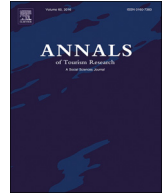


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## Modeling reference experience in destination choice

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## ABSTRACT

The complexity underlying the destination decision-making of tourists has prompted abundant research from various academic disciplines. This paper proposes the integration of the leisure tourists' past reference experience into a model for long-haul destination choice. By analyzing the preference of tourists regarding various attributes of a tourist destination, this study consolidates the concept of reference-dependent behavior in the context of tourist destination choice and introduces the concept of reference-level bias. The research findings provide theoretical and managerial implications.

## Introduction

Destination choice is a major topic in tourism research. The complexity of decision-making associated with the selection of a holiday destination has led to numerous studies, which rely on different theories about consumer decision-making. Milestone contributions are dated from the past 20 years to 30 years (Sirakaya & Woodside, 2005).

Many studies discuss how past travel experiences influence the selection of a destination. Literature tends to recognize the level of satisfaction as an antecedent to repeat visits (Huang & Hsu, 2009). In particular, travel satisfaction positively affects the intention to revisit (Yoon & Uysal, 2005). However, the relationship between past experience and repeat visits is more complex. The search for variety can eventually lead people to deliberately exclude previously visited destinations from the consideration set (Schmidhauser, 1976). Eventually, the identification of choice pattern for tourist destination (Plog, 1974, 2001) suggests that people decide to travel to a destination according to a typical pattern, that is, favoring the destinations with similar specific attributes.

Prospect theory (Kahneman & Tversky, 1979; Tversky & Kahneman, 1992) suggests that individuals evaluate the outcomes based on a reference point. This theory and its properties have been applied in various contexts. In particular, supporting evidence has been found, among others, in airline demand (Nicolau, 2011a), tourism price (Nicolau, 2011b), hotel attributes (Román & Martín, 2016), and hotel room choices (Masiero, Pan, & Heo, 2016). Therefore, a logical step forward would be to consider the past travel experience as a reference point and investigate two specific effects, such as the asymmetric preferences around reference values and the preference bias toward reference values.

The literature on tourist behavior also recognized distinctive patterns among different types of tourists. In particular, leisure tourists, in contrast to business and visiting friends and relative travelers, are considered to have more flexibility in their choices and spend the most on shopping (e.g. Lehto, Cai, O'Leary, & Huang, 2004). Meanwhile, categorized by their travel distance, short- and long-haul tourists are different in many aspects, such as visitor profile and behavior (Bao & Mc Kercher, 2008), activity consumption (Mc Kercher, 1998), and demand elasticity (Crouch, 1994; InterVISTAS, 2007). Long-haul travels are generally associated with higher costs than short-haul travels and occur with lower frequency. According to the theory of bounded rationality (Simon, 1957), tourists facing long-haul travel decisions are expected to process the information with more attention and higher involvement.

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In this study, the tourists' typical destination is integrated into a model for the destination choice of long-haul leisure tourists by attributing a focal function to past experience. In particular, we interpreted past travel experience not as one of the attributes that affect decision-making but as the starting or reference point where individuals formulate a decision. The findings consolidate the concept of reference-dependent behavior in the context of tourist destination choice and introduce the concept of reference-level bias. Tourists assess the destination attributes based on gains and losses relative to the most recent typical destination attribute levels (reference-dependent behavior) and show a marked preference toward the typical destination attribute levels (reference-level bias). This paper further illustrates that reference-dependent behavior and reference-level bias coexist in a unique destination choice model.

### *Literature review*

#### *Destination choice and attributes*

The complexity of the destination decision-making of tourists has prompted abundant studies from various academic disciplines. Gorman (1957, 1980) and Lancaster (1966, 1971) establish a characteristic framework that depicts consumer goods as bundles of various characteristics or attributes. The utility gain from consuming goods is the weighted summation of the utilities contributed by each characteristic. Hence, tourist destinations are generally considered as blends of various destination attributes (e.g. Papatheodorou, 2001, 2002; Stabler, Papatheodorou, & Sinclair, 2009). Wu, Zhang, and Fujiwara (2011) classify the factors that affect the destination choice of tourists into three categories. Alternative-specific factors combine the regular attributes of destinations (e.g., tourism resources, facility fare, and service quality) and their accessibility (e.g., available travel mode, travel distance, and travel fare). Situational factors, such as weather conditions and political circumstances, are related to the time of the actual trip. Decision maker-specific factors are related to the attributes of tourists, such as age, gender, and personality.

Among these attributes, the travel costs to a destination have received considerable attention. Travel costs generally refer to the expenses for tourism activities (Awaritefe, 2004; Eymann & Ronning, 1997) or for the transportation between home and vacation destinations (Seddighi & Theocharous, 2002; Siderelis & Moore, 1998). Tourism resources or activities accessible at the destination are also important factors that affect the destination choice (Moscardo, Morrison, Pearce, Lang, & O'Leary, 1996). The number of available tourist attractions (Wu et al., 2011), types of activities (Huybers, 2003), attractiveness (Awaritefe, 2004; Wu et al., 2011), reputation (Eymann, Ronning, & Zimmermann, 1992), and ranking (Train, 1998) of attractions at the destination are important components in destination selection. Goeldner and Ritchie (2012) classify the tourist attractions within a destination into five categories (namely cultural attractions, natural attractions, event attractions, recreational attractions, and entertainment attractions) and discuss the importance and attractiveness of each category. Tourist destinations are also evaluated based on the quality of offered services (Awaritefe, 2004; Siderelis & Moore, 1998). The high quality of service at destinations enhances the overall satisfaction and consequently improves the visit intention of tourists (Tian-Cole & Crompton, 2003). Song, van der Veen, Li, and Chen (2012) developed the Tourism Service Quality Index for Hong Kong and elaborated the importance of service quality in six tourism-related sectors (i.e. hospitality, food & dining, transportation, attractions, retail shops, and immigration). Likewise, crowdedness and seasonal differences (Font, 2000; Huybers, 2003), weather and climate conditions (Hamilton, 2004; Stemerding, Oppewal, & Timmermans, 1999), and social and political circumstances (Fuchs & Reichel, 2006; Seddighi, Nutall, & Theocharous, 2001) considerably influence the selection of tourist destination. The current study focuses on the influence of the alternative-specific factors on tourist destination choice such as quality of tourist attractions, quality of services, and prices while excluding temporal or situational factors.

#### *Past travel experience and prospect theory*

While the characteristics of the destination play a crucial role in the decision-making process of tourists, it is also argued that the past travel experience of the tourists significantly influences their destination choice and behavior at the destination. Mazursky (1989) asserts that tourists may rely more on past travel experiences than external information. Beerli and Martín (2004) confirm that, in addition to other information sources, previous travel experience alters the subjective interpretation of the current destination and therefore influences tourist behavior. In a recreational activity context, Schreyer, Lime, and Williams (1984) describe the close link between the current motivation and behavior as well as subjective evaluation and satisfaction of the destination, and the "Experience Use History", with the latter defined as "the amount and types of events in which the individual has participated". Adopting a latent class regression, Crouch, Huybers, and Oppewal (2016) identify a significant relationship between past travel experience and future destination preferences, and suggest that this experience-preference structure can be related to the demographics and psychographic characteristics of the tourists. Both Mc Kercher and Wong (2004) and Li, Cheng, Kim, and Petrick (2008) have observed a strong relationship between tourists' prior visitation history and the activity participation at the destination. In addition, Lehto, O'Leary, and Morrison (2004) suggest a significant influence of past travel experience on the tourist expenditure pattern at the destination. The relationship between past experience and current (future) behavior is sometimes attributed to habit formation, which is generally applied to consumption behavior (Havranek, Rusnak, & Sokolova, 2017) and tourism contexts (Massidda & Etzo, 2012; Nordstöröm, 2005). Sönmez and Graefe (1998) also identify past travel experience as a mechanism for tourists to reduce the risk of potentially unsatisfying experience.

Given that past travel experience affects the behavior of tourists, prospect theory (Kahneman & Tversky, 1979; Tversky & Kahneman, 1992) is appropriate in analyzing tourists' destination choice because it postulates that individuals evaluate the available alternatives in terms of deviations from the reference point (reference-dependent behavior). Prospect theory has been empirically tested and applied in various contexts. In tourism, Nicolau (2008, 2011b), by analyzing vacation costs, examines two features of prospect theory, namely, loss aversion and diminishing sensitivity. Kim and Canina (2015) find evidence of reference dependence and

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