tourists in more mature markets. This study therefore seeks to contribute both to the understanding of an important future market context in addition to the goal of incorporating consideration-set formation into a destination preference experiment to provide a more comprehensive and in-depth analysis of destination choice.

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## 2. Literature review

### 2.1. The characteristic theory and preference estimation

Lancaster (1966) developed goods characteristics theory to understand product decision making. This assumes that utility is derived from the characteristics or attributes of a product. This theory fits the tourism context well, since destinations consist of a range of intangible and tangible attributes, including social, cultural and environmental features. Most of the time, tourists do not derive utility by possessing or using destinations as a whole; they achieve utility by consuming specific destination components such as transport, accommodation and attractions (Tse, 2014). Due to its explanatory value, Lancaster's goods characteristics theory has been used widely in tourism research to identify the determinant attributes of destination choice, and over the years it has been adopted and refined (e.g. Basala & Klenosky, 2001; Morley, 1994; Papatheodorou, 2001; Rugg, 1973; Seddighi & Theocharous, 2002). More recently, Tse (2014) extended Lancaster's theory to explain how tourists choose destinations from multiple options.

According to Lancaster's theory, tourists' evaluations of destinations are a combination of the relative importance they attach to each relevant attribute and how they evaluate these attributes (Seddighi & Theocharous, 2002). In order to increase the accuracy of prediction about tourists' destination choice, a large number of studies have estimated tourists' preferences based on this approach. These studies can be roughly categorised into two types: revealed-preference estimation (e.g. Agrusa, Kim, & Wang, 2011; Morley, 1994; Seddighi & Theocharous, 2002) and stated-preference estimation (e.g. Ciná, 2012; Hsu, Tsai, & Wu, 2009; Suh & Gartner, 2004; Tsaor & Wu, 2005).

Revealed-preference estimation is based on actual observation of destination choice (i.e. what the individual actually chose). It is used predominantly for deriving utilities and estimating travel demand among existing alternatives, and cannot be used to estimate the preference of potential tourists who have yet to make their decisions or to estimate combinations of attribute levels/aspects that do not exist in real destinations but which may be useful to destination marketers and planners for potential marketing activity. In contrast, the stated-preference method is useful because it allows the researcher to present combinations of different attribute levels/aspects that may or may not be provided in current destinations to tourists or potential tourists. Experimental study design methods enable researchers to manipulate destination attributes flexibly (Tsaor & Wu, 2005), which is of great help for designing new products or making improvements.

Conjoint analysis is one of the most popular stated-preference methods used in marketing research to determine what combination of attributes has most influence on respondent choice by estimating the values or part-worth of each attribute (Dieckmann, Dippold, & Dietrich, 2009). It has also been applied in tourism contexts (e.g. Apostolakis & Jaffry, 2005; Ciná, 2012; Suh & Gartner, 2004). Conjoint analysis can estimate the contributions of different attributes or one attribute at different levels, which allows us to predict consumer preferences about any combinations of attributes, even those not included in the original observations. Additionally, by including hold-out profiles in the data collection, the method allows a further evaluation on whether the choice model established is predictive regarding new preference data (Green & Srinivasan, 1978). Moreover, by choosing among a set of attribute combinations, conjoint questions attempt to mimic how consumers encounter information regarding product alternatives in the real world, i.e. through combinations of different attributes. So the respondents perceive the findings about the importance of each attribute aspect in a more trustworthy way than traditional survey methods which ask respondents to estimate how much

value they place on each pre-determined attribute (Schoemaker & Waid, 1982).

### 2.2. Two-stage decision-making

Although characteristic theory provides useful insights on why or how a destination is selected, this theory assumes a consistent and careful evaluation process, which is not always the case in the 'real world' of tourist decision making. Tourists are, indeed, typically faced with a considerable range of alternatives, especially in the current digital and global context, and they may not be able to evaluate each of the available alternatives equally thoroughly (McCabe, Li, & Chen, 2016). Thus studies using the choice-set approach propose that decision making is a funnel-like process in which a large number of alternatives from the awareness set are eliminated initially to form a smaller consideration-set after which, alternatives are evaluated more carefully to reach a final choice (Turley & LeBlanc, 1993; Woodside & King, 2001). The goal of the first-stage evaluation is to eliminate alternatives while the purpose of the second-stage evaluation is to select the most satisfying product among fewer acceptable alternatives. Because of the difference in purposes, the relative importance of the attributes and how they are evaluated in these two stages may also differ (Um & Crompton, 1990).

Some researchers have proposed that in order to narrow down a huge number of alternatives into a manageable consideration set, decision makers tend to use very few choice criteria to perform evaluation at the early stage; otherwise, there could be too many attributes to compare (Crompton, 1992). Normally, these attributes at this stage are evaluated in a non-compensatory manner (Brisoux & Laroche, 1981; Laroche & Kim, 2003). This means that if an item under consideration cannot provide the desired performance on the critical attribute(s), this item will be eliminated no matter how good it is on other attributes. In this case, identifying the critical attribute(s) and the desired level (must-have aspect) of the attribute(s) can be crucial for understanding decision-makers' preference at the stage of consideration-set formation.

Tourism scholars have developed hypotheses on changes in evaluation attributes at the two stages. For example, it has been suggested that choice facilitators are likely to be used as dominant criteria at the stage of consideration set formation while the situational constraints are more likely to be more dominant at the stage of final choice (Crompton & Ankomah, 1993; Turley & LeBlanc, 1993). These promising propositions have, however, rarely been empirically tested.

Indeed, a vast body of literature can be found identifying the important attributes for destination choice with some using quantitative analytic methods (e.g. Ciná, 2012; Hsu et al., 2009; Seddighi & Theocharous, 2002). Few, however, have considered that the role played by each attribute may vary at different stages in the decision-making process. Although notable exceptions do exist (e.g. Fry & Prentice, 2006, in which destination image, familiarity and affect are integrated in the model as explanatory factors behind each stage of choice), relatively little effort has been made to bridge characteristic theory and choice-set theory to obtain more accurate and comprehensive insights about tourists' preferences within decision-making processing. This research aims to help address this gap. The reasons for using Chinese long-haul outbound tourists as the study subject are presented below.

### 2.3. Chinese long-haul outbound tourists

Over the past decade, China has been the fastest-growing tourism source market in the world. Since 2000, the volume of international trips by Chinese tourists has grown from 10 million

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