

# Hospitality Review

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Volume 31  
Issue 3 *FIU Hospitality Review v.31 i.3*

Article 7

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March 2014

## Hospitality Review Volume 31 Issue 3 2014

FIU Hospitality Review  
*Florida International University*, [hospitality@fiu.edu](mailto:hospitality@fiu.edu)

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# Hospitality Review Volume 31 Issue 3 2014

## **Keywords**

graduate hospitality program characteristics, US graduate hospitality education, hospitality, service quality, relationship, guest questionnaire, Refrigeration, food safety, heat transfer, power loss, loss of electricity, disaster preparedness, temperature danger zone, private clubs, liquidity ratios, solvency ratios, operating ratios, profitability ratios, activity ratios, Beverage, biometrics, hotel, security, technology, guest, privacy, M&A wave, Macroeconomic determinants, Restaurant industry, wine marketing, qualitative, underserved customers, African American wine consumer, marketing strategy, menu labeling, nutrition information, food choices, consumer preference, vacation, leave time, paid time off, sabbatical, professional development, Tourists' Motivations, Cluster, Travel Satisfaction, Destination Loyalty, hospitality management, graduate education, graduate hospitality student, international hospitality graduate student, graduate program choice

CHAPLIN SCHOOL OF HOSPITALITY AND TOURISM MANAGEMENT'S

# Hospitality Review



VOLUME 31, NUMBER 3

Spring 2014



Forward and Call to Action by:  
Lu Zhang, PhD;  
Michigan State University

FLORIDA INTERNATIONAL UNIVERSITY

**FIU**



*Florida International University*

*Hospitality Review*

Florida International University  
Chaplin School of Hospitality  
and Tourism Management  
North Miami, Florida

# Florida International University Hospitality Review

Volume 31, Issue 3

Spring2014

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# FIU Hospitality Review

Volume 31 Issue 3

2014

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## Forward and call to attention

The number of hospitality graduate programs has increased from 25 in the 1990s to 31 in 2013 (Van Hoof, Wu, Zhang, and Mattila, 2013), which has demonstrated a strong growth in hospitality graduate education. Despite the fact that hundreds of students are working towards a MS or PhD degree in hospitality, research on hospitality graduate education is relatively scant, and most attention on hospitality education has been devoted at the undergraduate level (e.g., Tews and Van Hoof, 2011). More research is needed on topics that relate to hospitality graduate education, which is the foundation of hospitality management education and research. In the current issue, Van Hoof and colleagues (2014) set out to understand the factors that influence students' choices of hospitality graduate programs. Results indicate that students made their decisions mainly based on their perceptions of the admission processes, faculty interactions, living conditions, and the reputations of the programs, faculties and locations.

Future research should explore other aspects of hospitality graduate education to answer the following questions: (1) How to increase the diversity of students? More research is needed on how to attract domestic students in order to increase diversity. Currently, international students, especially Chinese and Korean students, make up a major portion of the hospitality graduate programs' student bodies (Van Hoof et al., 2014). How different will the US hospitality education be in 10 years if a majority of its future professors are Asian? Additionally, what does this demographic shift mean for hospitality education in general? (2) What is the value of having a graduate degree? The core capabilities and skills a student should have upon graduation warrants further investigation. To help identify the skills, researchers could interview employers such as corporate recruiters for MS level and universities for PhD level graduates. While faculty hiring criteria are clear and consistent in general, for example, the three most important criteria for assistant professors are a PhD degree, publications, and industry experience (Woods, Cho, and Schmidgall, 2008), it remains unclear what industry partners' criteria are of hiring a MS graduate. (3) How to assess the quality of hospitality graduate programs? Previous studies on quality assessment mainly adopted the ranking method based on factors such as curriculum, resources, research requirements, faculty involvement, etc. (Brizek and Khan, 2006). However, what constitutes quality in programs in a ranking study has been at the center of controversy

(see Khan et al., 2013 for a review). Therefore, methods other than ranking should be encouraged in assessing the quality of a graduate program.

**Call to Action:**

1. Conduct research studies to address issues and challenges related to hospitality graduate education.
2. Collaborate with recruiters to understand their perspectives.
3. Use a combination of quantitative methods (e.g., experiments and modeling) and qualitative methods (e.g., interviews and focus group) to provide a more complete picture.
4. Expand the research by incorporating international hospitality graduate programs rather than just focusing on American programs.

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# The Study of Clustering of Taiwanese Tourists' Motivations to Hong Kong

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## Abstract

Driven by the political and economic forces of cross-strait, Taiwan has become one of the major source markets for Hong Kong tourism industry since 1987. The major purposes of this study were to investigate the following factors (1) The influential factors of travel motivation, (2) The clusters of travel motivations, (3) The marketing segmentation of clusters of Taiwanese tourists to visit Hong Kong. Through ten travel agents, self-report surveys were distributed to collect data from 366 Taiwanese travelers.

Hence, four push factors and six pull factors were identified as travel motivations through the factor analysis. Combined with the cluster analysis; five new groups were founded. Finally, five clusters which process unique profiles (location difference, visiting frequency, travel satisfaction, and destination loyalty) were addressed. The suggestions of developing effective market strategies to attract Taiwanese tourists to Hong Kong were also provided.

**Keywords**

Tourists' Motivations; Cluster; Travel Satisfaction; Destination Loyalty

**Cover Page Footnote**

Hong Kong Tourism Board, Taipei, Taiwan

## 1. Introduction

For the past decade, the increasing number of research has suggested that a better understanding of consumers' travel motivation helps a region's tourism development to not only identify potential customers but also to improve satisfaction and destination loyalty. In tourism, many studies have focused on travel motivation (Alebaki & Iakovidou, 2010; Boksberger & Laesser, 2009; Chon, 1982; Crompton, 1979; Dann, 1977, 1981; Iso-Ahola, 1982, 1989; Kim & Ritchie, 2012; Özel & Kozak, 2012; Sangpikul, 2008). Some of the studies focused on tourists' travel satisfaction (Bosque & Martin, 2008; Kozak & Rimmington, 2000), or on understanding consumers' reactions in destination loyalty (Alegre & Juaneda, 2006; Backman & Crompton, 1991). In this study, researchers focused on "push" (the internal factor) and "pull" (the external factor) factors which describe the travelers' motivation influenced by their needs (Jang & Wu, 2006; Kim, Lee, & Klenosky, 2003, Sangpikul, 2008). A general review of the tourism literature identifies that push and pull motivation, travel satisfaction, and destination loyalty have been generally accepted and adopted (Battour, Battor, & Ismail, 2012; Chi & Qu, 2008; Crompton, 1979; Hanqin & Lam, 1999; Jang & Wu, 2006; Kim, 2008; Oom do Valle, Silva, Mendes, & Guerreiro, 2006; Petrick & Backman 2002; Yuan & McDonald, 1990; Yoon & Uysal, 2005).

The tourism industry is a major support of the economy of Hong Kong. Mainland China is the largest source for this market and Taiwan continues to be the second largest source market (Hong Kong Tourism Board, 2011). Therefore, the importance of maintaining Taiwan market's arrivals is a top priority for the Hong Kong government and travel agents. Therefore, it is crucial to understand the motivation of Taiwan travelers by measuring the level their satisfaction extends to destination loyalty. That is to say, this study not only focuses on travelers' motivation, but also emphasizes travel satisfaction and destination loyalty. Hence, the purposes of this study were to explore the dominant factors motivating Taiwanese to visit Hong Kong; to cluster the tourists based on their motivation; and to identify the market

segments, including travel satisfaction and destination loyalty, of clusters of Taiwanese tourists to Hong Kong.

According to the purposes of this study, three research questions were presented. What are the dominant factors motivating Taiwanese to visit Hong Kong? What are the clusters of travel motivations? What are the market segments of clusters of Taiwanese tourists to Hong Kong?

This paper therefore targets to provide a better understanding of the factors motivating tourists from Taiwan to Hong Kong and their levels of satisfaction and loyalty. More specifically, the push and pull motivations of visiting Hong Kong from Taiwan tourists were determined. After that, push and pull motivations were used to cluster these tourists into different segments. Following that, various segments with regard to their location difference, visiting frequency, travel satisfaction, and destination loyalty were explored. Finally, conclusion, summary, discussion, and recommendations are made as to how Hong Kong, the selling destination, can continue to attract tourists from Taiwan.

## **2. Literature Review**

A tourist's travel decision is usually a complex process including many factors, such as visitors' perceptions, motivations, destination image, past experience, and intentions (Beerli & Martin, 2004). Understanding why people travel, i.e. travel motivation, is a fundamental question that has been studied extensively. Researching the motivation that influences tourists' destination selection and travel patterns could enable one to explain and to predict their future travel behaviors, thus, help in developing and implementing diverse marketing strategies to attract them (McGuiggan, Emerson, & Glaser, 1985; Kau & Lim, 2005). Eventually, the main goal is to keep tourists' happy, i.e. satisfaction, and to keep them continually returning to visit the destination (Petrick, 2004).



## 2.1 Push and Pull Motivations

For decades, tourism scholars and researchers have grouped tourist motivations as push or pull factors. The concept is that travelers are both “pushed” to travel by personal need and wants, and “pulled” to travel by appealing attributes of travel destination (Cook, Yale, & Marqua, 2010, Uysal, Li, & Sirkaya-Turk, 2008, Walker & Walker, 2011). In other words, travel motivation is influenced by internal attributes - the “push” elements, and external attributes - the “pull” elements (Crompton, 1979; Dann, 1977, 1981; Goossens, 2000; Jang & Cai, 2002; Uysal & Jurovski, 1994, Yuan & McDonald, 1990).

Several studies have indicated that the push and pull factors provide a practical tactic for examining the travel motivations and tourist behavior. Hanqin and Lam (1999) studied mainland Chinese visitors’ motivation to visit Hong Kong. The results showed that “knowledge”, “prestige”, “enhancement of human relationship”, “relaxation”, and “novelty” were the push factors; while the “hi-tech image”, “expenditure”, “accessibility”, “service attitude and quality”, “sightseeing variety”, and “culture links” were the pull factors. Kim, Lee, and Klenosky (2003) investigated travel motivations from six different National Parks in South Korea. “Family togetherness and study”, “appreciating natural resources and health”, “escaping from everyday life”, and “adventure and building friendship” were four push factors. “Key tourist resources”, “information and convenience of facilities”, and “accessibility and transportation” were three pull factors. Yoon and Uysal (2005) also examined travel motivations in Northern Cyprus. Eight push factors (excitement, knowledge & education, relaxation, achievement, family togetherness, escape, safety & fun, and getting away from home & sightseeing) and nine pull factors (modern atmospheres & activities, wide space & activities, small size & reliable weather, natural scenery, different culture, cleanliness & shopping, night life & local cuisine, interesting town & village, and water activities) were found. Lastly, Jang, and Wu (2006) identified five push and three pull factors when conducting a study to examine Taiwanese seniors’ travel motivations. Push factor included “ego-enhancement”, “self-esteem”, “knowledge-seeking”, “relaxation”, and “socialization”. On the other hand,

pull factors included “cleanliness & safety”, “facilities, events, & cost,” and “natural & historical sight”. Because this theory has been proven by the above researchers, this study used the push and pull theory to measure the Taiwanese tourists’ travel motivation to Hong Kong in order to respond to the research question: What is the motivation that brings Taiwanese tourists to Hong Kong?

## **2.2 Cluster Analysis of Travel Motivations**

In addition to the researchers attempting to understand the visiting motivation of tourists, many studies have demonstrated the possibility of segmentations of travelers. With the segmentation technique, planning authorities and practitioners, such as government and travel agencies, could allocate limited resources more effectively in marketing destinations and in attracting diverse groups of visitors. In fact, segmentation strategies are the “strategic weapons” in the travel and tourism industry (Frochot & Morrison, 2000). It is also the most commonly used technique to discover the benefits sought by visitors (Kau & Lim, 2005).

Past research had grouped the travelers into different segments. Firstly, Cha, McCleary, and Uysal (1995) described Japanese travelers’ motivation to go abroad. Through cluster analysis, sport, novelty, and family/relaxation were found.. Secondly, Chinese visitors’ perceptions to New Zealand were identified and four clusters of visitors were determined by Ryan and Mo (2001). Thirdly, Jang, Morrison, and O’Leary (2002) studied the segmentation of Japanese travelers to the USA and Canada. They decided that their motivation could be clustered into three different groups. Fourthly, five clusters were found for British tourists visiting Turkey (Andreu, Kozak, Avci, & Cifter, 2005). Finally, Kau, and Lim (2005) clustered Chinese tourists based on their motivation to visit Singapore into four main segments. Therefore, the study used the cluster technique to cluster the Taiwanese tourists based on their travel motivation in order to respond to the research question: What are the clusters of Taiwanese tourists?

### 2.3 Travel Satisfaction and Destination Loyalty

Other topics of the study related to travel motivation are the further analysis of their levels of satisfaction and loyalty. Tourist satisfaction had a significant influence on behavioral intentions (Bosque & Martin, 2008). More specifically, it was a key indicator to attracting repeat travelers. With destination loyalty, both were related to the tourist products, destinations, and motivations (Alegre & Juaneda, 2006). More importantly, loyalty was one of the indicators used to measure the success of market strategies to build the competitiveness (Dimanche & Havitz, 1994).

Bigne, Sanchez, and Sanchez (2001) confirmed that satisfaction determined the willingness to recommend the destination; however, the influence of satisfaction on the intention to return cannot be confirmed. Oom do Valle, Silva, Mendes, and Guerreiro (2006) concluded that tourist satisfaction was the key contributing factor to destination loyalty intention. Jang and Feng's (2007) study showed that satisfaction was a direct indication of short-term revisit intention. Chi and Qu (2008) examined the relationship between tourist satisfaction and destination loyalty. They found that satisfaction had a direct and positive impact on destination loyalty. Previous studies also identified that clusters of tourists were characterized in relation to satisfaction levels and loyalty intentions (Oom do Valle et al., 2006). Overall, both satisfaction and loyalty should be examined together for the analysis of future tourist marketing strategies. Hence, both of them were analyzed for the clusters of tourists' travel motivation.

After a review of the literature, it is suggested that Taiwanese tourists to Hong Kong can be similarly segmented into different clusters according to their push and pull motivations. Additionally, it is proposed that different clusters should include the distinct socio-demographic profile; location difference and trip-related characteristic; and visiting frequency. Similarly, it is also proposed that various clusters would differ with respect to their travel satisfaction and destination loyalty. Thus, the market segments, (i.e., location difference, visiting frequency, travel satisfaction, and destination loyalty) of clusters of

Taiwanese tourists to Hong Kong were conducted in order to respond to the research question: What are the market segments of Taiwanese tourists?

The core issues of this study are motivations and their clusters with market segments. The motivation constructs may be unique to tourists from different countries (Hanqin & Lam, 1999). Thus, it will be very interesting to research Taiwanese tourists' motivations toward Hong Kong. Moreover, past studies discussed above do not include whether there are relationships among push and pull motivations, location difference, visiting frequency, travel satisfaction, and destination loyalty. This study addresses these core issues based on the collecting data. The empirical results provide a foundation in the developing and planning of future marketing strategies for different clusters of tourists.

### **3. Method of Study**

A self-report survey was distributed to collect primary data from Taiwanese travelers through ten Taiwan outbound travel agents. Among them, seven travel agents are located in the northern Taiwan, one travel agent is located in central Taiwan, and two travel agents are located in southern Taiwan. These travel agents were selected because the Hong Kong Tourism Board (HKTB) has officially worked with them to recruit Taiwanese travellers to Hong Kong for years. (The HKTB is a government-supported body tasked to market and promote Hong Kong as a travel destination worldwide and to enhance visitors' experience once they arrive.) In particular, the surveys were disseminated to consumers who had visited Hong Kong within one year because they still have fresh memories to recall the visiting experience to Hong Kong. A total of 401 questionnaires were collected, in which 366 usable questionnaires provided valid data and were used for data analysis.

The questionnaire was designed to include 24 push-factor items and 30 pull-factor items (Jang & Wu 2006; Hanqin & Lam, 1999; Kim, Lee, & Klenosky, 2003; Yooh & Uysal, 2005), five satisfaction items (Lee, Lee, & Wicks, 2004; Williams & Soutar, 2009) and six items for destination loyalty (Alegre

& Juaneda, 2006; Backman & Crompton, 1991; Kozak, 2001; Petrick, & Backman, 2002). A 5-point Likert scale was used to measure all the above items. Additionally, personal information included the geographic segmentation – the location difference (North, Central, South, & Others) and behavioral segmentation – the frequency travel (once, twice, three times, four times, and five times or more) to Hong Kong.

#### **4. Results of Study**

##### Demographic background & trip characteristics of sampling

Using SPSS software, descriptive analysis of the sample showed that most of the respondents were female (64.5%), single (52.2%), in the age groups of 31-40 (36.6%), in the location of northern Taiwan (60.7%), in the occupation of the service worker (45.1%), at least a university degree (48.4%), and a yearly household income of less than 600,000 Taiwan dollars (52.2%). Table 1 shows the demographic information of tourists. Additionally, most responses have travelled to H.K. five times or more (26%), travel aboard once a year (32%), and spend HKD 4,001 or more (29.5).

Table 1: Description of survey respondents

Hybrid Segmentations	Percent (%)	Hybrid Segmentations	Percent (%)
<i>Gender</i>		<i>Household income (NT\$)</i>	
Male	35.5	Less than 600,000	52.2
Female	64.5	600,001-700,000	14.2
<i>Marital</i>		700,001-800,000	45.0
Single	52.2	800,001-1,000,000	11.2
Married	47.8	Above 1,000,000	10.1
<i>Age</i>		<i>Frequency travel to Hong Kong</i>	
Less than 20	2.7	Once	25.4
21-30	26.2	Twice	19.7
31-40	36.6	Three times	21.0
41-50	25.4	Four times	7.9
51-60+	9.0	Five or more	26.0
<i>Location</i>		<i>Average travel abroad</i>	
North	60.7	Once	32.0
Central	14.8	Twice	27.9
South	23.0	Three times	16.9
Others	1.6	Four times	7.7
<i>Occupation</i>		Five or more	15.6
Student	5.5	<i>Spending</i>	
Civil servant	9.3	Less than HKD1,000	7.4
Businessman	23.8	1,001-2,000	21.8
Self-employed	11.2	2,001-3,000	18.6
House worker/ Retired	5.2	3,001-4,000	22.7
Service worker	45.1	4,000 or more	29.5
<i>Educational level</i>			
Senior high school & under	15.0		
Junior/Community College	20.5		
Senior College/University	48.4		
Graduated school	16.1		

Note: 1 US Dollar = 7.75 HK Dollar = 30.0 NT Dollar

### Factor Analysis of the push and pull factor scales

For the push part of motivation, at first, the factor analysis included all 24 push factor items but found that questions 11, 12, 16, 19, 20 and 21 were organized in one group but were irrelevant within this factor group (question 11 - sharing travel experience with family or friends, and 12 - visiting friends or relatives, were deleted because they were related to question 5 - impressing my friends or family and question 13 - being with family or friends; and question 19 - getting away from the demands

of home. Question 20 - finding thrills or excitement and 21 - being daring and adventuresome were also deleted because they were identified as “Novelty” but similar to question 22 - seeking fun and enjoyment, 23 - gaining the exciting experience and 24 - doing something new and fresh), therefore, these questions were deleted. For other 18 push factor items were labeled to four factors: “Prestige and human relationship enhancement”, “Knowledge”, “Novelty”, “Relaxation”. With eight values greater than 1.0 (Table2, these factors explained 63.47% of the variance. The reliability alphas to check internal consistency of items within each factor ranged from 0.74 to 0.86. It meets Nunnally’s (1978) criterion.

**Table 2: Push factors of Taiwanese tourists travel motivation to Hong Kong**

Push factors (reliability alpha)	Factor loading	Eigen-value	% of Variance	Mean
<i>Factor 1: Prestige and human relationship enhancement (.84)</i>				
		6.50	36.12%	3.50
Being with my family or friends	.76			
Facilitating family and kinship ties	.75			
Visiting a destination that would impress my friends or family	.71			
Going to place my friends want to go	.66			
Visiting a destination which most people value and/or appreciate	.53			
Fulfilling my dream of visiting a place	.46			
Mixing with the fellow travelers	.44			
<i>Factor 2: Knowledge (.83)</i>				
		2.00	11.14%	3.83
See something different	.82			
Increasing knowledge about a foreign destination	.81			
Experiencing a different lifestyle	.76			
To be able to share or talk about the trip after return home	.63			
Visiting cultural and historical attractions	.60			
<i>Factor 3: Novelty (.86)</i>				
		1.731	9.61%	3.80
Seeing fun and enjoyment	.82			
Doing something new and fresh	.80			
Gaining the exciting experience	.80			
<i>Factor 4: Relaxation (.74)</i>				
		1.185	6.58%	3.98
Releasing work pressures	.77			
Resting/ Relaxation physically	.74			
Escaping from daily routine	.69			
KMO (.870)				
Total variance explained			63.47%	

Push motivations are evaluated using the scale of 1: strongly disagree; 2: disagree; 3: neutral; 4: agree; 5: strongly agree.



Factor analysis for the 30 pull items were labeled except question 38 (cruise facilities) and 49 (my family lives in Hong Kong). These two questions were irrelevant to their statistical dimensions and were deleted. Additionally, the reliability was higher after deleting question 38 and 49. Six factors were grouped as shown in Table 3. The factors account for 62.95 percent of the variance and were named as: “Sightseeing”, “Expenditure”, “Accessibilities”, “Service attitude and quality”, “Facilities and events”, and “Hi-tech image” with eight values greater than 1.0. Factor loadings of all the items were above 0.51. The reliability alpha for the six dimensions were greater than 0.6, meeting Nunnally’s (1978) criterion which is specified in Table 3.

Table 3: Pull factors of Taiwanese tourists travel motivation to Hong Kong

Pull factors (reliability alpha)	Factor loading	Eigen-value	% of Variance	Mean
<i>Factor 1: Sightseeing (.84)</i>				
		7.98	29.57%	3.25
Culture attractions	.83			
Historical and Heritage sights	.83			
Wildlife and sports	.69			
Facilities for physical activities	.61			
Beautiful and outstanding scenery	.59			
Visiting famous place and attractions	.50			
<i>Factor 2: Expenditure (.92)</i>				
		2.85	10.55%	3.65
Cost of food and beverage	.85			
Cost of transportation	.84			
Cost of tourist goods and service	.80			
Cost of attractions	.77			
Cost of accommodation	.51			
<i>Factor 3: Accessibilities (.84)</i>				
		1.964	7.27%	4.19
Geographic proximity	.84			
Easy of travel arrangement	.82			
Convenience of transport	.79			
Visa relaxation policy	.65			
<i>Factor 4: Service attitude and quality (.75)</i>				
		1.58	5.88%	3.70
Positive attitude of Hong Kong residents and Quality of tour service	.71			
Quality of accommodation facilities	.70			
Quality of local transportation systems	.51			
Common language/word(e.g. Traditional Chinese)	.57			
<i>Factor 5: Facilities and events (.74)</i>				
		1.42	5.29%	3.95
Interesting night-life	.79			

Pull factors (reliability alpha)	Factor loading	Eigen-value	% of Variance	Mean
Shopping paradise	.65			
Attending special festival events	.60			
Testing of variety of food and beverage	.58			
<i>Factor 6: Hi-Tech image (.72)</i>		1.18	4.37%	3.82
City of modern technology	.82			
International cosmopolitan atmosphere	.82			
Uniqueness of local people's lifestyle	.59			
KMO (.866)				
Total variance explained			62.95%	

Pull motivations are evaluated using the scale of 1: strongly disagree; 2: disagree; 3: neutral; 4: agree; 5: strongly agree.

### **Factor analysis of the travel satisfaction and destination loyalty**

Factor analysis for 5 satisfaction items and 6 loyalty items were labeled as two factors as shown in Table 4. The factors accounted for 72.17 percent of the variance in travel satisfaction, and 49.65 percent of the variance in destination loyalty. Factor loadings of all the items were above 0.50. The reliability alpha for the two dimensions were greater than 0.7 (Satisfaction's Cronbach's Alpha is 0.89 while destination loyalty's Cronbach's Alpha is 0.7), meeting Nunnally's (1978) criterion which is specified in table 4. And, the KMO value was 0.862 in "Satisfaction" and 0.866 in "Destination loyalty" which measure a sampling adequacy.

**Table 4: Satisfaction and Loyalty Factors of Taiwanese tourists to Hong Kong**

Factors (reliability alpha)	Factor loading	Eigen-value	% of Variance	Mean
<i>Factor: Satisfaction (.89)</i>				
Was exactly what I need	.82			
I was satisfied with decision	.89			
It was a wise choice and worth to visit	.89			
It was a good experience	.87			
Comparing with other place, I like Hong Kong better than other destination	.75			
KMO (.862)				
Total variance explained			72.17%	
<i>Factor: Loyalty (.70)</i>				
Recommendations to friends/relatives	.69			
Repeat visiting accommodation	.50			
Repeat visiting attractions	.77			
Repeat visiting attending transportation	.78			
Repeat visiting shopping	.76			
Repeat food and beverage	.67			
KMO (.866)				
Total variance explained			49.65%	

Both satisfaction and loyalty are evaluated using the scale of 1: strongly disagree; 2: disagree; 3: neutral; 4: agree; 5: strongly agree.

#### **Cluster analysis of Taiwanese tourists based on their travel motivation**

After the factor analysis, it was crucial to understand what types of the tourists can be clustered as meaningful segmentations and what differentiations can be determined as the key target segments. A cluster analysis, based on the non-hierarchical clustering procedure, was conducted to identify the groups via K-means clustering procedure to categorize the potential segmentations. The variables used to segment market were the four “push” and six “pull” motivations. The cluster solutions/groups ranging

from three to six were examined in order to discover suitable clusters. It was concluded that the five-cluster solution/group would be the most appropriate because it showed the highest degree of distinction among the clusters. The five-cluster were labeled as “Knowledge/Expenditure seekers” (25.7% of the sample; cluster 1); “Sightseeing seekers” (17.4%; cluster 2); “Accessibilities/ Relax seekers” (17.1%; cluster 3); “Novelty seekers” (28.7%; cluster 4); and “Facilities/ Hi-Tech seekers” (11%; cluster 5) (please see Table 5).

The means of the 10 motivation factors for each cluster are also presented in Table 5. A series of analysis of variance tests revealed that there were significant differences in geographical and behavioral segments; the mean scores among the five clusters indicated that 10 motivation factors contribute to the differentiation of the tourist segments and thus can be labeled appropriately. The Scheffe tests also showed that the five clusters were significantly different.

**Table 5: ANOVA of motivation factor mean scores by cluster**

Factor	Knowledge/ Expenditure Seekers	Sightseeing seekers	Accessibility seekers	Novelty seekers	Facilities/ Hi-tech seekers	F ratio	Sig.	Post-Hoc
Knowledge	3.78	3.15	3.97	4.34	3.46	44.99	.000	abcdeg
Prestige	3.54	2.85	3.32	4.15	2.96	55.97	.000	abcdegkl
Novelty	3.61	2.80	4.05	4.35	3.93	50.23	.000	abcdejko
Relaxation	3.71	3.22	4.36	4.44	3.96	34.02	.000	abdejklo
Sightseeing	3.29	2.54	3.04	3.80	2.87	57.53	.000	abcdegko
Expenditure	3.70	2.96	3.12	4.20	3.75	57.49	.000	abcdefop
Service attitude and quality	3.64	3.23	3.33	4.19	3.88	48.93	.000	abcdefop
Facilities and events	3.86	3.33	3.69	4.45	4.26	34.76	.000	abceknop
Hi-tech image	3.70	3.32	3.44	4.35	4.09	152.54	.000	abcefop
Accessibility	3.84	3.81	4.11	4.57	4.72	113.97	.000	abcjknop
Size of cluster	25.7%	17.4%	17.1%	28.7%	11.0%			

a=1 > 2   b=1 > 3   c=1 > 4   d=1 > 5   e=2 > 3   f=2 > 4   g=2 > 5   h=3 > 4   i=3 > 5   j=4 > 2   k=4 > 3   l=4 > 5  
 m=5 > 1   n=5 > 2   o=5 > 3   p=5 > 4

\*Post-hoc test reveals that the five clusters are significantly different in all 10 motivation factors.

**Location difference and visiting frequency by clusters**

After the cluster analysis, the crosstabs (chi-square tests) were used as the post-hoc comparisons. It was confirmed that the geographic segmentation, the location difference and behavioral segmentation, and the frequency travel to Hong Kong had significant differences when testing the cluster groups (Table 6). The result is shown in Table 6. Cluster 1 of Knowledge/ Expenditure seekers had the largest percentage of travelers living in the North (50.9) and has visited Hong Kong once (29.2%) or 5 times (22.6%). Cluster 2 of Sightseeing seekers also had a largest percentage of travelers living in the North (57.3%), but had almost the equal percentage of travelers living in the Central (20.8%) and South (21.8) and has visited Hong Kong once (28.1%) or 3 times (27.1%). Cluster 3 of Accessibilities/ Relax seekers had the largest percentage of travelers living in the North (60.0%), then the second largest percentage travelers living in the South (25.0%) and has visited Hong Kong 5 times (35.0%) or once (23.3%). Cluster 4 of Novelty seekers had the largest percentage of travelers living in the North (69.8%), then the second largest percentage travelers living in the South (20.6%) and has visited Hong Kong once (27.0%) or three times (25.4%). Cluster 5 of Facilities/ Hi-Tech seekers had the highest percentage of travelers living in the North (80.0%), and the most who have visited Hong Kong 5 times (46.3%).

**Table 6: Location difference and visiting frequency profiles of clusters (%)**

Variable	Knowledge/ Expenditure seekers	Sightseeing/ seekers	Accessibility seekers	Novelty seekers	Facilities/Hi- tech seekers	Total	X <sup>2</sup>	Sig. level
Location							28.92	.004
North	50.9	57.3	60.0	69.8	80.5	60.7		
Central	16.0	20.8	15.0	9.6	4.9	14.8		
South	27.4	21.9	25.0	20.6	14.6	23.0		
Others	0	0	0	0	0	1.6		
Frequency to HK							29.37	.022
Once	29.2	28.1	23.3	27.0	9.8	25.4		
Twice	17.0	21.9	20.0	20.6	19.5	19.7		
Three times	21.7	27.1	10.0	25.4	14.6	21.0		
Four times	9.4	2.1	11.7	9.5	9.8	7.9		
Five times	22.6	20.8	35.0	17.5	46.3	26.0		

**Travel satisfaction and destination loyalty by clusters**

A similar statistical analysis was applied to “travel satisfaction” and “destination loyalty” which is presented in Table 7. In order to conduct the chi-square tests, a recode of data (from interval data to nominal data) was executed to present low (mean score <3), medium (=3) and high levels (>3) of satisfaction and loyalty. The chi-square tests showed that all 5 clusters presented significant differences as shown in Table 7.

For the travel satisfaction, the analysis concluded that cluster 1 of Knowledge / Expenditure seeker had the highest satisfaction ratings toward Hong Kong (64.2%). Cluster 2 of Sightseeing seekers presented a middle rating of satisfaction toward Hong Kong (74%). Cluster 3 of Accessibility seekers (88.3%); cluster 4 of Novelty seekers (85.7%), and cluster 5 of Facilities / Hi-Tech image seekers (73.2%) also presented a middle level of travel satisfaction toward Hong Kong. It could mean that cluster 2 visited Hong Kong because of sightseeing and good services but not exactly they had high-level of travel satisfaction about Hong Kong. As for the Accessibility seekers (cluster 3/c3), Novelty seekers (c4) and Facilities Events/ Hi-Tech image seekers (c5), tourists may visit Hong Kong for the proximity (c3), curiosity, the appealing of Hong Kong's professional facilities (c4), or for the events experience and the Hi-Tech image (c5), but also not exactly they had high-level of travel satisfaction about Hong Kong.

For the destination loyalty, the cluster 1 of the Knowledge/Expenditure seekers indicated a high level rating loyalty in Hong Kong while all other clusters presented middle-level rating about Hong Kong. That means the marketers should focus on efforts to the group of Knowledge/ Expenditure seekers for future promotion target segment because this group would most likely return H.K.



**Table 7: Travel satisfaction and destination loyalty profiles of clusters (%)**

Variable	Knowledge/ Expenditure seekers	Sightseeing/ seekers	Accessibility seekers	Novelty seekers	Facilities/ Hi-tech seekers	Total	X2	Sig. level
Satisfaction							103.85	.000
Level								
Low	0	0	8.3	1.6	0	1.6		
Middle	35.8	74.0	88.3	85.7	73.2	67.2		
High	64.2	26.0	3.3	12.7	26.8	31.1		
Loyalty							70.93	.000
Level								
Low	0	0	1.7	3.2	0	0.8		
Middle	32.1	68.8	83.3	77.8	53.7	60.4		
High	67.9	31.3	15.0	19.0	46.3	38.8		

**1. Conclusions & Summary**

According to the purposes of this study, three research questions are presented, followed with the results of the statistical analysis of the data.

A. What are the dominant factors motivating Taiwanese to visit Hong Kong?

Through the factor analysis, four push factors and six pull factors are the motivations Taiwanese tourists have who like to visit Hong Kong. Push motivations include “prestige and human relationship enhancement”, “knowledge”, “novelty”, and “Relation”. Pull motivations include “sightseeing”, “expenditure”, “accessibilities”, “service attitude and quality”, “facilities and events”, and “hi-tech image”.

B. What are the clusters of Taiwanese tourists’ based on their travel motivations?

Through cluster analysis, Taiwanese tourists to Honk Kong could be clustered into five main segments. They are “knowledge/expenditure seekers”, “sightseeing seekers”, “accessibilities/relax seekers”, “novelty seekers”, and “facilities/hi-tech seekers”

C. What are the market segments of clusters of Taiwanese tourists to Hong Kong?

Through chi-square, five main segments with the analysis of their location difference, visiting frequency, travel satisfaction, and destination loyalty are discussed. Each of the segments is found to have unique profiles.

A summary of their profiles is given in Table 8. Each of the segments represent unique motivations, and exhibit different demographic and trip-related characteristics. Most importantly, they also describe diverse levels of satisfaction and loyalty with the factors offered by Hong Kong as a travel destination for Taiwanese tourists. For instance, the Knowledge/Expenditure seekers mostly lived in the north part of Taiwan, visited H.K. once or five times, reported mostly high-level satisfaction and loyalty. They travelled to gain new knowledge, at the same time, requested reasonable prices. The Sightseeing seekers also mostly lived in the north part of Taiwan, but an almost equal amount lived in the central and south parts, visited H.K. once or twice, reported mostly middle-level of satisfaction and loyalty. They enjoyed visiting different places. The accessibilities/relax seekers mostly live in the north, visited H.K. five times, reported mostly middle-level of satisfaction and loyalty, and reported a lower-level of satisfaction and loyalty. They travelled for the conveniences and looked for a way to release pressure. The novelty seekers mostly lived in the north and seldom live in the central area, visited H.K. once, reported mostly middle-level satisfaction and loyalty, and reported few lower-level of satisfaction and loyalty. They embraced new experiences while traveling. Finally, the facilities/hi-tech seekers mostly lived in the north and seldom lived in the south and central, visited H.K. five-times, reported mostly middle-level and high-level of satisfaction and loyalty. They often went to H.K. due to the attractions of a modern city, shopping paradise, and special events & facilities.

**Table 8: Summary of characteristics of Taiwanese tourist segments**

Characteristics	Knowledge /expenditure	Sightseeing	Accessibilities /relax	Novelty	Facilities/ hi-tech
Location difference	More north; some south; few central	More north; some central & south	More north; some south; few central	Mostly north; some south; few central	Mostly north; few south & central
Visiting Frequency (Orders)	Once, five times, & three times	Once, twice, & five times	Five times, once, & twice	Once, three times, & twice	Five times, once, three times
Travel Satisfaction	Mostly high-level, & some middle-level	Mostly middle-level, & some high-level	Mostly middle-level, & few high-level & low level	Mostly middle level, few high-level, & seldom low-level	Mostly middle-level, & some high-level
Destination Loyalty	Mostly high-level, & some middle-level	Mostly middle-level, & some high-level	Mostly middle-level, few high-level, & seldom low level	Mostly middle-level, few high, & seldom low level	More middle & high levels

## 6. Discussion

The discussion addresses the implication of this study for the travel and tourism industry and the relevance to related theories, model and technique in travel and tourism literature. Additionally, the maximum likelihood (ML) method was used for estimating clusters of the Taiwanese travelers' motivation. This is essentially a process by which the number of variables is reduced by deterring which variables "cluster" together. Also, factors are the groupings of variables that measure some common constructs, i.e., push and pull factors or motivations.

The implementation of this study for the practical field is outlined below:

(1) This study identifies four push and six pull factors. Hong Kong government and/or Taiwan Travel Agencies could use and promote these factors to attract the Taiwanese tourists to Hong Kong. For example: releasing pressure from work, seeing something different, tasting food and wine, and convenience of transport are major reasons to travel to Hong Kong that Taiwanese tourists agree upon.

They should avoid spending budgets to advertise and plan trips that focus on wildlife and sports, and being daring and adventuresome.

(2) The analysis of this survey confirms that five new clusters/groups were found. Hong Kong government and/or Taiwan Travel Agencies could target these populations for further promotions in the short term. In the long run, the new groups may need to be explored. For example: The TV commercials which play on Taiwan stations should show the diversity images of new expenditures, beautiful sceneries, exciting experiences, hi-tech, and easy accessibility to Hong Kong.

(3) Further analysis of these five new groups was conducted. Each of the groups is found to process unique profile in terms of tourists' location difference and visiting frequency. In the future, Hong Kong government and/or Taiwan Travel Agencies could effectively develop marketing strategies to attract Taiwanese tourists. Nevertheless, the marketers should consider offering an added value to extend the destination loyalty for frequent travelers. For example, for promoting Hong Kong as the high-tech image destination, they may spend more budget dollars on the tourists who live in the North and can provide rewards or discounts for tourists who visit Hong Kong more than 5 times. More precisely, the Hong Kong government must be able to allocate limited resources more effectively in attracting distinct and unique groups of tourists. Hence, it is the reasonable suggestion that Hong Kong government and Taiwan Travel Agencies should invest more energies, time, and budgets on the cluster 5 of Facilities / Hi-Tech image seekers. Particularity, this type of Taiwanese tourists, so far, has the least population to visit Hong Kong; it has the great potential to boost this market in the near future and to increase the numbers of Taiwanese tourists to visit Hong Kong in the long run.

To be more specific, based on the five clusters, the implication below are suggested to influence different target segments.

For cluster 1, the knowledge/expenditure group, using more in-depth communication by storytelling of Hong Kong's historic background to reach consumer's interest should be used to motivate their interest to revisit Hong Kong. In addition, there should be a package developed to encourage travel between international Hong Kong and domestic Taiwan to reinforce consumer interests and the realization that that Hong Kong can be an economic value and a weekend get-away destination.

For cluster 2, the sightseeing group, the marketers should put more effort on secondary cities. This group showed interest in visiting different places; therefore, a semi-package or full package can attract leisure travelers to visiting secondary cities.

For cluster 3, the accessibilities/relax seekers, this group showed a large proportion of frequent travel to Hong Kong and most of them based in northern Taiwan but indicated the middle-level of satisfaction and loyalty. Hence, ongoing events and activities could stimulate this target segment, i.e. relying on Hong Kong Tourism Board's annual nonstop mega events to create a sense of urgency for relaxation may allure the repeat-tourists to Hong Kong. Additionally, providing more flexible entry procedures and reducing the visa fees could be strategies to boost the tourists' arrivals.

For cluster 4, the novelty seekers, obviously this target segment seldom visit Hong Kong and recognized as the middle level of satisfaction and loyalty. In order to stimulate this target segment, marketers should develop new tour products or bundle with neighboring cities like the Pearl River Delta or Macau to attract novelty seekers to revisit Hong Kong.

For cluster 5, the facilities/ hi-tech seekers, is a potential target segment to be emphasized, because this group demonstrated frequent travel to Hong Kong and reported the middle level of satisfaction and loyalty. The marketers should highlight Hong Kong's hotels and hi-tech facilities to position Hong Kong as a cosmopolitan and trendy destination.

The relevance to related theories, model, and technique in travel and tourism literatures

(1) It is crucial to consider the motivational patterns or constructs to further comprehend the major driving forces of the Taiwanese tourists to Hong Kong rather than look at each individual motivation items. Using push and pull theories which were found in other empirical studies for different populations, ten factors are found in this pioneer study for Taiwanese population to travel to Hong Kong.

(2) Based on the reviewed past research, the most commonly used market segmentation technique in travel and tourism industry is to cluster the tourists. Thus, this research proposes Taiwanese tourists to Hong Kong can be similarly segmented into five clusters (“knowledge/expenditure seekers”, “sightseeing seekers”, “accessibilities/relax seekers”, “novelty seekers” and “facilities/hi-tech seekers”) on the basis of their motivations. Compared with five past studies, three clusters were “sport seekers”, “novelty seekers”, and “family/relaxation seekers” for Japanese overseas travellers(Cha, McCleary, & Uysal, 1995); four clusters were “sightseeing seekers”, “investment seekers”, “package holidaymakers”, and “low scorers” for Chinese visitors to New Zealand (Ryan & Mo, 2001); three clusters were “novelty/nature seekers”, “escape/relaxation seekers”, and “family/outdoor activities seekers” for Japanese pleasure travellers to the USA and Canada (Jang, Morrison, & O’Leary, 2002); five clusters were “fuzzy tourists”, “recreational-type”, “active”, “escape seekers”, and “relax-quiet tourists” for British tourists visiting Turkey (Andreu, Kozak, Avci, & Cifter, 2005); and four clusters were “family/relaxation seekers”, “novelty seekers”, “adventure/pleasure seekers”, and “prestige/knowledge seekers” for Chinese tourists to Singapore (Kau & Lim, 2005).

(3) It is also found that each cluster process the distinct demographic profile: location differences, trip-related characteristics, and visiting frequency. Overall, the levels of travel satisfaction of each cluster with regard to various attributes offered by Hong Kong would be different. Similarly, they would also differ with respect to their likelihood of revisiting, repurchasing and the likelihood of recommending Hong Kong to others.

(4) Although the interconnection of push and pull motivation, travel satisfaction and destination loyalty have been documented and supported, there are still research challenges among these constructs. Yoon and Uysal (2005) suggested an application of these constructs to other settings (destinations) will help produce reliable indicators and further validate the constructs, as the result to produce a more and stable model. Additionally, in terms of technical aspect, this study not only used travel satisfaction and destination loyalty, but also added location difference and visiting frequency to profiles of clusters in order to provide more empirical evidences for Hong Kong government and travel agencies to develop marketing strategies. To conclude, this study was done by a specific population toward a specific destination; the Taiwanese tourists toward Hong Kong; in the East Asia region. The replication of this study in other cases (different populations toward specific destinations) may provide opportunities to evaluate the extent and direction of push and pull motivations as tourists related degrees of travel satisfaction, destination loyalty, location difference and visiting frequency. Thus, this makes a better case for the uniqueness of this study to reevaluate the related theories, model, and technique.

#### 7. Recommendations & Limitations

Lastly, this study has only dealt with developments in tourists' behaviour related to motivation, satisfaction and loyalty. To get a picture of what will happen in the future of tourism, other influences and driving factors need to be considered as well, for example, destination attachment, travel value, travel barriers, tourist dissatisfaction, and destination image.

As for the limitations, the sampling of this study is narrow because it only deals with Taiwanese who attended Hong Kong tours from ten Taiwan outbound travel agents. As a result, the information obtained may only be valid for this population and they cannot be generalized to all outbound travelers who visiting Hong Kong from Taiwan. Hence, it is suggested that further research on Taiwanese travelers' motivation to visit Hong Kong should include other travel agencies which sell Hong Kong tours in order to come up with more representative outcomes.

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## Gimme' A Break: Offering Sabbaticals as an Optional Leave Benefit in the Lodging Industry

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### **Abstract**

The purpose of this study is to investigate the extended leave programs offered by lodging companies in the United States and to suggest a model that could be used in the lodging industry. This model mirrors successful sabbatical leave programs offered by leading companies featured in the annual report, 100 Best Companies to Work For (from this point forward, referred to as 100 Best), published on-line by Fortune Magazine, 2013 (CNN, 2013). While extended leave programs are not entirely lacking in the industry, our research discovered that such leave systems are rare. According to the companies investigated that offer a sabbatical leave program, this benefit offers highly sought after time away from work for top performing employees at the management and higher levels. The benefits reported include happier employees who have increased feelings of company loyalty, job satisfaction, and overall better attitudes. The sponsoring companies stated that those who take part in such leave contribute at a higher level upon their return, bringing fresh ideas and a renewed commitment to the company's success.

### **Keywords**

vacation, leave time, paid time off, sabbatical, professional development

### **Cover Page Footnote**

Gimme' A Break: Offering Sabbaticals as an Optional Leave Benefit in the Lodging Industry By

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The benefits of professional leave for management and executive level employees representing a variety of industries have appeared in professional and industry journals for the last three decades; however, detailed models for implementing the various types of leave systems do not readily appear in the published research. Models of leave systems particular to the lodging industry have yet to be studied.

This investigation highlights the current extended leave programs offered by several leading companies in the United States (US) in addition to those offered in the state-supported university systems and private institutions (CNNMoney, 2013). Programs were reviewed to learn of the purpose of extended leave, known in the academic sector as 'sabbatical'; however, often termed extended Paid-Time-Off (PTO) in private industry. A sabbatical leave option is usually longer in length than a PTO, lasting 30 days or so.

Interest in program implementation, expectations of both employee and employer, to whom the sabbatical is appropriate, and advantages and disadvantages are studied. The goal of the investigation is to offer a model to the lodging industry for management and executive level employees as a professional development benefit. According to study participants, extended leave programs fitting the description of a sabbatical are of great interest, but no literature of a working model for the lodging industry to implement exists.

Leave systems in the hospitality industry at large vary little from company to company and only one lodging company discovered in the research for this article appears to offer leave titled 'sabbatical'. Interviews with four large luxury hotel executives revealed that extended leave is for the purposes of vacation and unplanned hardship (interviews conducted by Kimberly J. Harris, July 28, 2010). Two weeks of vacation for management with tenure of one year is the norm with up to two weeks of PTO leave for approved purposes. These purposes include health issues, relocation adjustment, and training. The most common leave extended beyond vacation and PTO is for family medical leave (Padgett, Harland, and Moser, 2009). Leave programs in the hospitality industry are reserved for upper-level management. Hourly

employees, including those that are in supervisory positions, may or may not be offered vacation time or other options for leave.

Pros and cons of taking time away from the assigned work environment and are consistent in the literature (Conger, 2009; Palade, 2010; McClain, 2005). Additionally, those who have participated in extended professional leave or ‘sabbaticals’, have experienced improvements in personal and professional relationships, appreciation for their careers, and increased self-confidence (Arms, 2010; Sima, 2000; Carr and Tang, 2005, Maslach and Leiter, 1997).

In a study conducted by Hamlin, Ellinger, and Beattie (2008) their professional development research ‘adopts a neo-empirical stance by assuming a critical realist ontology and epistemology falling somewhere between post-positivism and constructivism-interpretivism’ (290). In summary, the work studied includes a practical approach to offering sabbatical leave that involves both the employee and employer in designing an experience of benefit to all included if properly implemented.

### **Literature Review**

Sabbatical leave programs are an integral part of several companies voted among the *100 Best*, published by Fortune and Money Magazine annually (CNN, 2013). Of those identified, nineteen companies offer sabbatical leave for their employees, including but not limited to SAS, Microsoft, and Alston & Bird. Three lodging companies were named among the *100 Best*; however, only one, Kimpton Hotels and Restaurants, offers a program titled ‘sabbatical’ and the remaining two offer vacation and personal development leave time. The sabbatical, vacation, and personal development time off are all considered PTO. The literature reviewed brings to light the pros and cons of extended leave, with most bringing to light the concerns and methods of managing the misconceptions with offering such benefits. We will present evidence that leave is of value; however, also presented is the lack of consistency in modeling with

how this leave is designed and interestingly, lack of metrics associated to sabbaticals, making it difficult to measure the return on investment (ROI).

### **Defining Sabbatical Leave and PTO**

According to Laurie Steuber (biztimes.com, 2004), the Society of Human Resource Management reports that “two-thirds of US companies offer PTO programs” (1) and employees are seeing a change in the way this time can be used as compared to prior years. While possibly only a week of flex-time, or time that can be taken off for non-descript reasons, the ability to take time off for reasons that are not medical or hardship related is attractive to employees. Paid time off (PTO) is leave that is paid and can be time as brief as an hour to extended time that has a negotiated limit. Regardless, the time is recognized by the employer as a benefit of gainful employment and employees are remunerated according to their pay scale and assigned duties.

To clarify, sabbatical leave as compared to professional development leave, is an important distinction to make as both differ in format as well as expected outcomes. The term ‘sabbatical’ comes from the term ‘Sabbath’ and suggests rest and renewal and is often longer than two weeks but no longer than one calendar year. Traditionally, the Sabbath refers to the seventh day, when Jews and Christians rest, and among the ancient Jews, a sabbatical year occurred every seven years, indicating a time when the fields were to remain unplanted, workers given rest from their labor, and debtors released of their debts (YourDictionary, 2013).

### **Models of Sabbatical Leave Programs in Education: State and Private Institutions**

The term, 'sabbatical' is commonplace in the United States (US) educational system, especially in higher education. On a global scale, most institutions accept the term and vision of the sabbatical as described in the US. In the US educational system, faculty senate teams with the support of the provost, develop criteria outlining a guide for those interested in applying for sabbatical leave.

Most post-secondary educational institutions offer the leave to faculty who have achieved both promotion from entry level teaching at the Assistant level to Associate or Full Professor and have achieved tenure, or the acceptance from academic peers at an institution that the faculty member is considered a permanent employee, having passed the probationary period of seven years. Sabbaticals are offered as a benefit to such academic faculty for the purposes of rest, travel, research, and general rejuvenation. Leave can be one semester to two semesters in length for a total of nine months and is most often, competitively awarded. Faculty members must often propose the purpose of the sabbatical and submit a report upon completion, using the leave time for purposes that are both personal and professional is an accepted practice (McClain, 2005; Fogg, 2006). The sabbatical leave systems of both public and private institutions were studied and found to be comparable in design.

### **Models of Existing Sabbatical Leave Programs in Industry**

Models of professional development programs that involve coaching as a teaching and career development paradigm, regardless of industry or educational association, provide opportunities for business executives to be mentored and taught by peer or senior managers to accomplish similar learning objectives offered by sabbatical programs. The companies featured in our literature review offer extended leave programs, often referred to as PTO, Leave Without Pay (LWP), and sabbatical. Of the three lodging companies listed in the *100 Best*, to include Marriott International and Four Seasons Hotels and Resorts; however, only one features an extended leave program described as a sabbatical. This company, Kimpton



Hotels and Restaurants, also rates higher than those previously mentioned in the CNNMoney report (CNNMoney.com, 2013; accessed January 4, 2014).

**Alston & Byrd.** During an interview with an executive with Alston-Bird (interviewed by Kimberly J. Harris, October 18, 2010), a law firm specializing in a variety of banking, tax, and other corporate services, offering extended leave for professional development purposes is critical to the success of the company. No monetary impact or the measuring specific metrics are tracked, but the company doesn't believe it is necessary. Comments from those participating are enough to encourage the company to continue the benefit and enjoy the increased commitment from staff. The support was stated as a "good will expression of trust, the right thing to do, and necessary for employee morale and job satisfaction".

Leave was offered to create a sense of commitment between both the company and the employees, giving an opportunity to upper level staff to refresh their skills, knowledge and abilities, or simply focus on personal interests. Sabbatical leaves extend opportunities to offer lifelong learning and experiences that contributed to the overall quality of life were cited as key to retaining quality associates. In addition, employees who met the criteria for requesting extended leave were encouraged to take a minimum of one month off and could request as much time beyond this as agreed upon by the company. How the time off was to be used was to be determined by the employee; however, sixty days was the norm.

An expectation of employees participating in sabbaticals included revitalization of self, which in turn, produced a more valuable employee. The requested leave was approved upon proof of coverage for responsibilities assigned. No change in compensation would be experienced and the leave was not considered during evaluation. The statement in leave policy for this company states that associates "are encouraged to do so (take leave) because of its good effects both institutionally and individually".

**Microsoft.** For yet another named company known for its software development and noted globally as a model for employee satisfaction and retention, Microsoft offers a sabbatical program as one of the

many benefits offered to keep turnover low, productivity high, and work-life balance in check. For extended leave consideration, the employee must have 10 years or more of service and write a proposal to be considered by executive level staff. Furthermore, the employee must have received merit recognition for performance, have seniority within their department, train a replacement to fill their position during the time off, make a commitment to be available during their leave if contact was necessary, and return with a plan for implementing new strategies for overall department improvement or at least, noted weakness within the company that could be overcome by studying competitive systems while on leave.

Leave time at Microsoft can be up to three months with the option of six additional weeks of unpaid leave with a synopsis report due within two weeks of the return of the employee, complete with data and examples of business improvement suggestions. Employees taking such leave were given full pay for the time off as well as the costs of limited room and board if the participant was gathering study data.

The participants are guaranteed job security; however, if it was deemed that the company needed to fill the job with someone else to avoid profitability or other losses, the employee was guaranteed an alternative job at the same pay and rank, if possible. Once leave was taken, the employee could not request another such benefit of leave for seven years unless the company saw a need for more extended research (CNN 2013; HR.com, 2000).

**SAS Institute, Inc.** SAS Institute, Inc., a \$1 billion plus company specializing in business analytics and services software development, has regularly appeared among the *100 Best* list of best places to work sixteen consecutive times, earning the number one position in 2010 (currently in second place behind Google). Giving employees flexibility in schedules, time-off, services that include child care, fitness accommodations, and a health care center where services are steps away from the office on the organization's compound, this company offers a number of benefits that attracts employees above their pay.

Not titled 'sabbatical', leave for SAS employees is paid-time-off or leave without pay, depending on the employee and supervisor's determination. With three weeks of paid vacation upon initial employment and four weeks after ten years of tenure, the company offers additional time off and education benefits for professional development. Employee-centered benefits are SAS's secret to record low turnover and employees who consider their employment to be a lifestyle, not a job (Elswick, 2001; SAS, 2013).

**Kimpton Hotels and Restaurants.** Of the companies listed in the 2013 *100 Best*, only one lodging company offers an extended professional leave program referred to as a sabbatical. In an interview with Vice President of People and Culture for Kimpton Hotels and Restaurants, Leslie LaRude (interview by Kimberly J. Harris, July 26, 2013), sabbaticals are an attractive benefit for management level employees for the purpose of refreshing their personal, professional, and emotional lives. Sabbaticals at Kimpton are for the purpose of improving skills, knowledge, and abilities; however, perhaps the most important benefits are more organic to the individual. Ms. LeRude stated that, "It allows people to rest and rejuvenate. It builds a sense of loyalty and appreciation for the brand because they feel valued". Offered to Hotel and Restaurant GMs, Executive Chefs, Regional Directors, City Managers, Home Office Directors and above, the sabbatical is rotated so that people are given time off at alternate times. Designed to give the deserving executive 30 days of leave, the expectation is to "take time to be completely unplugged and enjoy their time off work". A report or 'story' is expected upon their return to explain all that was experienced and the value the sabbatical for the participating individual.

Interestingly, the requirements to take time off mirror that of the academic world. Kimpton requires that executives that qualifying individuals be with the company at least seven years. If approved by their supervisor, the person's responsibility is spread over the team in the appropriate department so that the individual is not on call while away. Planning takes place several months in advance. The individual is paid regularly with direct deposit and comes back to the same position at the same rate of pay.

It is important to Kimpton that a sabbatical is not used for personal crisis, which would be a different form of leave. This leave is for the individual to use as they desire and as a form of appreciation from the company, for their talent, hard work, and dedication. When asked if Kimpton followed an established model when designing their program, Ms. LeRude indicated that there was research into several systems, but ultimately, the decision was to create a custom leave system that met cultural expectations of the company. Metrics, measurement of value-added input verses output, and other analyses are not applied.

### **Advantages and Disadvantages of Sabbaticals**

**Advantages.** As to the benefits of extended leave, traceable improvements to employee performance and improvements to the bottom line for companies are difficult to measure. Attaching metrics to rejuvenation, rest, time to think, job satisfaction, and improved likelihood that employees are more committed to the organization are noted as benefits of sabbatical leave programs, yet no studies exist that have tracked these subjective variables (Haskins, 2011). While vacation time and family medical leave time are considered benefits that attract and retain employees, benefits are often more subjective and have few tethered expectations. For the companies studied for this investigation, the advantages can be listed as:

- Time to rest
- Time to re-think organization policies, rules, and procedures
- Time to develop new and improved approaches to management, production processes, and company goal accomplishment
- Time to train, gain new skills, learn new approaches
- Time to spend with family
- Time to travel
- Time to return to school
- Time to devote to self
- Improves job satisfaction
- Increases commitment to organization
- Enhances overall positive feelings, attitudes, and personal growth

Sabbaticals are used to attract employees and encourage rest and relaxation with few, if any guidelines. As a strategy to reduce burnout, the advantages outweigh the disadvantages, although no model is used to justify such leave (Simpson, 1997). Programs offered such as *Your Sabbatical's Comprehensive Program Toolkit* (Pagano, Pagano, and Southerland, 2010), promises an assessment tool, complete with metrics and tracking system to conduct the ROI of such benefits.

**Disadvantages.** Taking extensive leaves of absence, regardless of the agreement, present several drawbacks. Halcrow (1989) communicated that leave programs may present several potential problems in the work environment and for employees; hampering the desire to take sabbatical leave even though the benefit is attractive. Ellinger, Ellinger, and Keller (2003) and Gray and Goregaokar (2007) reported that displacement and replacement causes undue hardship unless sabbatical leave offered to those who qualify can be rotated and planned so that only a few employees are on leave at any given time. The disadvantages are listed as:

- Fear of negative peer perception
- Reassignment of duties to others, creating a strain on their workload
- Fear of losing a position or opportunity within the organization
- Fear of changes that take place in the organization while on leave
- Expense of housing, transportation, and supplies needed
- Fear of reduced income
- Fear that loss of talent would reduce the quality of customer service and productivity

For some, there is added stress while being away from work for long periods of time as opposed to taking shorter time periods away, such as long weekends or a week at the most. According to Simpson (1997), employees often feel as if they are 'indispensable' (1) and believe their absence has the potential to interrupt customer service, interfere with client relationships, cause reductions in billable hours, and cause a bottleneck to work flow due to the absence of talent.

While technology such as email, cell phones, and SKYPE alleviates many of the concerns, time off wherein the employee is entirely 'unplugged', may not be possible. Replacement personnel to cover the responsibilities of the person on leave and the downtime-plus-training required for the person assuming responsibilities of those absent effects the ROI of the position (McCauley and Hezlett, 2001). Simpson (1997) explains that the while employees like the idea of taking long periods of time away from work, Hewitt Associates, LLC believes the programs are lax in determining productivity measurement. The bottom line is not determinable due to the subjectivity and individual response to such benefit.

Lastly, leave time can create such a void that those leaving may be less desirable for the position upon return. This displacement is considered a threat among the Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis a company conducts as to value of an employee support program (Rigg, Stewart, and Trehan, 2007). Employees must understand that taking leave may mean returning to a change in the way work is conducted, responsibilities, and a 'catch up time' that deems the leave unreasonable (Lawton-Smith and Cox, 2007; About.com, 2013).

### **Theory**

The value of leave systems, whether short or long; educational, professional or personal, date back to the late 1950's. Programs unique to emerging economies demanded continual change; consequently, changes in management styles to consider the quality of life, women in the workforce, and improved benefits were demanded (Graham and Weinter, 1996). While dated, the familiar Frederick Taylor's *Theory of Scientific Management*, one of the first theories of human performance and motivation, theorized that performance was based on piece-meal assignment and monetary reward. This approach analyzed employee value based on the design of the logistics of the work environment and their ability to produce within a specific time (circa 1880). Employees of later, emerging economies wanted to be treated with dignity and respect as important to the success of the organization. Of this later era, expectations for employers to provide fair wages in addition to improved work conditions, training, and

safety in the workplace in addition to benefits such as vacation time, continued education, family leave, retirement programs, and health insurance was demanded (Roberts, 2008; Toomey and Connor, 1988; Hamlin, Ellinger, & Beattie, 2008).

### **Conceptual Foundations: How High Performance Work Systems (HPWS) Influence Organizational Outcomes**

Ramsay, Scholorios, and Harley (2000) mention the motivators for high performance work systems and motivators that are most likely to stimulate high-commitment or high-involvement employees. Approaches to measure the return on the investment of a myriad of systems seem to present limitations associated with subjectivity and the inconsistencies of humankind that make success, overall measurement of impact, and value to the organization difficult to analyze. Employees at the executive level tend to be high performance, high commitment, and highly involved in the mission of the company employing them; therefore, benefits such as sabbatical leave may indeed be an outlet for such employees to continue their education, use such leave time to take advanced educational classes or training, or use the time to rejuvenate.

Several systems and analyses are discussed in the literature (Boxall and Macky, 2009; Ramsey et al., 2000; Whitener, 2001, ALDamoe, Yazam and Ahmid, 2012); however, a statement by Ramsay et al. (2000) sums the findings in each of the studies most succinctly in stating that there is a “consensus among those researchers who have reported a link between High Performance Work Systems (HPWS) and organizational performance measures that the associations reflect a causal link which flows from practices through people to performance. Explanations of how and why this link should work rely on theories of employee motivation in response to the types of practice described by HPWS theory and have become so embedded, especially in US management research, as to be taken largely for granted.” (503). The authors communicate that the effort to apply a complicated ROI system or strategy to understand and intricately track a leave system to a value metric is over doing the very simple fact that offering flexibility and leave benefits can be ‘taken at face value, as employee-centered and empowering. Employees, in turn, find that

their needs are met by the opportunities and benefits these practices provide, and respond by taking initiatives without instruction and showing loyalty and enthusiasm for their employer.’ (503).

There is value in applying a model to understand the behaviors of high- commitment and high-involvement employees, for which sabbaticals seem to be most effective. Most HPWS models involve a labor process critique as well as surveys using such systems as WERS98 (example available at docstoc.com, accessed Jan. 4, 2014) , gathered from employers and employees that permit them to rank or otherwise express their attitudes and satisfaction level with regard to their title, task assignments, need for responsibility, and desire to achieve. Models using labor processing (LP) evaluation, wherein input is measured in by output, is considered to ineffective (Braverman, 1974).

### **Behavioral Theories: Job Satisfaction, Employee Performance, and Burnout**

In a dissertation written by Herbert C. Roberts (2008), titled *Knowledge Area Module Number 2: Principles of Human Development: Root Causes Behind Employee Burnout and Diminished Job Satisfaction and Motivation*, this Ph.D. student specializing in Engineering Management detailed the theories and applications of Abraham Maslow, Frederick Herzberg, David McClelland, and Victor Vroom. The psychological consideration for why people work and what motivates them to perform became the focus of human resources researchers.

Roberts (2008) studied the theories that attempted to explain the motivation of employees to be attracted, attach, flourish, and reach heights in their skills, knowledge and abilities within the workplace. Explanations as to why employees become frustrated, burned-out, over-qualified, and unhappy with their jobs are presented in the theories. Suggestions in each model exist for managing each of these phenomena, including the conclusion that some employees separate from their organization when no plan exists to motivate them to stay.



Theorists popular during the 1950's and 1960's offer explanations for the employee who works in an environment where human needs are considered. Abraham Maslow (1943 and 1970), possibly the most recognized among behavioral theorists, developed a model titled, *Hierarchy of Needs*, explaining the differing levels of amenities that an organization provides and the integration an employee needs to make in order to be motivated to perform. Frederick Herzberg's *Two Factor Theory*, also known as *Motivation and Hygiene Theory* (Two-Factor), is an extension of Maslow's theory. He further hypothesized that employees are motivated in different ways to achieve performance. Both theories are explained below as well as where, in the application of the theory, extended leave programs fit in each model. Roberts (2008) gives an exhaustive summary of behavioral theories, comparing each and deducting to a conclusion that employees have needs that must be met in order for them to commit to a company as well as a long term career (Ozgur 2012; Whatishumanresource, 2013).

**Abraham Maslow.** Abraham Maslow, behavioral theorist who studied individual needs of employees as interacting in the work environment, focused on the issues of job satisfaction, commitment to the organization, and the value of professional development.

The specific levels of *Maslow's Hierarchy of Needs* has the five following levels of personal and professional development:

1. Physiological Needs- need for life's basics such as food, clothing, shelter; enough income to take care of basic needs
2. Safety Needs-Need to feel safe and secure; vesting on a job, tenure, and a determined purpose/title in the workplace
3. Social Needs-Need for attachment, love, feeling of commitment; being part of a work group, team, or department as an individual who contributes to team goals
4. Esteem Needs-Need to feel worthy and respected; need for acknowledgement on the job, job promotions, job responsibilities, award systems; need for advancement of knowledge, experience, and respect for what has been accomplished
5. Self-Actualization Needs-Need to feel fulfilled; need for freedom in the work environment; need to share ideas, need to earn money and flexibility due to time in the job and seniority

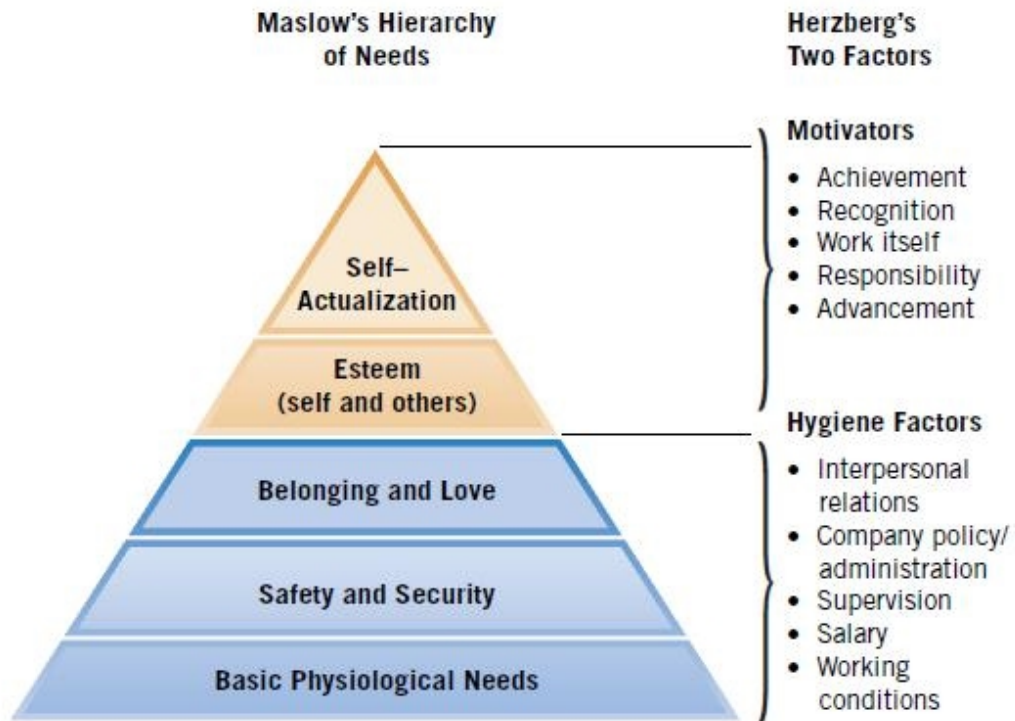
Sabbaticals, or extended leave programs, are communicated in Maslow's Hierarchy of Needs at the Esteem level and contribute to the movement toward Self-Actualization. In this theory, sabbaticals are rewards, leave that is earned by tenured professors; for industry, the leave is reserved for upper level management. For educators, this type of leave is often a part of an organized assignment attached to expectation of report; therefore, for it to be of benefit for both the employee and the employer, the expected outcomes would include increased research or development of new research streams, courses, and a rejuvenation toward teaching. For those in industry, working in a new environment, studying the way business is conducted by competing organizations, returning to school or simply taking the time to rest are all activities expected to contribute to the sharing of innovations learned or developed while on leave.

**Frederick Herzberg.** Frederick Herzberg, behavioral theorist who studied Maslow, introduced another aspect of employee development by identifying those employed as committed to their jobs for specific reasons. His theory is called *Motivation and Hygiene Theory or Two Factor Theory* (1959). He labeled each factor, associated with job satisfaction or dissatisfaction, as intrinsic- and extrinsically-oriented, to describe a committed employee who was not satisfied with mundane or unchallenging work. According to Herzberg, there are different stimuli that motivate an employee, some are internal to individuals and are motivated to do well, achieve, and contribute due to their belief system. There are activities or conditions in a work environment that can have an opposing, negative effect on whether an employee is being given opportunities to do what they believe is best for them, best of the company, and positive for the overall success of their job or the company in general.

Herzberg identified motivators to include challenging work, recognition for accomplishments and promotions. Personal growth through job rotation, training, job enlargement, or professional development opportunities lead to a more satisfied employee. Conversely, hygiene factors included basics of the job that contributed to job satisfaction, but if not given fairly or associated with the value of the employee, could have a negative effect for the employee. Hygiene factors that must be viewed as appropriate by the

employee include salary, benefits, work environment, and job title. According to the theory, the basics, considered hygiene factors must be present before an employee can advance or be stimulated to perform above and beyond basic task assignment. This would leave to the motivators, which result in higher levels of job satisfaction and commitment to the organization.

Sabbaticals fit into Herzberg’s model at the Motivator segment. Hygiene factors have been met if the employee is awarded sabbatical leave. To move to the higher levels of motivation wherein the employee seeks job fulfillment and satisfaction, the reward of leave must stimulate achievement, personal growth, recognition of time rewarded because of seniority, and the responsibility to return to work to share new ideas, develop or improve areas of business, and to rejuvenate the passion to succeed. Graphics of Abraham Maslow’s Hierarchy of Needs and Frederick Herzbergs’s Two Factor Theory appears below (whatishumanresource.com, 2013).



(<http://whatishumanresource.com>)

### **Research Design**

This study includes both a qualitative and quantitative research approach and is pilot in format. The lack of a model or offerings of sabbaticals in the lodging industry required the development of a survey with no comparative study to follow. The qualitative portion involved interviews with managers of varying industries, including the lodging industry to develop a pilot instrument and based on their feedback to lend quantitative data. The sample included CEOs, GMs, and DHR and TMs of leading hotel firms such as Ritz-Carlton, Marriott, Hyatt, and Omni Hotels to name a few.

The hotels firms were selected from the AAA Diamond-rated hotels and Forbes Travel Guide star-rated hotels as well as independent operators such as Biltmore Hotel, The Greenbriar, The Homestead (managed by ClubCorp, Inc.). Attendance of CEO's, GM's, and DHR's and Training managers attending a conference at a public university in the Southeastern United States were also surveyed.

A survey in two forms, both electronic and hard-copy, was sent to 50 leading lodging companies, requesting input from management- and executive-level employees. A response from 25 companies was received (50%) in a mixture of web responses and hardcopy, which was traditionally mailed. Feedback indicated that the survey needed redesigning; however, the responses to questions proved useful.

A redesign of the survey was done to include rank-order responses. The improved survey was reviewed and edited by a blind-review process of researchers and two hotel executives not part of the original responder list. Focus group interviews were also conducted by GMs of leading hotel companies and their HRDs and TMs. The information gathered from the first mailing of the survey and the FGIs significantly changed the format and questions asked on the initial survey.

Changes included an improved explanation of the study and items to assist in the completion of the instrument. A cover letter, business card, and a small token of appreciation were included. This packet was personally distributed to lodging executives attending a leadership conference held at Florida State University, with a personal request to the group to participate. The lodging experts, again consisting of GMs and HRDs, or Training Managers took the survey home and were encouraged to take their time in completing it. Several returned it before leaving the seminar and others returned it using a postage-paid envelope.

The survey was mailed a third time to general managers of luxury hotels who were not in attendance to the leadership conference. The GMs of properties were contacted in advance and were asked to distribute the survey to their upper level managers. Postage paid envelopes were provided and direction sheet for completing the survey.

### **The Survey**

The survey consisted of open-ended and rank-order questions, using a Likert scale of 1-7 levels of agreement to statements. The instrument was divided into three parts and fourteen variables. The questionnaire employed a 7-point Likert-type scale, rating from 1= strongly disagree to 7= strongly agree, where 4 will represent uncertainty about the question been asked. The first part of the study asked respondents to rank their attitude toward offering a sabbatical leave program. The second part of the survey investigated the respondents' job profile characteristics including position, number of year in the current position, type of property, annual budget for properties they currently managed, vacation and annual income. The third and last part of the questionnaire was designed to gather the type of support they believed was necessary to develop and implement a sabbatical leave program should one be offered by their organization.

A reliability analysis was performed to the reliability and internal consistency of each attribute measured. According to Nunnally (1978) a minimum value of 0.5 is an indication of reliability. The Cronbach's coefficient was .706. Therefore the reliability for the variables in the questionnaire was established.

### **Data Collection and Analysis**

The study was accomplished as an exploratory study and used a self-administrated method. The survey was conducted using a convenience sampling method. Those who completed the survey were of the executive level status or the General Manager, Director of Human Resources, Manager of Human Resources, or other management level.

A total of 50 questionnaires were distributed and 25 valid questionnaires were returned for a 50% return rate. The reliability analysis was used establishing acceptable reliability for the items in the questionnaire. The demographic information was summarized by frequencies. ANOVA and t-tests were performed to assess the relationship between respondents' demographics and their duty characteristics.

### **Results**

The respondents' characteristics and descriptive statistics on the perception of the participants toward a sabbatical leave program based on the Likert scale are presented in Table 1 and 2. Then t-tests and ANOVAs were applied to test if the perceptions to the sabbatical program changed by a particular characteristic of the participants. The characteristics tested were type of property, position and the number of employees under their management. In our results no statistically significant differences were found in any of these perceptions by any of these characteristics. This indicates that those participating are in agreement about the implementation, concerns, and overall value of sabbaticals in the lodging industry. A

follow-up study to include additional companies and upper management and executives would be necessary to make more robust assumptions; however, the pre-test serves as a possible indicator of what to expect from an expanded study.

Results of the pilot test summarizing demographics are presented in Table 1. This table indicates that that 56% of the respondents worked at resort properties and 44% worked for hotel companies. Thirty six percent of participants' held management positions in sales-related jobs and 28% worked in HR-related management positions. Over 70% of participants have held their current position for 1 to 9 years. Forty percent of respondents have been working three years or less in their current position. Over half of the participants' annual income is between \$40,000 and \$70,000.

Forty eight percent of participants supervised two to fifty employees and 48% of the participants have budgets of \$200 million. Only 8% of respondents supervised over five hundred employees. The majority of respondents had an annual vacation time of more than three weeks.

Table 1 Respondents' Characteristics

Characteristic	N	%
Type of property:		
Hotel	11	44
Resort	14	56
Position:		
CEO or assistant	3	12
HR related	7	28
Sales related	9	36
Supporting business	6	24
Period of working year in current position:		
≤ 3	10	40
4-6	5	20
7-9	3	12
10-12	2	8
13 ≤	5	20
Annual income (unit: thousand):		
40	4	16
45	1	4
50	2	8
55	3	12
60	2	8
70	4	16
75	1	4
80	2	8
110	1	4
120	2	8
210	1	4
250	1	4
No answer	1	4
Supervised No. of employee:		
By myself or with assistant	3	12
2 – 50	12	48
51-100	3	12
101 -150	3	12
101 -500	1	4
501 ≤	2	8
No answer	1	4
Annual budget (unit: million):		
1.3	3	12
11.0	2	8
11.5	1	4
23.0	1	4
53.0	1	4
60.0	1	4
65.0	1	4
72.0	1	4
78.0	1	4
200.0	12	48
No answer	1	4
Annual vacation period (unit: days):		
14	1	4
15 – 21	3	12
22 – 28	9	36
29 ≤	11	44
No answer	1	4

Note. N = number of observations. % = percentage.

### Average Elements of Sabbatical Leave Programs



Table 2 presents the mean, or average, elements of sabbatical leave programs. To understand the perception of sabbatical leave program, we tested the questionnaire that categorized the expectations of leave programs, barriers of a sabbatical program, and behavioral intention of implementing a sabbatical program. A seven point Likert scale was used based on an agreement scale of agreement of 1=Strongly Disagree, 2=Disagree, 3=Somewhat Disagree, 4=Neither Disagree nor Agree, 5=Somewhat Agree, 6=Agree, and 7=Strongly Agree.

### **Expected Effect of Sabbatical Leave Program: What Respondents Expect**

On the category of ‘expectations of the program’, respondents answered that they would expect to see a decrease in work-related burn-out (5.60), while they gave the lowest score on the expected growth of the organization (4.20). They also think that it will increase the morale of the employee (5.44), enhance the opportunity for participants to advance in the company (4.88), and, improve and enhance the knowledge of the organization (4.68 and 4.56, respectively).

When we tested the expected effects of the sabbatical leave programs on two types of property organizations (hotel and resort). In each effect the respondents from the hotel industry thought more favorably about the sabbatical leave program than those from the resort industry; however, these differences were not statistically significant.

### **Attitudes Toward Barriers of Offering Sabbatical Leave in the Lodging Industry**

With regard to the category of ‘barriers of the program’, the respondents answered that the biggest barrier is that they don’t know if sabbatical leave programs are appropriate for the lodging industry (4.00). In addition, they somewhat disagree with being too costly for the employer (3.60) and that it does not have practical used for industry (3.36).

We sought to discover the barriers to offering sabbatical leave programs in the lodging industry by type of property. It appears that hotel respondents do not think that it would be too costly for the employer. As for respondents who manage resorts, they are uncertain about cost as a barrier. In addition, it seems that resort respondents find that this program has an implementation in this industry while the hotel respondents find this uncertain. However, in both cases these differences were not statistically significant.

### **Behavioral Intentions of Sabbatical Leave Program**

For the third category of 'Support', respondents would like to support their employees and offer a sabbatical program but had no suggestions as to a model or approaches to implementation. They would likely want to adopt this program if a good model is presented to them (5.32). Also, they would like to participate in the program (5.00), they believe that is practical for managers (4.72), it will be well received by their managers (4.28) and they believe that the managers would not take advantage of this program (3.80).

We compared all the behavioral intentions of the participants by their position and found that there were no significant differences among them. However, it was observed that the CEO or assistants (5.67), Sales related (5.67) and Supporting part (4.67) were more willing to participate in the program than HR related personnel (4.14). They were also more supportive of the program (CEO: 5.67, Sales: 5.89 and Supporting: 5.33) than the HR related respondents (4.42). Not the least, HR respondents rated the highest when asked if it would be well received by their managers (4.71) where others ranged from 4.67 to 3.83. Finally, when asked if the GM is more likely to take advantage of the program the responses varied, HR (3.14) and Sales (3.67) disagreed with the statement where CEO or assistant (4.33) and Supportive part (4.50) agreed with the statement.

When comparing the category of behavior intention on sabbatical leave program by type of property it was found that none of these differences were statistically significant. On average, participants who work in both of these types of lodging industries had positive thoughts about this program. However, participants from the hotel industry were slightly more in favor to this program than those who work in the resort industry.

The result of the behavioral intention category of sabbatical leave programs by number of supervised employees produced no statistically significant differences. However, it was interesting to find that participants who supervised between 51-100 employees (6.33) were more supportive of the program than those who work by themselves (5.00), manage from 2 to 50 employees (5.40), manage more than 101 employees (5.00) or those who did not answer the question (5.40). We saw this same behavior when asked if it will be well received by the manager; where 51-100(6.33), themselves (3.90), 2-50 (4.00), more than 101 (4.50) and no answer (4.00). In this final question it can also be seen that those who manage between 51 to more than 101 employees think that this program would be well received by the manager where the other categories are uncertain about this or somehow disagree with the statement. In addition, the participants are uncertain or somewhat disagreed of the GM taking advantage of the program.

Table 2

Mean of Each Category Regarding Response to Sabbatical Leave Program

Perception	M	SD	Min	Max
Expectations of the program:				
Improving knowledge	4.68	1.651	2	7
Enhancing knowledge base of the organization	4.56	1.529	2	7
Enhancing the opportunity for advancement of participating employees	4.84	1.462	2	7
Important for the growth of the organization	4.20	1.683	1	7
Increasing the morale of employee	5.44	1.445	2	7
Decreasing work-related burn-out	5.60	1.354	2	7
Barriers of the program:				
Too costly for the employer	3.60	2.180	1	7
Doesn't have practical relevance for industry	3.36	1.823	1	7
Doesn't have implementation within the hospitality industry	4.00	1.915	1	7
Behavior intention of the program:				
I would like to participate in the program	5.00	1.848	2	7
I am supportive of the program for our employees if there is a good model	5.32	1.725	1	7
It is likely that it would be well received by my manager	4.28	1.926	1	7
I believe GM is more likely to take advantage of the program	3.80	1.825	1	7
I believe the program is practical for manager within various contexts	4.72	1.696	1	7

Note. M = sample mean; SD = sample standard deviation; Min = sample minimal value; Max = sample maximum value. Number of observations for each response is 25 and the maximum value is 7.

## Discussion

This study investigates extended leave beyond traditional leave systems. Companies offering such leave offered both data and comment as to the immediately realized and futuristically realized benefits to support their plans. The intention of this study is to present leave systems instituted in other industries and propose that the lodging industry, which lacks such formal long-term leave systems, consider the findings.

The results of this study indicate that sabbaticals are desired by industry executives, but a model to implement the various interpretations of leave is inconsistent and lacking needed measurable detail. Some companies have a system in place, known as professional leave, internships, externships, or PTO; however, extended leave in the lodging industry that mirror those offered by companies studied in this investigation were not found to exist in the literature nor in the participating sample.

Kimpton Hotels and Restaurants offer a program titled 'sabbatical', and resembles what other lodging companies refer to as extended PTO; however, Kimpton Hotels and Restaurants goes a bit beyond to compare to the system offered by Universities. The exceptions are the time permitted off (30 days) and the purpose of the leave, which is to be completely 'unplugged'. Their model appears to be easily instituted and compared to the approach of industry in that time off is negotiated, employees must be willing to be in touch with their employer if needed, and expectations from both the employer and the employee as to the impact of sabbatical leave are specific to the position vacated.

Sabbatical leaves are communicated as arrangements that may include flex-time, extended- or professional development leave. For some employees, sabbaticals are not as attractive as having the option to have childcare or elder-care benefits, telecommuting, or alternate arrival and departure times to and from work. It appears that sabbaticals are for upper-level management and above and not an option for supervisory or hourly position employees.

The demographics of the study included CEOs, GMs, HRDs, and TMs. The number of years working by the sample ranged from 1 year to over 20 years with no distinction of the number of years over 20. Annual salaries ranged from the mid-\$20k to over \$250k with some failing to answer the question. The normal period for vacation or developmental leave time is from 2 to 4 weeks. Budgets managed ranged from several thousand dollars to over \$100 million. The number of properties managed ranged from 1 to over 350.

The benefits of a sabbatical, as described in difference to traditional professional leave include increased knowledge, increased networking, time to refresh and renew interest in the industry, decreased burnout, decreased depression, decreased absenteeism, and increased productivity. On average all respondents would participate in a sabbatical if offered and the benefits of sabbatical leave. Disadvantages of giving upper level management extended leave are of concern. Those participating did not believe a working model that included metrics for measuring the ROI of such leave was available nor do they believe that in times when their properties are experiencing tightening of budgets is the time for sabbaticals to be offered. Upper level management is engaged with their organizations while on leave and continues to be responsible, regardless of their physical presence on property or while on leave. Professional leave, such as sabbaticals, may include a variety of temporary to indefinite departures.

According to Bradford (2001), leave due to the need to retrain, refresh, await physical plant changes, negotiate contracts or positions placement, or a departure with or without pay all classify as professional leave and can be tracked with metrics as to productivity and performance before and after the departure of the employee. The tracking would include several years prior to the employee's leave and continue several years after the employee's return. However, none of the organizations studied employ an ROI system as none felt it necessary.

The types of sabbatical desired was one that included pay, or at least some portion of earned salary; ability to keep current position during and returning leave, and the flexibility to decide how the sabbatical

would be spent. Some of the responses as to the nature of the experience included attending educational institutions to take courses, moving to an international location, ability to benchmark other properties, working with leaders in positions they aspired to attain.

Concerns of taking part in a sabbatical include the possible lack of affordable housing, social interaction, support for meals and travel, access to the internet and adequate cell phone reception, and job security. Interestingly, one GM participating in the who was interviewed initially agreed to fully participate, but then later responded via email to state that there would be no distribution of the survey to other executives in the company for fear that they would want a sabbatical program developed.

For those who responded positively to the idea of offering a sabbatical program, the number of weeks desired for sabbatical varied depending on the type of experience desired. For those who wanted to continue to work locally, but temporarily leave their roles, time wasn't defined. For those who wanted to return to university and continue their education, time away ranged from one to two semesters. For those who wanted an international experience, six months to one year was indicated. The majority of respondents stated that one month was most desired with regard to time spent experiencing a professional sabbatical.

The overall results suggest that sabbatical leave programs are foreign to the industry; however, had the term 'internship', 'externship', or 'professional development leave program' been used as the title for the leave, the survey may have been more widely accepted. The terms mentioned are familiar to lodging executives, whereas 'sabbatical', for most professionals, is a term used by academia. For those interested in developing an ROI program to track metrics associated with sabbatical leave, Bisk Education, Inc. now offers an online ROI methodology program for assisting companies in maximizing and tracking the ROI for all types of corporate training (Taman, 2006). Another company, YourSabbatical.com, offers a toolkit which suggests that a sabbatical can be metricized and an ROI measurement is possible (Pagano, Pagano and Southerland 2010).

### **A Suggested Sabbatical Model for the Lodging Industry**

A suggested model for offering a sabbatical is one that is planned with based on criteria that must be met for upper-level management. This criteria, as a summary of the literature review and results of this study, suggests that employees must be evaluated as ‘high performance’ employees, have worked for the company for a period of four years or more, and have a schedule of leave that includes the reassignment of a portion of responsibilities to another colleague.

Willingness to be in touch with the employer throughout the sabbatical for guidance or decision-making is desirable from both the employer and employee perspective as it keeps the employee engaged and reduces the impact of displaced talent for the employer. The use of email and SKYPE or similar technology to continue employee connected is suggested. As for details of the proposed experience, this is a program that should be designed with input from the employer and employee to achieve success.

Measurement, or ROI, is possible if prior planning of what is to be accomplished is clearly outlined. The inclusion of attitudinal pre- and post-surveys (suggested in HPWS models), defined deliverables, and employee evaluations (must include productivity expectations) are compared before and after the experience. The use of SEM is also suggested if the program is in the exploratory stage, as the use of factor analysis as an exercise in psychometric design. This analysis should also prove helpful in identifying missing variables in the sabbatical program’s design as latent variables may be constructed. Reducing the unreliability of measurement, the model may be more dependable in measurement if SEM is applied.

### **Implications and Limitations**



The conclusions cannot be generalized to the lodging industry as a whole, but offers interesting results as to the sample included. For this study to be more applicable to the lodging industry as a whole, a larger sample size and an improved survey instrument are needed.

A follow-up study to accomplish an expanded sample, increased response, and an improved survey is planned. The ambiguity of measurement of the value of such leave presents hesitation and needed support for implementation; therefore, the identification of measureable variables and applied metrics to study the ROI impact is needed for consideration in the lodging industry.

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## Hospitality Graduate Students' Program Choice Decisions: Implications for Faculty and Administrators

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### **Abstract**

Despite rapid growth in the quality and volume of hospitality graduate research and education in recent years, little information is available in the extant body of literature about the program choices of hospitality management graduate students, information that is crucial for program administrators and faculty in their attempts to attract the most promising students to their programs. This paper reports on a study among graduate students in U.S. hospitality management programs designed to understand why they chose to pursue their degrees at their programs of choice. Given the large numbers of international students presently enrolled, the study additionally looked into why international hospitality management students chose to leave their home countries and why they decided to pursue a graduate degree in the U.S. Based on the findings, implications for hospitality administrators and faculty in the U.S. and abroad are discussed and directions for future research are presented.

### **Keywords**

hospitality management, graduate education, graduate hospitality student, international hospitality graduate student; graduate program choice

## Introduction

U.S. hospitality graduate education has grown tremendously in recent years (Severt, Tesone, Bottorff, & Carpenter, 2009). Back in the mid-1980s, there were 12 Ph.D. and 26 Master's level hospitality management graduate programs in the U.S. (Formica, 1996). In the early 1990s there were approximately 25 graduate programs in hospitality and tourism education in the United States (Evans, 1990). Today, there are 31 U.S.-based graduate hospitality programs granting M.S. and/or Ph.D. degrees (Van Hoof, Wu, Zhang & Mattila, 2013), with several additional programs pending and awaiting approval, such as at the University of Houston. An estimated 600 students are pursuing MS degrees and some 150 students are working towards a Ph.D. (Van Hoof et al., 2013). This increase in the number of programs and students has brought about a rapid growth in the volume and level of graduate student research (Ottenbacher, Harrington, & Parsa, 2009; Tsang & Hsu, 2011) and given rise to a change in the nature and focus of hospitality management faculty positions. Some thirty years ago, the majority of hospitality graduate programs were designed to train professionals for industry positions (Pizam, 1985). Today, this picture has changed as research has come to the forefront as the main focus of hospitality management graduate programs and as graduate students prepare for faculty rather than industry positions. An example of how hospitality graduate student research has grown over the years is the Annual Graduate Education and Graduate Student Research Conference in Hospitality and Tourism. Hosted on an annual basis by leading programs in the field, the conference attracts hundreds of graduate students to present their research and establish professional connections (Van Hoof & Mattila, 2010). As a testament to its growing importance in hospitality graduate education, the conference has tripled in size from the approximately 120 attendees who attended the first conference at the University of Houston to over 300 attendees annually (Van Hoof & Mattila, 2010).

While the field of graduate hospitality education continues to expand, this growth has also increased the competition among programs to attract the best possible students, as interest in joining

graduate programs is still growing and as available faculty positions in the U.S. are limited. Despite this growth in quantity and quality, there is little empirical research available that looks into the factors that graduate students take into consideration when choosing their programs of studies. Most of the research related to graduate hospitality education was conducted in the early and mid-1990s (Enz, Renaghan, & Geller, 1993; Evans, 1990; Huang & Brown, 1996; Khwaja & Bosselman, 1990; Partlow, 1990) and none of it specifically addressed the students' choice decisions. Whereas we know more or less how many students are pursuing degrees and in what areas of specialization, we do not have a clear understanding of why they choose one program or university over another or why international graduate students, who make up the bulk of the student body in particular at the Ph.D. level, decide to leave their home countries and come to the U.S. to pursue their degrees.

With students faced with more choices, answers to questions such as why they choose one program over another and why international students come to the U.S. for their studies becomes crucial for administrators and faculty in the U.S. and abroad as the competition for the very best and promising young minds is growing and with programs trying to present themselves in the best possible light. The study reported here was aimed at providing the answers to those questions as a contribution to the extant body of literature on the topic and to graduate hospitality management education in general.

### **A Review of Literature**

Research on graduate program choice decision making in higher education in general is fairly common and has revealed multiple factors that students take into consideration when making their university and graduate program choices (Chen, 2007; Simões & Soares, 2010). Based on extensive literature review, Lei and Chuang (2010) concluded that potential graduate students take several factors into account when considering which institution or program to attend. They consider institutional factors (e.g. campus facilities, library collections), program factors (e.g. department ranking, class size and overall program size), faculty factors (e.g. faculty research interests, faculty publications, faculty



reputation) and personal factors (e.g. housing, geographic location, family accommodations). In general, research found that, although personal or family factors such as work opportunities for a spouse were considered important, academic and program factors were most influential in graduate students' decision-making processes (Kallio, 1995; Webb, 1993).

In the field of hospitality management education, a few prior studies on student program decision making have been conducted at the undergraduate level (Lee, Olds & Lee, 2010; O'Mahony, McWilliams & Whitelaw, 2001). These studies revealed that students choose hospitality management as the preferred field of study mostly because of their positive perceptions of the industry. Such positive impressions are formed by personal experiences and by means of discussions with family and friends who work in the industry. Besides its focus on undergraduate education, most of this research was conducted in countries outside the US, with several more recent studies conducted in East Asia (Kim, Guo, Wang & Agrusa, 2007; Lee, Kim & Lo, 2008) and Europe (Connolly & McGing, 2006).

Based on survey data collected in Hong Kong, Lee et al. (2008) examined the motivations and preferences of local hospitality and tourism students. They found that hospitality and tourism students mainly consider five factors when choosing their program of study: self-actualization, job opportunity, field attractiveness, study load and scholastic achievement. In addition, Kim et al. (2007) also found that friendship, interest in practical aspects and perceived ease of study were important factors that influenced the students' choices, and Connolly and McGing (2006) emphasized the importance of practical training in hospitality education in Ireland.

With information available on undergraduate decision making in the U.S. and abroad, what is lacking is contemporary information on the choice decisions of US hospitality management graduate students. With the United States still the preferred country of choice for graduate studies by many international graduate students (Kim et al., 2007), up-to-date information on why they decide to leave their home countries and choose to study in the US is also important. Whereas about 43% of the total

student body at the MS level consists of international students, they make up a 56% majority at the Ph.D. level (Van Hoof et al., 2013). Given that such large parts of U.S. graduate hospitality management programs are made up of international students, it is just as crucial for hospitality educators to understand their preferences and decision-making processes.

With data collected from 56 first-year international graduate students enrolled in U.S. hospitality programs, Huang and Brown (1996) looked into school choice, career expectations, and academic adjustment issues. Back then, students considered course quality, cost of education, application procedures, prerequisites and program information materials such as brochures as the most important factors when deciding which program/university to apply to. Although these findings still have some implications for today's program administrators, this study was conducted eighteen years ago and student preferences may have changed over time. Besides a need for information on hospitality graduate students' program choices in general, a research update on the decision making process of international students is appropriate. The study reported here aimed to find exploratory evidence to answer the following research questions under the headings of graduate hospitality students' decision making and international graduate hospitality students' decision making.

### ***Graduate Hospitality Students' Decision Making***

**RQ 1: How do hospitality graduate students choose a program of studies? Specifically,**

- a) What factors do hospitality graduate students take into consideration when choosing a hospitality graduate degree program?
- b) Are there any significant demographic differences in the decision making process that can be identified among the respondents?

### ***International Graduate Hospitality Students' Decision Making***

**RQ 2: Why do international students choose to go abroad to pursue a graduate degree? Specifically,**

- a) What factors do international hospitality graduate students take into consideration when making the decision to go abroad?

- b) Are there any significant demographic differences in the decision making process that can be identified among the respondents?

**RQ 3: Why do international hospitality graduate students choose to come to the U.S. to pursue a graduate degree? Specifically,**

- a) What factors do international hospitality graduate students take into consideration when choosing the U.S. as the country best suited to pursue their desired degrees?
- b) Are there any significant demographic differences in the decision making process that can be identified among the respondents?

### **Methodology**

To answer these research questions, a study was designed to collect and analyze information about those choice decisions. The data used in the study were collected among the graduate students studying hospitality management in the United States during the 2011-2012 academic year.

### ***Instrument Development***

The survey instrument was developed based on an extensive literature review and was subjected to expert review and pilot-tested among hospitality management graduate students. The measurement items were adapted from previous studies (Chen, 2007; Kim et al., 2007; Simões & Soares, 2010). Based on expert review and student feedback, the final version of the questionnaire was modified and consisted of four parts.

In addressing the first research question, part one of the survey asked students what factors they had taken into consideration when choosing their current university and program of study. Parts two and three were related to the second and the third research questions and explored the choices made by international graduate students: part two asked international students what factors they had considered when choosing to study abroad and part three looked into the factors that had been important to them in making the decision to come to U.S. The final part of the survey collected participants' demographic information such as gender, age and country of origin. The survey was input into Qualtrics software to be disbursed for data collection.

### ***Participants and Procedures***

The survey was directed at M.S. and Ph.D. students enrolled in all of the 31 research-oriented hospitality management graduate programs in the United States granting the MS (Master of Science) and/or Ph.D. (Doctor of Philosophy) degrees in hospitality management in the 2011-2012 academic year. The list of programs was based on the most recent Guide to College Programs in Hospitality, Tourism, & Culinary Arts as published by International CHRIE. To recruit student participants, the professors-in-charge of those programs were e-mailed invitation letters asking for their help, as well as IRB approved consent forms and a survey link. Those who agreed to help collect data then shared the survey link with their students with a request for them to participate. After the initial e-mail, a personalized reminder was sent out ten days after the initial invitation. A second reminder was sent out a week later. At the end of the data collection period a total of 202 students had participated in the study. There were 98 (62 MS, 36 PhD) international students and 104 (71 MS, 31 PhD) domestic students in the sample. These numbers were reflective of overall distributions found in earlier studies, with a small majority of PhD students being international and a small majority of MS students being domestic (Van Hoof et.al. 2013). Similarly, the majority of females in the sample (66%) reflected overall program enrollment trends. The respondents range in ages was from 22 to 59 years.

### **Findings**

To answer each set of research questions, the study followed a two-step procedure in its data analysis. First, exploratory factor analysis with Varimax rotation was performed to identify the major factors respondents had taken into consideration when choosing a program. Exploratory factor analysis is usually used to reveal a basic structure or major latent factors underlying a battery of measured variables. After that, group means comparison tests (e.g. t-test, ANOVA) were conducted to explore if there were any significant demographic differences of opinion among the respondents. The results of the various data analyses are reported below.

***How do hospitality graduate students choose a program of studies?***

Factors of Concern: Exploratory factor analysis revealed that there were five factors that hospitality graduate students took into consideration when choosing at which university and program to pursue their graduate degrees. These five factors were: admission process, faculty interaction, living conditions, program and faculty reputation and location. A summary of the EFA results is exhibited in Table 1.

**Table 1 Factors Influencing the Choice of University and Program**

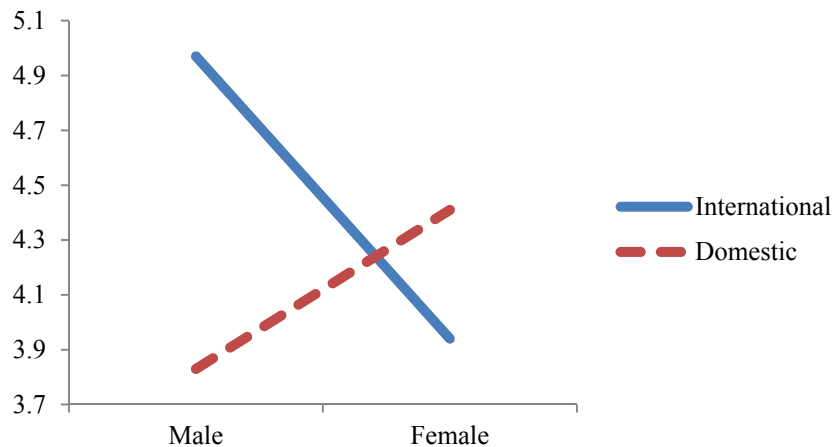
Factor s	Items	L o a d i n g s	Cronb ach's $\alpha$ / Pears on's Correl ation
<b>Admis sion Proces s</b>	1- The speed of its application process	.8 6	.51 (p<.00 1)
	2- The quality of the admission process	.8 4	
<b>Facult y Intera ction</b>	1-Previous correspondence or contact with faculty	.8 2	.81
	2-The opportunity to work with a particular faculty member	.7 9	
	3-The interest of faculty in recruiting me	.7 8	
	4-My impression of research opportunities	.6 1	
<b>Living conditi ons</b>	1-The availability of child-care	.8 6	.74
	2-Job availability for spouse/partner	.7 9	
	3-The availability of university housing	.7 4	
<b>Progra m/ Facult y Reput ation</b>	1-The ranking of the university	.8 7	.80
	2-The reputation of the university	.8 3	
	3-The reputation of the faculty	.7 8	
<b>Locati on</b>	1-The location	.8 7	.53 (p<.00 1)
	2-The possibility to stay and work in this city after graduation	.8 7	

The first factor, *admission process*, covered the perceived quality and the speed of the admission process (Pearson's Correlation=.51, p<.001). The second factor, *faculty interaction*, captured the opportunity of working with faculty members at a particular institution and their interest in working and

communicating with the student (Cronbach’s  $\alpha = .81$ ). The factor of *living conditions* captured opportunities to have a family life at a university (Cronbach’s  $\alpha = .78$ ). *Reputation* spoke to the reputation of both the university and the faculty (Cronbach’s  $\alpha = .80$ ). Finally, *location* captured the geographic location of the university of choice (Pearson’s Correlation = .53,  $p < .001$ ).

The study then investigated if any of the composite responses captured in the five identified factors were significantly different among the various demographic groups. It compared (1) domestic vs. international students, (2) MS vs. Ph.D. students, (3) female vs. male students, (4) students 20-29 years old vs. students 30-39 years old vs. student 40 years and older. Given the large numbers of Chinese and Korean students enrolled, it also looked at differences of opinion between (5) Chinese vs. Korean graduate students. Some significant demographic differences in perceptions were found for the factors of admission process, faculty interaction and location.

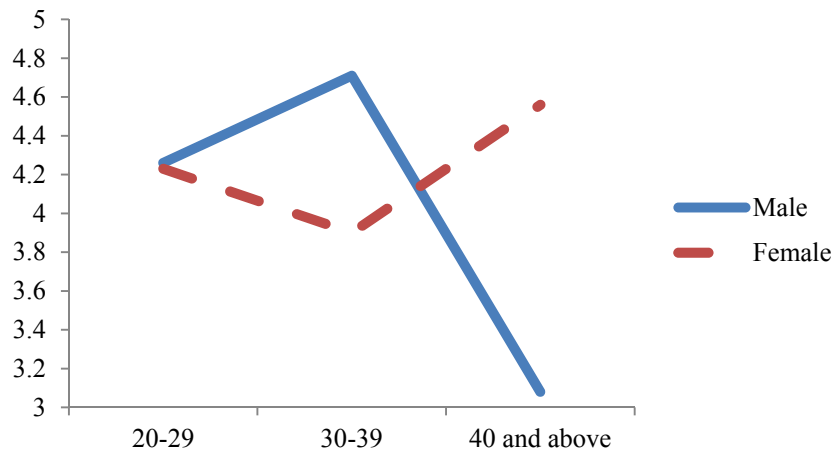
The study found a significant interaction effect of international/domestic and gender ( $F=12.68$ ,  $p < .001$ ) for the factor of admission process. As shown in Figure 1, male international students ( $M=4.97$ ) rated the quality of the admission process as more important than female international students ( $M=3.94$ ). By contrast, domestic female students ( $M=4.41$ ) rated it as more important as compared to domestic male students ( $M=3.83$ ).



**Figure 1 Gender-by-Origin Interaction Plot for Admission Process**

In addition, there was a significant gender by age interaction effect on the factor of *admission process* ( $F=3.39, p< .05$ ). Most of this variance came from the latter two groups (30-39 years old vs. 40 and above). The 20-29 year-old group did not show any significant difference of opinions between males and females in terms of the admission process (see Figure 2).

The results of the analysis showed that Ph.D. students rated the factor of *faculty interaction* as significantly more important in their decision to attend a particular program than MS students ( $M_{PhD}=5.26, M_{MS}=3.96; F=37.28, p<.001$ ). Moreover, Korean students perceived this factor as significantly more influential in their decision making than Chinese students ( $M_{Korean}=5.42, M_{Chinese}=4.18; F=10.33, p<. 01$ ).



**Figure 2 Gender-by-Age Interaction Plot for Admission Process**

Finally, domestic students rated *location* as significantly more important than international students ( $M_{domestic}=4.86, M_{international}=3.90 F=12.89, p< .001$ ) in their choice decisions. The study did not



find any significant differences among the groups with regard to the *living conditions* and *program/faculty reputation* factors.

***Why do international hospitality graduate students choose to go abroad to pursue a graduate degree?***

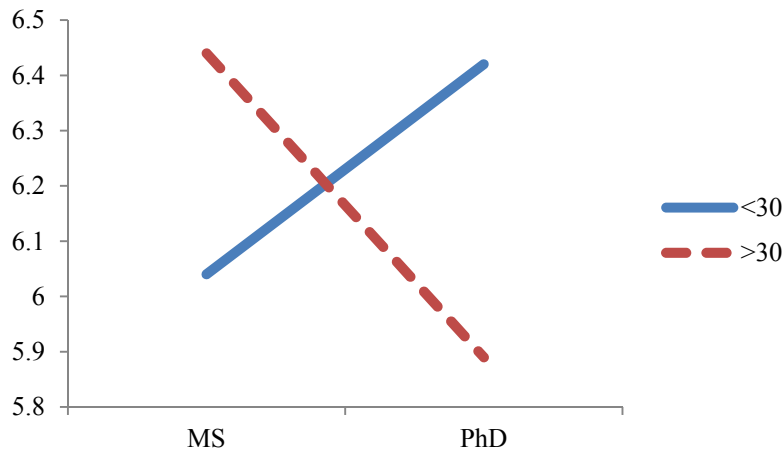
**Factors of Concern:** Results of the EFA showed that there were three major factors that the sampled international graduate students took into account when they decided to go abroad to pursue an advanced degree (see Table 2). The first factor, *value of foreign degree*, refers to the prestige of a foreign degree in one's home country (Cronbach's  $\alpha = .78$ ). The factor of the *negative influence in home country* captured both the availability of a desired degree (or lack thereof) and the general socio-economic and political situation in one's home country ( $r=.18$ ,  $p\text{-value}<.001$ ). Finally, the factor of *encouragement from others* refers to the encouragement one had received from important social others (Cronbach's  $\alpha = .83$ ).

In order to determine if there were any significant group-based differences in the importance perceptions of the above factors, the study compared the composite responses to the three identified factors by comparisons of the following groups (1) MS vs. Ph.D., (2) female vs. male, and (3) 30 years old or younger vs. older than 30 years of age. Additionally, since Chinese ( $n=46$ ) and Korean ( $n=19$ ) students were by far the biggest groups in the sample of international students, it was also decided to test for differences of opinions between these two groups. Overall, the study found some significant demographic differences in the students' importance perceptions for two factors: *value of foreign degree* and *encouragement from others* (see Table 2).

**Table 2 Factors Influencing the Decision to Study Abroad**

<b>Factors</b>	<b>Items</b>	<b>Loadings</b>	<b>Cronbach's <math>\alpha</math> / Pearson's Correlation</b>
<b>Value of Foreign Degree</b>	1-Foreign advanced degrees improve employment prospect.	.86	.78
	2-I value an advanced degree from abroad.	.82	
	3-Foreign degrees are prestigious in my home country.	.81	
<b>Negative Influence in Home Country</b>	1-My desired graduate education is not available in my home country.	.76	.18 (p<.001)
	2-The situation in my country is uncertain	.68	
<b>Encouragement from others</b>	1-Encouragement from students currently enrolled in my graduate program	.80	.83
	2-Encouragement from fellow students	.79	
	3-Encouragement from alumni from my current institution	.76	
	4-Encouragement from friends	.67	
	5-Encouragement from spouse/significant others	.66	
	6-Encouragement from professors	.59	

For the factor of *value of foreign degree* the study found a significant age by degree pursued interaction effect ( $F=4.31, p<.05$ ) (see Figure 3). MS students who were over the age of 30 ( $M=6.44$ ) perceived the factor of *value of foreign degree* as significantly more important in terms of influencing their choices to study abroad than those who were younger than 30 ( $M=6.04$ ). Conversely, Ph.D. students who were younger than 30 ( $M=6.43$ ) believed that the degree factor was significantly more influential in their decision than their older counterparts ( $M=5.89$ ).

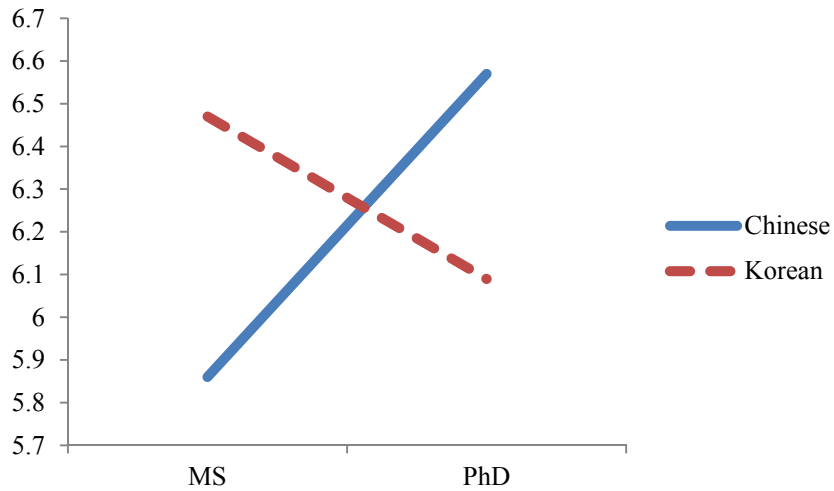


**Figure 3 Degree-by-Age Interaction Plot for Value of Foreign Degree**

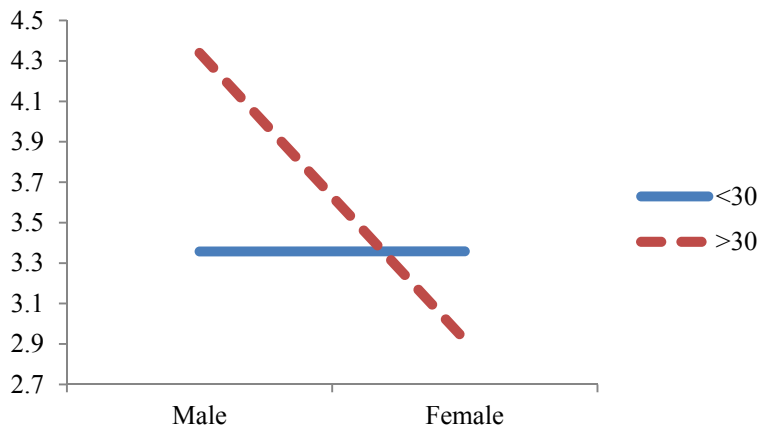
In addition, a comparison between Chinese students and Korean students revealed a significant degree-by-country interaction effect for this factor ( $F=6.02, p<.05$ ). This factor was perceived as significantly more important for Korean MS students ( $M=6.47$ ) than Chinese MS students ( $M=5.86$ ). Yet, as opposed to that, the factor was perceived as significantly more important to Chinese PhD students ( $M=6.57$ ) than to Korean PhD students ( $M=6.09$ ) (see Figure 4).

**Encouragement from others:** With regard to this factor there was a significant age by gender interaction effect ( $F=5.06, p<.05$ ). For students younger than 30, encouragement from others was equally influential across both male ( $M=3.36$ ) and female students ( $M=3.36$ ). However, for students older than

30, encouragement from others was significantly more important for male students (M=4.34) than for female students (M=2.92) (see Figure 5).



**Figure 4** Degree-by-Country Interaction Plot for Value of Foreign Degree



**Figure 5** Age-by-Gender Interaction Plot for Encouragement from Others

*Why do international hospitality graduate students choose to come to the U.S. to pursue a graduate degree?*

**Factors of Concern:** Again, exploratory factor analysis was performed to identify the relevant actors in the choice decisions of international hospitality graduate students to come to U.S. Two factors were identified: (1) *U.S. life* (Cronbach’s  $\alpha = .77$ ) and (2) *U.S. Degree* ( $r=.57, p<.001$ ). The items loaded on each of the factors are summarized in Table 3.

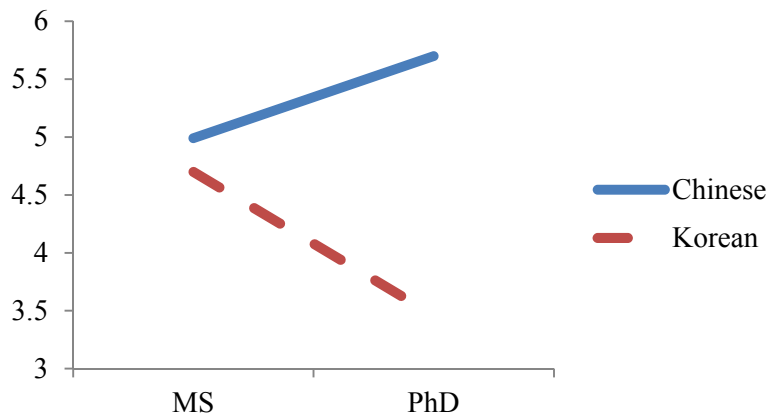
**Table 3 Factors Influencing the Choice of Studying in U.S.**

Fa cto rs	Items	L o a d i n g s	Cron bach 's $\alpha$ / Pear son's Corr elatio n
	1-The U.S. is an exciting place to live.	.86	
U. S. Lif e	2-The quality of life.	.85	.77
	3-The diverse and multicultural environment.	.72	
	4-The possibility of applying for immigrant status.	.61	
	U. S. De gr ee	1-US degrees are prestigious and valued in my country.	
2-US graduate programs have a good reputation.	.86		

The study then compared participants’ composite responses to the two factors among the demographic groups of (1) MS vs. Ph.D. students, (2) younger than 30 years of age vs. 30 years and older and (3) Chinese vs. Korean students. There were no significant demographic differences for the *U.S. degree* factor. However, results revealed some interesting demographic differences for the *U.S. life*

factor: International MS students ( $M=5.08$ ) rated the *U.S. life* factor as more important than international Ph.D. students ( $M=4.31$ ;  $F=7.75$ ,  $p<.01$ ). International students younger than 30 ( $M=5.01$ ) also perceived *U.S. life to be* significantly more influential in their decision making than their counterparts of 30 and older ( $M=4.10$ ;  $F=10.00$ ,  $p<.01$ ).

In addition, the study found some interesting differences between the Chinese and Korean graduate students for the factor of *U.S. life*. In general, *U.S. life* as a factor was more important for Chinese students ( $M=5.15$ ) than for Korean students ( $M=3.79$ ;  $F=21.87$ ,  $p<.001$ ). This difference was further qualified by a significant interaction effect of pursued degree and country of origin ( $F=9.33$ ,  $p<.01$ ). While Chinese PhD students ( $M=5.7$ ) perceived *U.S. life* as significantly more important than Korean PhD students ( $M=3.46$ ), there was only a slight difference in importance of perception between Chinese MS students ( $M=4.99$ ) and Korean MS students ( $M=4.70$ ) (see Figure 6).



**Figure 6** MS/PhD and Chinese/Korean Interaction Plot for *U.S. Life* Discussion

Given the vast growth in US hospitality graduate education (Ottenbacher et al., 2009; Tsang & Hsu, 2011; Van Hoof et al., 2014), this study looked into why hospitality graduate students chose their current universities and programs of studies. Consistent with previous research (Chen, 2007; Simões &

Soares, 2010), the findings suggest that students made their decisions mainly based on their perceptions of the admission process, faculty interaction, living conditions, the reputation of the program and its faculty members and the location of the program. Extending previous literature, the current study also examined demographic differences in students' perceptions along the above factors. The quality of the admission process was significantly more important for male international students and for female domestic students. The factor of faculty interaction was significantly more important for Ph.D. students than for MS students. Meanwhile, domestic students paid significantly more attention to the location of the program than their international counterparts.

The study also looked into the choice behaviors of international hospitality graduate students since they make up a large portion of hospitality management graduate programs. Results of the analysis showed that one of the big factors influencing international students' choice to go abroad for education was the perceived value of the foreign degree. Among the international students, MS students above 30 years of age and Ph.D. students younger than 30 perceived this factor to be the most important in their decision to go abroad. International students indicated they would be even more likely to go abroad if the desired degree was not available in their home country or if the socio-economic or political situation in their home country was uncertain. Finally, encouragement from friends and family was a factor that international students also took into consideration when making the decision to go abroad. Social encouragement was particularly important for male students who were older than 30.

The final critical issue that the study looked at was why international hospitality graduate students chose to come to the U.S. rather than go to other countries. The analysis revealed two major factors influencing this decision: the perceived quality of life in the U.S. and the quality of the degree. While there was no significant demographic difference among the groups for the quality of degree factor, there were some interesting demographic differences for the quality of life factor. It was found that international MS students paid more attention to the quality of life factor as compared to international

Ph.D. students. The quality of life in the U.S. factor was more important for international students younger than 30 than it was for their counterparts who were older than 30.

Given the large body of Chinese and Korean international students pursuing graduate degrees in hospitality management in the US, the study also performed some analyses to assess the differences between these two student groups. It found that, when deciding to go abroad for higher education, Korean MS students paid more attention to the value of foreign degrees. This factor was also perceived as more important by Chinese (vs. Korean) Ph.D. students. As for the decision to come to the U.S. for graduate school, Chinese (vs. Korean) students gave the factor of U.S. life significantly more consideration. While Chinese (vs. Korean) Ph.D. students perceived U.S. life as significantly more important, there was only a slight difference in importance perception between Chinese and Korean MS students. Finally, Korean students paid more attention to the faculty factor than Chinese students when choosing which university/program to attend.

### **Implications for Program Administration**

The findings of this study have important implications for hospitality educators and administrators. It was found that graduate students' school choices are mainly driven by the speed and quality of the admission process, faculty interaction, living conditions, reputation of programs and faculty, and location. Clearly, several of these are outside of the control of hospitality program administrators and faculty. Program location and living conditions are given and cannot be affected in any way. The admission process is a combination of factors and its speed and perceived quality can be enhanced or hindered by central university bureaucracies as well as efforts at the program level. Yet, the sooner candidates hear from their program of choice and the quality and frequency of the communications leave a lasting impression and set the tone for the remainder of the process. The speed and frequency of feedback and its perceived quality will make one program stand out in comparison to others. Offers that are sent out after Spring break often fall on deaf ears as candidates have already made their decisions.



Related to the faculty interaction and program reputation, factors that can be controlled to some extent, hospitality graduate programs would be wise to incorporate information on faculty reputation and faculty accomplishments in their marketing efforts, just as they also include information on location, living conditions and the details of the application process. Such information will help potential candidates get a better idea of the program and will develop a more explicit program fit assessment that will eventually help candidates make better educational and personal decisions. Programs would be well-served to have faculty members contact the most promising recruits personally ahead of the final admission decision. The very best potential students will be highly recruited and personal attention from an expert in a particular field of study will make them feel wanted and might entice them to make a favorable decision. Certain demographic groups (e.g. male international students, female domestic students) indicated that the perceived quality of the admission process was highly influential in their choice of which university/program to attend.

From an applicant's perspective, the quality of the admission process reflects the quality of the education, one more reason why program and university administrators should do their utmost to ensure that the application process is easy to understand, clear and as fast as possible. While graduate school applications in general involve a certain level of frustration and uncertainty and are accompanied by long waits, being informed about the progress of one's application at regular intervals will greatly reduce candidates' anxieties and ingratiate them to a program. In addition, a personal touch in that communication may further enhance candidates' favorable impression of a program and further increase the likelihood of selecting the program.

The study found that the opportunity to work with certain faculty members was an important factor in graduate students' program choice decisions. This factor was particularly important for Ph.D. students, as was to be expected. Interestingly, in a recent study examining the characteristics of U.S. hospitality graduate programs, only a small number of program administrators considered faculty

expertise as the most unique feature of their graduate programs (Van Hoof et al., 2013). Based on these findings however, it is recommended that program administrators, especially those of with Ph.D. programs, pay very close attention to faculty expertise in the positioning of their program positioning and use it in their recruitment efforts. Program positioning that is closely in line with the expertise of faculty members will positively differentiate one program from the next.

The study also looked into the program/university choice behaviors of international hospitality graduate students. Results of the study showed that for international students, one of the most important factors influencing their choice to go abroad was the perceived value of the foreign degree. In countries such as Korea where the degree merits high social status, potential high quality candidates will be particularly interested in applying for U.S. degree programs and program administrators should pay close attention to the perceived value of their offered graduate degrees in foreign countries when deciding which countries to target for students recruitment.

### **Limitations and Future Research**

This study had some important limitations that need to be acknowledged here. First, while some prior studies differentiated the factors that influence students' university choice vs. program choice, this study took a more holistic approach in grouping university and program together in the choice decision. It would be interesting for future research to examine if the factors for university or program choice are different or similar.

Second, when assessing the demographic differences, this research only examined a limited set of variables such as gender, age, national origin. A particular area of concentration might further differentiate students' choice behaviors for graduate school and future research could investigate this. Moreover, this study only looked at research-oriented graduate programs. A study investigating choice

decisions among students in graduate programs with a professional orientation might find different factors that determine the choice process.

Finally, this research only examined the students' perspectives at a particular point in time. As students mature in their studies, will they continue to consider the factors that determined their initial program choices to be important, or will their opinions change? Will they regret their decisions because they have overlooked certain factors that really matter? All of these would be additional fruitful avenues for future research.

### **Conclusion**

Five major factors were revealed in this study that hospitality graduate students consider when choosing a university and program of studies. Whereas the study by Huang and Brown (1986) found that cost, course quality, admission procedures, prerequisites and information materials were most important, this study found that students were more interested in program and faculty reputation, living conditions, interaction with faculty and program location. Only the factor of the perceived quality/speed of the admission process (a factor that is, to some extent outside the control of the program) remained the same, indicative of the continued importance of this issue in the process.

As for the large body of international graduate students, the study found that they chose to go abroad to pursue an advanced degree overseas based on their considerations for the value of foreign degree, a potential negative situation in their home country and the encouragement from others in their social circles. International graduate students chose to come to the U.S. because of the perceived quality of the U.S. degree and the quality of life in the US.

The competition for the very best graduate hospitality students is growing as more programs are developed. Every program hopes to attract the very best students since they will continue to spread the word about the quality of a program once they graduate and accept faculty positions elsewhere. Some

factors, such as program location and even living conditions, are outside a program's control. Others can be controlled. Programs can improve their admissions processes and their communication with potential recruits. Most importantly, they can be vigilant about their reputations and those of their faculty and use those in their efforts to attract the best candidates. High standards for faculty performance lead to a better program reputation, and that, in turn, will attract better students.

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## A Review of Merger and Acquisition Wave Literature: Proposing Future Research in the Restaurant Industry

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### **Abstract**

The purpose of this study is to identify research trends in Merger and Acquisition waves in the restaurant industry and propose future research directions by thoroughly reviewing existing Merger and Acquisition related literature. Merger and Acquisition has been extensively used as a strategic management tool for fast growth in the restaurant industry. However, there has been a very limited amount of literature that focuses on Merger & Acquisition in the restaurant industry. Particular, no known study has been identified that examined M&A wave and its determinants. A good understanding of determinants of M&A wave will help practitioners identify important factors that should be considered before making M&A decisions and predict the optimal timing for successful M&A transactions. This study examined literature on six U.S M&A waves and their determinants and summarized main explanatory factors examined, statistical methods, and theoretical frameworks. Inclusion of unique macroeconomic factors of the restaurant industry and the use of factor analysis are suggested for future research.

### **Keywords**

M&A wave, Macroeconomic determinants, Restaurant industry

### **Cover Page Footnote**

The authors thank S.H Jeon for access to the merger and acquisition data.

## Introduction

A merger and acquisition (M&A) is a strategic business activity that two organizations combine into one legal entity or one organization takes over the other organization. In business history, it has been repeatedly witnessed that M&A activities drastically increase during a certain period of time. A series of aggregate M&A activities with remarkably high volume and value are referred to as a M&A wave. There have been five major M&A waves in U.S. since 1890s (Martynova & Renneboog, 2008). Each wave had higher M&A volume and value than previous ones. The presence of repeated wave patterns suggests there are certain market conditions that trigger or facilitate M&As. Although M&A waves have been extensively studied; there are only a few studies that focus on the determinants of industry-level M&A waves. Given that industry-level merger and acquisition waves often set off the overall M&A waves (Corrao, 2012), it is important to know and understand the M&A wave determinants at the industry-level.

The restaurant industry has been one of the major contributors to U.S. M&A waves in the past three decades (Park & Jang, 2011). The data from Securities Data Corporation (SDC) platinum show that 1,198 M&A transactions with a total value of \$163.7 billion were completed in the period of 1981 through 2011 in the restaurant industry, which suggests that M&A has been an extensively used strategy in the restaurant industry for expansion and value creation.

Kiyamaz (2004) indicated that M&As help participating firms increase economies of scale, expand market power and share, lower financing costs, and increase financial stability by diversification. Restaurant firms involved in M&As experienced significant increase in short-term sales growth (Park & Jang, 2011) and market valuation (Chatfield, Dalbor, & Ramdeen, 2011). Given the drastic growth of aggregate M&A activities and the increasing importance of M&A as a strategic tool in the restaurant industry, it is surprising that the determinants of M&A waves in the restaurant industry have rarely been examined.



Through an extensive review of literature on M&A waves, this study summarized five M&A waves in U.S. and major scholarly works on the determinants of M&A waves, and further suggested future research directions in the restaurant industry.

### **Merger and Acquisition Waves**

Wave behavior has constantly appeared in merger and acquisition activities (Finn & Hodgson, 2005). Finance literature has reported five M&A waves in the past century with increasing scale and geographical diversification. In 1890s, the Great Merger wave, the first M&A wave ever identified in the U.S., surged mainly for monopolies (Beckett, 1986). The primary purpose of this wave was to stabilize prices by eliminating competitors rather than achieving economies of scale (Lamoreaux, 1985). The second wave occurred in 1920s for oligopolies resulting in a few dominating firms that held the most market power in their respective industries (Stigler, 1950). Although both M&A waves were dominated by horizontal consolidations of firms within the same industry (Beckett, 1986), the second one was for economies of scale (Martynova & Renneboog, 2008).

In 1960s, the third M&A wave was triggered by antitrust laws and the corporate movements toward diversification (Shleifer & Vishny, 1991). Antitrust laws prevented firms from using a monopolistic competitive strategy which resulted in decreasing number of M&A activities in same industries and the increase of conglomerate M&A activities among different industries (Shleifer & Vishny, 1991). For growth purpose, firms in 1960s extensively used merger and acquisition strategy to enter new markets which were not related to their main business (Sudarsanam, 2003). Various revenue sources from diversification of business are expected to reduce risks of volatile cash-inflow and thereby increase firm value (Copeland, Weston, & Kuldeep, 2004; Montgomery, 1994). In addition, through merger and acquisition, firms create managerial synergy by gaining management know-how from target companies that is compatible to their own expertise (Matsusaka, 1993).

The underperformance of sub-divisions of conglomerate firms revealed management inefficiency under conglomerate structure mainly established during 1950's through 1970's (Shleifer & Vishny, 1991), which triggered the fourth M&A wave in 1980s. Corporate restructuring addressed excess capacity and led firms to refocus on their main businesses (Andrade, Mitchell, & Stafford, 2001; Bhagat, Shleifer, Vishny, Jarrel, & Summers, 1990). Meanwhile, deregulatory changes in antitrust policies allowed more firms to perform horizontal M&As (Martynova & Renneboog, 2008). Furthermore, the deregulation and progress in financial markets created new financing methods such as leverage buyout (LBO) and management buyout (MBO) which made it easier for acquiring entities to raise capital. A combination of these factors let firms to de-diversify through M&A (Bhide, 1990).

The M&A activities between 1993 and 2001 were identified as the fifth M&A wave (Martynova & Renneboog, 2008). It was noticeable that this wave was much more geographically dispersed than previous ones. The integration of global market in terms of product, service, and capital drove cross-border M&As of firms outstanding in capacity utilization (Andrade et al., 2001). Although not commonly recognized, the easy access to abundant capital during 2003 and 2007 triggered another M&A wave (Alexandridis, Mavrovitis, & Travlos, 2012). In this period, European and Asian firms continued to increase their investment in foreign market through M&A as in 1990s. Especially, Chinese firms' enthusiasm in cross-border M&A increased the volume of cross-border M&A transactions from \$ 3billion in 2002 to \$19billion in the first half of 2005 (Martynova & Renneboog, 2008). However, as managers of acquiring firms became less confident in creating synergetic gains, the M&A market became less competitive and the premiums paid by acquirers were lower than in previous waves (Alexandridis et al., 2011).

## **Existing Literature in M&A Waves**

### ***Wave Behaviors***

The literature in M&A wave can be classified into two general categories: wave patterns modeling and determinants identifying. Since Nelson (1959) suggested the wave patterns of M&A activities, a number of researchers have attempted to prove whether M&As take place in waves. Shughart and Tollison (1984) examined the cyclical U.S. M&A patterns during the period of 1895 to 1977 and could not reject the hypothesis that aggregate M&A activity was attributed to a random walk process. Golbe and White (1993) found aggregate M&A activities had consistent patterns in the shape of a wave during 95 years (1895-1989). Using a two regime Markov switching model, Town (1992), and Linn and Zhu (1997) reported that aggregate M&A behavior could be described by the repeated alternation of high and low M&A activities. Aforementioned studies suggested that aggregate M&A behavior had cyclical wave patterns.

### ***Determinants of M&A Waves***

#### **Industry/Firm-level Determinants**

The second category of M&A wave research focuses on M&A wave determinants on both industry/firm-level and macroeconomic level. Gort (1969) indicated that M&As clustered not only in a certain period but also at industry-level. When M&A activities clustered simultaneously in several industries, M&A wave was initiated. Neoclassical researchers argue that industrial shock caused by rapid change in technology, regulation, and economic system leads to excess in productivity capacity within an industry and firms in the particular industry primarily employ M&A to attain asset reallocation to remove the overcapacity (Komlenovic, Mamun, & Mishra, 2011). Harford (2005) proposed that sufficient liquidity in capital markets is more essential in generating M&A wave than industry shock.

While neoclassical theory is based on efficient capital market assumption and shareholders' wealth maximization assumption, the behavioral theory is based only on shareholder wealth maximization assumption (Shleifer & Vishny, 2003). The behavioral theory suggests that managers are well aware of the irrational move of stock market due to imperfect information. When stocks are overvalued, managers are likely to take advantage of the overvaluation by using their stocks for payment of M&A transactions (Golbe & White, 1988; Gugler, Mueller, & Yurtoglu, 2006; Shleifer & Vishny, 2003). This also explained why strong bull market is closely associated with aggregate M&A activity. While overvaluation of stock markets leads firms to frequently use stock payment for their M&As, cash payment was popular when stocks are undervalued (Komlenovic et al., 2011). As a result, stock financing was the dominant payment method in M&A transactions during M&A waves (Harford, 2005).

#### Macroeconomic Determinants

Another prominent stream of research on determinants of M&A wave has focused on macroeconomic factors (Komlenovic et al., 2011). Macroeconomic indicators have been developed to measure comprehensive economic activity. Researchers have extensively used the macroeconomic indicators to explain various business activities and outcomes, such as stock returns, corporate credit rating, and M&A activity (Antelo & Mangin, 2010; Figlewski, Frydman, & Liang, 2012; Haque, Harnhirun, & Shapiro, 1995). Nelson (1959) was among the first researchers who investigated the effects of stock prices and industrial production on the level of aggregate M&A activity using correlation analysis and found that wave behavior in aggregate M&A activity was positively correlated with the level of the U.S. stock market between 1895 and 1956. Nelson's paper triggered a number of studies on macroeconomic factors on M&A waves. Table 1 summarizes twenty-five related studies identified in current literature.

### ***The “Merger Activity-Economic Prosperity” Theory***

This theory was introduced by Reid (1968) and advanced by Melicher, Ledolter, and D’Antonio (1983). It suggests that M&A wave is associated with expectations of economic growth and capital market conditions. Using stock prices and interest rate as proxies for growth expectation and cost of capital, this theory indicates that when overall stock prices are high and interest rate is low, aggregate M&A activity is likely to increase leading to a M&A wave. High stock prices indicate the expectation of a buoyant economy which leads to deficiency in supply by increasing demand (Fama, 1981). Accordingly, firms are willing to obtain additional capacity through M&A to take advantage of short supply in market. Low interest rate enables firms to reduce their financing cost of investment activities including M&A. Also, lower interest rate less discount the future cash inflows from investment and in turn increase the expected rate of return from M&As. Reduction in financing cost and increase in return on investment by low interest rate encourage more M&A transactions. The effect of cost of capital on M&A wave has been consistently supported by a number of empirical studies (Benzing, 1991; Kamaly, 2007; Shleifer & Vishny, 2003). However, the direction of the effect was inconclusive. According to Choi and Jeon (2011) and Benzing (1991), cost of capital was negatively related to M&A wave, which match the general expectation of the relationship between capital market conditions and M&A transactions. On the contrary, Steiner (1975) and Beckenstein (1979) found the positive effect of cost of capital on M&A wave.

**Table 1****Merger Wave Studies on Macroeconomic Determinants**

Study	Study Period	Country	Method	Macro Explanatory Variables	Identified Significant Factor
Nelson (1959)	1895-1956	US	Correlation analysis	Stock price, Industrial production	Stock price
Weston (1961)	1919-1947	US	Regression	Stock price, Industrial production, Wholesale commodity prices	Stock price
Steiner (1975)	1949-1971	US	Regression	GNP, Interest rate, Stock price	GNP, Interest rate, Stock price,
Beckenstein (1979)	1949-1975	US	Regression	GNP, Interest rate, Stock price,	Interest rate, Stock price
Chung & Weston (1982)	1957-1977	US	Regression	GNP, Interest rate,	GNP, Interest rate
Melicher, Ledolter & D'Antonio (1983)	1947-1977	US	Regression, ARIMA	Interest rate, Stock price, Industrial production, Bankruptcy	Interest rate, Stock price
Gueroski (1984)	1895-1979	US / UK	Granger causality test	Stock price	None
Becketti (1986)	1960-1985	US	Regression	GNP, Interest rate, Money supply, Stock price, Domestic debt, Capacity utilization	GNP, Interest rate, Stock prices, Domestic debt, Capacity utilization
Polonchek & Sushka (1987)	1948-1979	US	Regression	Interest rate, Money supply, Unemployment rate, Oil price, Bankruptcy, Real expenditure on housing,	Interest rate, Unemployment rate, Oil price
Clark, Chkrabarti, & Chiang (1988)	1919-1979	US	AR, Granger Causality test	Stock price, Industrial production	Stock price
Golbe & White (1988)	1940-1979	US	Regression, ARIMA	GNP, Interest rate, Producer Price Index (PPI)	GNP
Guerard (1989)	1895-1979	US	ARMA, Granger causality test	Stock price, Industrial production	None

Study	Study Period	Country	Method	Macro Explanatory Variables	Identified Significant Factor
Argus & Finn (1991)	1972-1990	AUS	ARIMA, Regression	Interest rate, Stock price, Industrial production, Capital expenditure	Stock price
Benzing (1991)	1919-1979	US	Regression	Interest rate, Stock price, Unemployment rate	Interest rate, Stock price
Benzing (1993)	1963-1986	US	Regression	Interest rate, Stock price, Industrial production, Capacity Utilization, Unemployment rate	Stock price, Unemployment rate
Haque, Harnhirun & Shapiro (1995)	1960-1989	CAN	ARMA, Granger causality test	Interest rate, stock price	Interest rate, Stock price
Clarke & Ioannidis (1996)	1969-1994	UK	VAR, Granger causality test	Stock price / GDP	Stock price / GDP
Yagil (1996)	1954-1979	US	Regression	Interest rate, Total value of investment	Interest rate, Investment
Finn & Hodgson (2005)	1972-1996	AUS	Vector error correction model	Interest rate, Stock price, Industrial production, Capital expenditure	Stock price, Industrial production
Cook (2007)	1975-2005	UK	GARCH, Granger causality test	Industrial production	Industrial production
Kamaly (2007)	1990-1999	Six Asians countries	Regression	Interest rate, Stock price, Export/Import	Interest rate, Stock price, Export/Import
Resenade (2008)	1969-2004	UK	Two state Markov switching model	GDP, Money supply , Inflation, Stock price	GDP, Money supply, Stock price
Choi & Jeon (2011)	1980-2004	US	VAR, Granger causality test	GNP, Interest rate, Money supply, Stock price, Corporate cash flow	GDP, Interest rate
Komlenovic, Mamun, & Mishra (2011)	1981-2006	US	Regression	Chicago Fed National Activity Index, Interest rate, Stock price, Capacity utilization	CFNAI, Interest rate, Stock price, Capacity utilization
Corrao (2012)	1997-2011	US	Time-series Econometrics	Real GDP, Interest rate, Stock price, Industrial production	Interest rate, Stock price

### *The Economic Disturbance Theory*

Another prominent theory that explains the relationship between economic conditions and M&A wave is the economic disturbance theory. According to Gort (1969), the discrepancy in valuation of a business between major shareholders and potential investors determines movements in aggregate M&A activity. When economic conditions improve, the variation in estimation of future cash flows from the business increases. The increased variation in the expected rate of return results in valuation discrepancies. Especially, when the valuation of investors is higher than that of current shareholders, M&A transactions are likely to occur. Based on the economic disturbance theory, a number of studies reported the significance of economic conditions on M&A wave using stock prices and Gross National Product (GNP) or Gross Domestic Product (GDP) to measure current macroeconomic conditions (Golbe & White, 1988; Gort, 1969; Resende, 2008).

### *Variables Examined*

Macroeconomic factors investigated in M&A wave studies have been diversified. Stock price and interest rate have been the most frequently investigated variables followed by industrial production and GNP or GDP. The effect of industrial production on aggregate movement in M&A activity was not obvious. While Cook (2007) and Finn and Hodgson (2005) found it has a significant positive impact on M&A wave, Corro (2012) and Guerard (1989) did not find significant relationship. On the other hand, most studies found GNP or GDP significant (Golbe & White, 1988; Resende, 2008). It was noticeable that GNP was mainly used until 1990's and then, GDP attracted most attention.

Becketti (1986) and Komlenovic et al. (2011) related wave patterns in aggregate M&A activity to business cycles. Using financial market conditions and real economic activities as proxy for business cycle, Becketti (1986) developed regression model to capture one-thirds of wave behavior in aggregate M&A activity between 1960 and 1979 and reported significant comovements of aggregate M&A activity



and business cycle. Komlenovic et al. (2011) constructed one synthetic macroeconomic index developed by Stock and Watson (2002) using 85 economic indicators to measure the overall economic trends. 12-month moving average of this index known as Chicago Fed National Activity Index (CFNAI), was significantly correlated with industry-level M&A waves.

In addition, bankruptcy, unemployment rate, money supply, and inflation measured by Consumer Price Index (CPI) or Producer Price Index (PPI) were investigated. While bankruptcy and unemployment rate had a significant relationship with M&A wave (Benzing, 1993; Melicher et al., 1983), money supply and inflation did not (Choi & Jeon, 2010; Resende, 2008). Steiner (1975) and Beckenstein (1979) added government policy factors regarding anti-trust to their models, but regression analysis showed inconsistent results.

A number of studies investigated not only macroeconomic factors on M&A wave, but also additional variables which might change the effect size of macroeconomic factors. Those studies attempted to look at whether macroeconomic determinants of M&A wave vary by M&A type, time period, or industry. Chung and Weston (1982) and Yagil (1996) categorized M&As into two groups: conglomerate and non-conglomerate (vertical and horizontal) mergers, based on industries of acquiring and acquired firms. Benzing (1991) and Yagil (1996) divided study periods into a few sub-periods. These studies discovered that M&A waves responded differently to changes in macroeconomic conditions according to core business relatedness and M&A periods. Komlenovic et al. (2011) and Corrao (2012) explored the effect of macroeconomic conditions on M&A waves in individual industries and found the types of industries significant in identifying important macroeconomic factors and determining their effect size. However, no known study has been identified that focuses on the effects of macroeconomic variables on M&A waves in the restaurant industry.

### ***Methods Used***

Statistical methods have been extended to advanced methods such as Markov two state switching model and Vector Autoregressive (VAR) model from simple ordinary least squares (OLS), to explain the correlation between macroeconomic factors and M&A wave. Early studies between 1950's and 1970's estimated coefficients of macroeconomic factors dominantly with multiple regression analysis (Steiner, 1975; Weston, 1961). From 1980's, researchers started to investigate M&A patterns using time series data. Since the inclusion of the autoregressive terms could prevent endogeneity problem by autocorrelated error (Resende, 2008), Benzing (1993) addressed autocorrelation problem by adding autoregressive terms to his regression model and found that the autoregressive term had a significant coefficient. In order to achieve a better fit to the dataset examined, time series models were developed using autoregressive (AR) and autoregressive integrated moving average (ARMA) (Clark, Chkrabarti, & Chiang, 1988; Guerard, 1989; Haque, et al., 1995). In addition, the use of time series econometrics models allowed investigation of bi-directional relationships among variables. Melicher et al. (1983) conducted autoregressive integrated moving-average (ARIMA) analysis to estimate cross correlations of M&A wave and four macroeconomic variables and found that stock prices and interest rate significantly affected M&A wave and in turn, M&A wave affected industrial production and bankruptcy rate. Other time series econometrics models, such as vector autoregressive (VAR) model and vector error correction model (VECM), were also employed for bi-directional relationships (Choi & Jeon, 2011; Finn & Hodgson, 2005). These time series econometrics models mainly accompanied Granger causality test to determine whether individual macroeconomic factors could predict or "Granger cause" M&A wave. Resende (2008) employed non-linear time series technique called two-state Markov switching model to analyze dynamic behavior of M&A wave and test the possibility of comovement of M&A wave and macroeconomic factors, and established a significant association between stock prices, money supply, GDP, and wave behavior in aggregate M&A activity.

### ***M&A Studies in the Restaurant Industry***

In spite of the increasing use of M&A as a type of investment in the restaurant industry, M&A have not drawn much attention from researchers. Extant M&A literature has mainly focused on the value created by M&A activity. Park and Jang (2011) found that acquiring restaurant firms experienced a significantly higher growth in sales volume than non-acquiring restaurant firms in a year, but the M&A effect was not persistent after one year after the acquisition. The study of Chatfield et al. (2011) reported acquiring restaurant firms had positive, but insignificant cumulative abnormal returns (CARs) for one day before the announcement day and the announcement day. However, CARs of target restaurant firms during the same period were significantly positive.

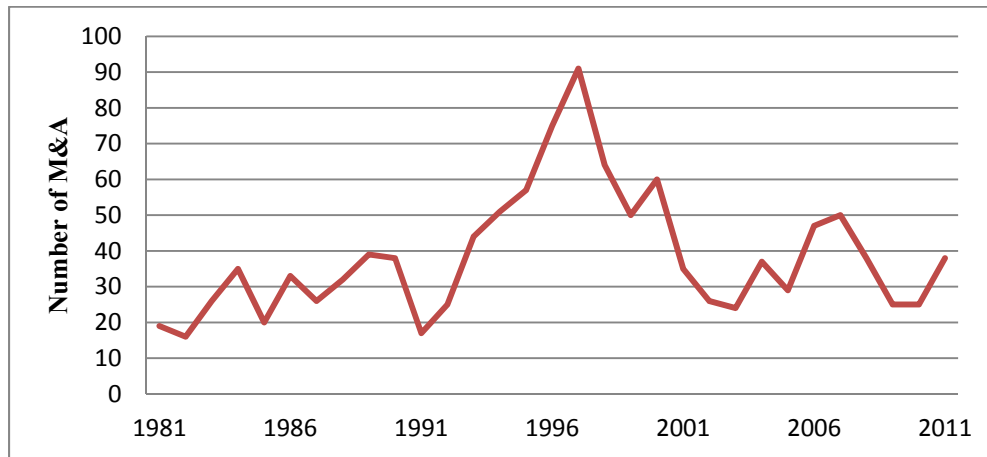
Due to the limited availability of data, Sheel & Nagpal (2000) investigated whether there were the long- and short-term effects of M&A on wealth gains using mixed restaurant and hotel data between 1980 and 2000, but no significant relations have been identified. On the other hand, Yang, Qu, and Kim (2009) found hospitality acquirers had higher abnormal returns compared with the hospitality sector market index twelve months after their acquisitions were completed. The M&A effects, however, before twelve months are not significant.

Payment types of M&A have been often examined. Oak, Andrew, and Bryant (2008) identified the importance of debt ratio, capital expenditure ratio, and firm size in determining a financing method. They found cash financing were preferred in hospitality M&A deals. Chatfield, Chatfield, and Dalbor (2012) investigated the effect of payment methods on abnormal returns to acquiring hospitality bidders including lodging, restaurant, and gaming firms. They reported abnormal returns of bidders using cash financing were positive and significant, but bidder returns were insignificant when stock financing or a mix of cash and stock financing was used. In addition, Kim and Arbel (1998) used a binomial logistic analysis approach to develop an M&A target prediction model in the hospitality industry.

However, no study has been identified that investigates the macroeconomic determinants of M&A wave in the restaurant industry. Figure 1 shows three M&A waves in the U.S. restaurant industry between 1981

and 2011. These three waves appear to be in line with the overall U.S. M&A waves previously discussed, which suggests these industry-level M&A waves may be driven by same market conditions that drove the overall M&A waves. Thus, understanding the significant drivers of overall M&A wave studies as well as their various methodological and theoretical approaches can provide guidance for future research on determinants of M&A waves in the restaurant industry.

**Figure 1**  
**M&A Activities in the U.S. Restaurant Industry, 1981-2011**



Note: A total of 1,196 restaurant M&A transactions is drawn from SDC platinum. The value of each transaction is more than \$1million.

### **Future Research in the Restaurant Industry**

Studies have identified important macroeconomic factors that have triggered M&A waves to help managers make informative M&A decision. However, significant determining factors vary between overall M&A waves and industrial M&A waves and among different industries. Therefore, to understand the idiosyncratic behaviors of M&A waves in the restaurant industry, based on existing literature, this study proposes the following future research directions.

Although the effects of M&A on synergistic gains for the acquiring firms has been inconclusive in finance literature; findings in current literature are consistent on that the wealth gains from M&A transactions vary because of the different stages of M&A wave during which the M&A transactions occur

(Harford, 2005). M&A transactions that occur during the upward stage of M&A wave are likely to be value-added, and wealth-destroying M&A transactions mostly occur during the peak and downward stages. In other words, the timing of M&A transactions is critical to determine their wealth gains. Since economic conditions are closely related to M&A wave movements (Yagil, 1996), a good understanding of the relationship between economic conditions and M&A waves in the restaurant industry will help restaurant firms forecast M&A waves and identify the optimal point of time for value-added M&A. The review of M&A wave studies provides several suggestions for future research to explore the relationship.

### **Examining Macroeconomic Determinants**

Komlenovic et al. (2011) found that, only in certain industries, the fluctuations of aggregate M&A activities were significantly related to macroeconomic conditions; and Corrao (2012) further indicated that different macroeconomic factors had different impact on M&A waves in different industries. The heterogeneous impact of macroeconomic variables on industry-level M&A waves may be attributed to the uniqueness of an industry. It is therefore necessary to identify the macroeconomic forces that drive M&A waves in the restaurant industry and examine how they influence the M&A wave patterns. Several numbers of typical economic indicators used in previous studies may fail to capture the overall economic activity. Consequently, models based on only those variables may have a very poor fit and the significant explanation power of the models over M&A wave may be minimal. A comprehensive set of macroeconomic data needs to be explored to determine their real, idiosyncratic effect on M&A waves in the restaurant industry and further to accurately identify significant drivers of restaurant M&A waves. The macroeconomic data may include stock prices, short- and long-term interest rates, GDP, CPI, PPI, balance of payment, export, import, money supply, unemployment rate, gas price, bankruptcy rate, industrial production, and capacity utilization.

Macroeconomic variables represent a broad range of economic conditions, but the range covered by individual variables cannot be mutually exclusive (Cheng, 1995). Thus, the more variables are

included in a study, the more likely multicollinearity among indicators will be observed. Using Exploratory Factor Analysis (EFA) technique, the potential multicollinearity problem can be avoided and explanatory macroeconomic variables can be used to generate latent factors with no priori hypothesis reducing dimensions.

### ***Identifying Industry Specific Determinants***

Market valuation and cost of capital have been identified as the primary determinants of M&A waves (Kamaly, 2007; Komlenovic et al., 2011). Current economic state mainly measured by industrial production and GDP plays an important role in determining M&A wave. In addition, money supply, capacity utilization, unemployment rate, and capital expenditure have been considerably examined as possible factors on M&A wave. However, industry-level M&A wave studies should take into account additional economic conditions unique to the industry. For example, the number of foreign tourists is an important macroeconomic factor used as a proxy for tourism expansion in hospitality literature (Chen, 2007). Tourism expansion can directly impact on the financial performance of restaurant firms close to popular tourist destinations. Household disposable income may be another macroeconomic factor that should be examined. When household income decreases, households are likely to reorganize their spending priority. Travel and dining-out are the least priorities so that households reduce spending for those activities (Denizci, 2007). Accordingly, movements in disposable income are expected to be positively associated with the restaurant industry.

In addition to these factors, global economic conditions may need to be investigated as plausible determinants of M&A wave. Given the facts that multinational market leaders such as McDonald and Starbucks have appeared and global markets are becoming integrated over time, the influence of domestic economy on corporate business activities including M&A may be limited. The global economy may be a more influential predictor of M&A wave than the domestic economy. The indicators of the global economy may include World Consumer Prices, World Exports, and World GDP from the International

Financial Statistics database of International Monetary Fund (IMF). The data of Organization for Economic Co-operation and Development (OECD) statistics such as CPI, GDP, industrial production, and international trade can be also used as the proxy for global economic conditions. In this line of thinking, the comparison of the effects of regional and domestic economic conditions on M&A wave and the difference in determinants between geographically-diverse firms and non-diverse firms would be interesting research topics in restaurant academia

Macroeconomic factors are used as proxies for a variety of economic conditions. Their relationships with M&A wave have been supported by a number of theoretical models. In M&A wave studies, 'economic prosperity' theory provides rationale for the use of market valuation and cost of capital. Economic disturbance theory by Gort (1969) describes the possible correlation of current economic status and M&A wave. However, the effects of other macroeconomic factors on M&A wave still do not have obvious theoretical support. Theoretical framework is conceptual foundation researchers take in order to construct and analyze the relationship of variables. Although it makes the range of research limited, theoretical framework can help researchers to understand the relationship by clearly mapping out relevance of key variables and to build knowledge by testing theoretical assumptions. Accordingly, it would be worthwhile to formulate theories that can reasonably explain the influence of macroeconomic indicators on M&A wave.

To examine how aggregate M&A activity is related to economic conditions during different time periods, Benzing (1991) broke down the study period into two sub-periods: the pre-1950 (1919-1950) and the post-1950 (1951-1979) and found that stock prices and interest rate were significant factors for all periods. Benzing (1991) also found that interest rate was positively related to pre-1950 M&A waves, but it had a negative relationship with M&A waves during other time periods. The study supported that the time period in which M&A transactions occur significantly affects the relationship between economic

conditions and M&A wave. However, only a few studies focused on the effect of M&A periods (Benzing 1991; Yagil, 1996) and M&A waves after 1980's were not covered in even those studies.

This review of M&A wave studies reveals that wave behavior in aggregate M&A activity is bi-directionally correlated with macroeconomic factors (Finn & Hodgson, 2005) and that it takes some time for changes in aggregate M&A activity to affect the macroeconomic factors and vice versa, which is called lagged effect (Choi & Jeon, 2011). These empirical results suggest that M&A wave and macro-economy are circularly interrelated in the long term. In other words, certain macroeconomic conditions make it easier for M&A transactions to occur and in turn, the upward M&A wave strengthens the overall economy resulting in improvement in macroeconomic factors. Also, these circular impacts last for a while. It would be interesting to examine whether the bi-directional relationship is applied to the restaurant industry and how long the relationship will be continued.

The economic benefits of M&As vary during different stages of an M&A wave. M&A transactions occur in the early stage of an M&A wave tend to generate more benefit for the acquiring firms than those in the later stages (Carow, Heron, & Saxton, 2004). The herding model proposed by Scharfstein and Stein (1990) indicates that some managers observe successful M&A transactions in the early stage and mimic the activities without analytical decision procedures and create M&A waves. However, M&A transactions without careful planning tend to result in significant losses and in turn prevent other M&A transactions from happening. These findings suggest the possibility that successful M&A can be achieved using a prediction model of transaction timing. Therefore, it is worth examining whether the herding model is applicable to the restaurant industry and whether a prediction model can be developed based on the relationship between macro-economy and M&A wave to help managers identify the optimal transaction time.

Macroeconomic factors affect the results of M&A transactions differently in different stages of an M&A wave, which suggests that the value-adding transactions in early stage and wealth-destroying



transactions in later stages might have different macroeconomic determinants. Investigating the differences in macroeconomic determinants of early and late M&A transactions would provide primary macroeconomic factors that should be concerned for better returns. Also, it would be worthwhile to compare deal characteristics and firm-specific characteristics in early and late stages of an M&A wave to identify the factors that lead to successful M&A transactions. Payment type, firm size, and business relatedness are considered as deal characteristics. The market-to-book ratio, leverage, free cash flow, sales growth, and return on assets are firm characteristics. Understanding the difference in these characteristics can help restaurant firms to increase the possibility of creating synergistic gains through M&A.

### **Conclusion**

The investigation of relationship between macroeconomic factors and restaurant M&A wave, and the development of theoretical frameworks were posed for future research. Broaden understanding of M&A wave in the restaurant industry will help practitioners successfully use M&A as a strategic tool for expansion and value creation. Although a large body of research has identified M&A waves and investigated their determinants, there is still a gap in the literature on macroeconomic determinants of industry-level M&A wave. This thorough review of literature revealed the lack of restaurant industry related research on M&A waves, particularly on the macroeconomic determinants of restaurant M&A waves. Given that the selection of macroeconomic variables in previous studies has been arbitrary, a comprehensive set of macroeconomic factors including both global and industry-specific variables should be examined. Appendix A lists the variables identified for future study. In addition, to cope with possible multicollinearity due to large number of variables in a model, Exploratory Factor Analysis was recommended. Finally, several future research directions were identified to investigate the effect of M&A timing on macroeconomic determinants and model the prediction of M&A timing using the determinants for increasing economic gains generated by M&As.

## Appendix A. Macroeconomic Variables

**Appendix A. Macroeconomic Variables**

Variables used in previous studies		Variables recommended for future research	
Domestic	Bankruptcy Rate	Domestic	Balance of Payment
	Capacity Utilization		Household Disposable
	CPI		Tourist (Total Number)
	Employees (Total Number)		
	Export	Global	IMF World Consumer Prices
	Gas Price		IMF World Exports
	GDP		IMF World GDP
	Income		OECD CPI
	Import		OECD GDP
	Industrial Production		OECD Industrial Production
	Interest Rate (Long and Short Term)		OECD International Trade
	Money Supply (M1, M2)		
	PPI		
	Stock Price (S&P 500)		
	Unemployment Rate		
	Yield Spread		

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## Reaching an Underserved Wine Customer: Connecting with the African American Wine Consumer

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### **Abstract**

Marketing strategies addressing underserved African American wine customers' needs that also positively impact producers' and retailers' clientele was the impetus for this exploratory, qualitative paper. African Americans demonstrate a thirst to elevate their education about and be more involved in the wine industry as evidenced by the proliferation of African American wine-tasting groups designed to help educate and expose their membership to a variety of wines. Moreover, compared to the average adult, African-American wine drinkers are 241% more likely to have spent \$20 or more on a bottle of store bought wine (Arbitron, 2005). Despite African Americans' representation as one of the fastest growing ethnic minority segments in the U.S., wine industry strategies don't appear to connect with this market segment. Like Alice in Wonderland, we characterize this phenomenon by suggesting this market segment is 'peering through the looking glass'. Three focus groups were conducted to specify possible targeted media strategies as well as to identify attitudes and opinions that influence this segment's wine purchasing and consumption behaviors. Industry strategies were suggested that would appear to benefit producers, retailers, and this customer segment. The results of the research will be used to inform a quantitative instrument in order to generalize findings beyond the context of the exploratory setting.

**Keywords**

wine marketing, qualitative, underserved customers, African American wine consumer, marketing strategy



## **Background and Significance**

The “typical” U.S. wine consumer has generally been identified as white, middle-aged, and well educated with a high income (Campbell, 2009). The problem is that the shift in U.S. demographics indicates this is no longer an accurate reflection of today’s wine consumer. Yet, wine marketing efforts seem to be targeting the “typical”, white U.S. wine consumer. However, the number of non-Hispanic whites is on the decline across the U.S. while minority groups continue to rise (Santa Cruz, 2010). Between 2000 and 2010 the African American population grew in every state (except the District of Columbia), and at a faster rate than the total population. African Americans number 42+ million, of which 38.9 million identify solely as African American and 3.1 million identify as African American in combination with one or more other races (U.S Census Bureau, 2011).

However, the literature is silent and empirical studies nearly non-existent, regarding minority wine marketing. Although Velikova, Wilkinson, and Sharp (unpublished manuscript), recently conducted a study focusing on the Hispanic wine consumer, this minority group may not share the same wants and needs as the African American wine consumer. Additionally, African American wine consumers have demonstrated a desire to heighten their participation as knowledgeable and active customers but industry strategies do not appear to connect with them. More knowledge is needed to connect this segment with industry and have industry connect with them. Therefore, the needs of the African American wine consumer should be identified to foster a better understanding of advertising and promotional efforts enabling wine marketers to better target this group while meeting this group's unaddressed needs (Dodd & Bigotte, 1997; Getz, 2000). This study's purpose was to begin to build a body of knowledge regarding African American wine consumers beginning with the process of identifying their salient needs and wants.

## **Literature Review**

### **The Potential of the African American Wine Consumer**

African Americans have demonstrated a growing interest in wine with wine consumption among African Americans increasing since 1998. According to Cole (2010), nearly 26 percent of domestic table wine sales were attributed to African Americans. African Americans typically spend in excess of \$4.4 million a year in off-premise retail wine sales (Cole, 2010). According to Forman and Buckley (2011), African Americans are 2.5 times more likely to spend \$20 or more on a bottle of wine compared to the \$9-12 price range of the mid-priced bottle (Tuttle, 2011). This increasing interest in wine by African Americans is further reflected in the development of organizations such as Divas Uncorked, the African American Wine Tasting Society (AAWTS), and Tasting Education and Networking Folks (TenFolks). These groups expose and educate minorities to fine wine though they only serve a small fraction of the potential this group represents in the marketplace (Cole, 2010). Additionally, African American consumers have the buying power to support their growing interest in wine. According to Target Market News, they ranked 17th among the world economies with a total of \$803 billion in earned income (2010). It would seem that a viable effort to build on this market's interest warrants the attention of mainstream marketing.

## **Theoretical Background**

Velikova et al. (unpublished manuscript) recently founded their research regarding Hispanic wine consumers on assimilation and acculturation concepts focused on situational ethnicity, a concept based in acculturation (Okamura, 1981). There are a number of factors that influence consumer purchase intentions. Building on situational ethnicity, Zmud and Arce (1992) found that purchase behavior is a function of felt ethnicity, cultural identity, social surroundings, and product type. Members of minority groups and/or those who identify as mixed race/ethnicity may perceive and respond to situations differently especially compared to those identified as mono-cultural; in turn, these perceptions influence consumer behavior (Stayman & Deshpande, 1989; Zmud & Arce, 1992).

As market segments are based on groups with common wants and needs, it stands to reason that wants and needs may not be the same across all groups. Segmentation provides a clearer understanding of what motivates consumers (Dodd & Bigotte, 1997; Yuan, So, & Chakravarty, 2005). Based on situational ethnicity, this proposed research will begin to identify attitudes, opinions, and purchase motivators of the African American wine consumer. This study addressed the following research questions:

**RQ1:** What are the attitudes and opinions of African American wine consumers related to purchasing and consumption behavior?

**RQ2:** What factors influence wine purchases by African American wine consumers?

**RQ3:** What specific strategies could be implemented by the industry with which the African American wine consumer could bond?

## **Methodology**

Conducting focus groups continues to be the preferred methodology for exploratory topics with little literature to guide the investigators (Belgrave, Zablotsky, & Guadagno, 2002). Such was the case

for this project. According to Triandis (1972), focus groups provided the appropriate forum to elicit new themes and issues that are pertinent among group members allowing the researcher to examine the group's subjective culture (i.e., the perception of rules and the group's norms, roles, and values). This supported the strategy to determine if aspects of consumer behavior are culture-specific and supported the aim to develop a culturally appropriate protocol for future research.

Three focus group sessions were conducted with African American participants in March 2013. A topical approach was used in the development of the discussion guide. This approach ensured a practical structure for the discussion sequence and facilitated the comparison of the groups in the data analysis (Kruger & Casey, 2009). The discussion guide was structured to address the following research questions: 1) What are the attitudes and opinions of African American wine consumers related to purchasing and consumption behavior?, 2) What factors influence wine purchases of African American wine consumers?, and 3) What specific strategies could be implemented by the industry with which the African American wine consumer could bond?

## **Participants**

The population of interest was African American wine customers. The size of each focus group was six to twelve participants, with the following composition: all male (n=6); mixed gender (n =12), all female (n=11), for a total of 29 participants. A purposive sampling approach was employed to garner participants that were representative of the population of interest (Wimmer & Dominick, 2006). Additional contacts were elicited from initial recruits, a method known as snowball sampling. See Table 1 for descriptive statistics of the sample.

Participants fulfilled the following requirements in order to be included in the study: a) must be at least 21 years of age (legal drinking age); b) self-identify as Black or African American; c) have wine consumption/purchase experience; and d) provide informed consent. It is customary to provide a stipend to focus group participants to compensate for their time and travel expenses, which also helped insure participant attendance. A stipend of \$75 was given to each participant.

## **Conceptual Framework / Design**

To pilot the logical and sequential flow of questions, the discussion guide was reviewed by experts (wine industry professionals and educators knowledgeable in the content area) and by selected representatives having similar demographic characteristics as the target population. However, no representatives in the discussion guide pretest were included in the formal focus groups. Based on the feedback from the pilot testing, the discussion guide required minor adjustments before implementation.

The discussion guide was divided into three sections based on the objectives of the study. The first section focused on gaining insights to the participants' attitudes, opinions, and interests related to wine consumption. The second section obtained information on factors that influence wine consumption and purchases. The third section identified strategies that can be implemented by the industry to reach

African American wine consumers. Additionally, a brief questionnaire was completed by the participants regarding their demographic information and wine consumption preferences and behaviors in order to compute a thorough profile of the sampled population.

Three focus groups were conducted to facilitate inquiry across robust sets of themes (Guest, Bunce, & Johnson, 2006). Focus groups were conducted in Columbus, Ohio, a.k.a. Middle America or Crossroads of America, because it is representative of the broader trends of the nation and American demographics (Brandau, 2011). To capture participants' answers in their own words, the focus group sessions were audio recorded with the respondents' expressed and written consent. Recordings were transcribed verbatim. Focus groups were conducted in a modern and professional focus group facility outfitted with audio and visual recording capability. One of the researchers, a trained moderator, skilled in group dynamics and facilitating focus group discussions, conducted the discussions and debriefing sessions. The moderator ensured that each member of the group participated. The moderator also assisted with analysis (Kruger & Casey, 2009).

### **Data Analyses**

The topical discussion guide provided the tactical structure to facilitate comparison of the groups in the data analysis stage. Data collection and analysis began during the pre-session small talk before the formal start of the focus group. The researchers observed levels of possible familiarity between participants, which may need to be considered in the final analysis. A formal debriefing between the researcher and the moderator was conducted immediately after each session where summary comments and observations were recorded and a review of participant responses to key questions was discussed. There were no disagreements in points of view found between the two.

The focus groups were audio taped and data were transcribed verbatim by a professional transcription service. The data were analyzed following a systematic and verifiable approach described by Krueger and Casey (2009). During the analysis, the researchers 1) reviewed summaries of focus group sessions, and 2) read all transcripts concentrating on one issue/question at a time, while considering the purpose of the project.

During analysis, the researchers gave consideration to: a) words used and the meaning of the words; b) the context; c) internal consistency to check for shifts in opinion; and d) the specificity of responses. Responses based on experience were given more weight (Kruger & Casey, 2009); frequency and the number of participants expressing agreement or disagreement to identify transcendent themes (Templeton, 1994) were also noted, but in accordance with Kruger et al., not necessarily afforded more significance. Themes were then identified. Afterwards, the assistant and the moderator independently coded the transcribed responses using the identified themes. This is when saturation of themes had been reached and there were no new ideas or information shared (Krueger & Casey, 2009). Inter-rater reliability (Kappa) was measured to examine the strength of agreement between the researcher and the moderator on the assignment of categories of the categorical variables to determine the efficacy of the coding.

Inter-rater reliability. Using the Kappa statistic, an inter-rater reliability analysis was performed to determine consistency among raters. As a rule of thumb, values of Kappa from .40 to .59 are considered moderate, .60 to .79 substantial, and .80 outstanding (Landis & Koch, 1977). Most statisticians prefer Kappa values to be at least .60 and most often higher than .70 before claiming a good level of agreement (Pallant, 2007). Inter-rater reliability was analyzed for each of the groups. For the first group, consisting of all males, the inter-rater reliability for the raters was found to be  $Kappa = 0.669$  ( $p < 0.001$ ), 95% CI (0.852, 0.1.02). For the mixed gender group,  $Kappa = 0.936$  ( $p < 0.001$ ), 95% CI (0.707, 0.985) and the group of all females was  $Kappa = 0.969$  ( $p < 0.001$ ), 95% CI (0.908, 1.03).

## Results

### Sample Profile

Descriptive statistics were conducted to quantify representation of the sampled population. The sample was split between 14 males and 15 females. The average age of the participants was 43 years, ranging from 23 to 65 years old. Compared to the “typical” U.S. wine consumer which has been identified as white, middle aged, and well educated with a high income (Campbell, 2009), this sample differs little except by racial identity. Participants had higher than average levels of education, 93% of the sample had earned either an undergraduate, graduate or professional degree. Participants’ income levels were also high, with over 41% reporting an annual household income exceeding \$100,000 and only 20% of the sample earning \$40,000 or less.

Given the choice of beer, wine or liquor, 57% of the sample that responded (n=26) indicated that the alcoholic beverage they most consumed was wine, with 34% indicating that liquor was their preferred alcoholic beverage. The remaining respondents articulated a preference for beer. Regarding wine consumption frequency, 86% (n=29) indicated they drink wine at least once a week or more often. Only two indicated they drink wine for special occasions only.

Preferred wine varieties were split between red and white with red being preferred by the majority at 51% (n=26) while white was indicated by 42%. Wine style preference was indicated as follows: dry wine at 53% (n=28), sweet wine at 25% and 21% indicating an equal preference. This supports previous research that indicates consumers who prefer red wines also tend to prefer dry styles (Dodd, Kolyesnikova, & Wilcox, 2010; Zeithaml, 1988). A detailed description of the sample can be viewed in Table 1.



## **Findings: Responses to Research Questions**

The moderator opened the session by welcoming participants to the focus group, thanking them for their participation, and previewing the major discussion topics (constructs) for the evening, which began with their attitudes and opinions about wine. This was followed by the second (2) construct, purchase and consumption influencers, and the third (3) construct, recommended marketing strategies for producers and distributors.

For each of the three major constructs, the researchers first identified global themes and then, important themes. Global themes were ideas that emerged and occurred in all three groups while commenting on the same construct; important themes were instances in which at least two participants in each group echoed similar feelings or all groups mentioned the same idea under different constructs/themes. We report here on the constructs in the order they were discussed, beginning with attitudes and opinions.

**Attitudes and opinions related to purchasing and consumption behavior (global theme).** All three groups echoed similar if not identical themes while discussing their attitudes and opinions about wines. After categorizing these comments individually, the researchers collaborated and reached inter-rater reliability on the following categories: wine's price points; the socialness of wine; parental and familial influences; the ways in which wine is associated with relaxation; the role of race in how participants think about wine; wine's social acceptability (as distinguished from wine's socialness); and females' influence on wine as a pleasing beverage.

Price point. As an entry-level adult beverage, the lower end of wines' price points appeared to be a catalyst for wine consumption with all three groups as one participant explained:

*“But that’s what we drank in college. MD 20/20 and Manischewitz and Boone’s Farm. That’s what we could afford.”*

*Socialness of wine.* The ways in which many and various social occasions include wine as a beverage that most people find, at minimum, acceptable was echoed by all three groups. The researchers captured this sentiment by the word socialness. This was summed up by:

*“...it just seemed like wine – true, it was inexpensive, but also, uh, it just seemed to be a more social...”*

*Social acceptability.* This was distinguished by another sentiment that used the word ‘social’ by many participants as a way to express the sentiment of wine’s acceptability that spans race, class, age, and occasion. Wine then, becomes a common denominator, the beverage that brings people together. This was echoed in the following participant comments:

*“It’s a conversation starter.”*

*“...wine is non-intimidating... especially in a mixed group of company.”*

*“...when you’re drinking wine, you’re just drinking social.”*

*Parental and familial influences.* When participants were asked about their introduction and first influences of drinking wine, all groups mentioned a parent, family member, or family gathering as their initial exposure to wine consumption. This extended to comments about how to think about drinking wine, which included both positive and negative triggers.

*“...like the high school bad boys and the, um, winos in the street [sic] gave me my first negative impression of wine.”*

*“My mother used to allow us to taste wine when we were younger and when I got older, it just made me more curious about it...”*

*my palate kind of got used to having wine.”*

*Relaxation.* Likely related to wines’ socialness, an association with relaxation was also made by all groups when considering their attitudes and opinions about wine. This was very different than

associations with other adult beverages, such as liquor, which was more associated with getting ready for a weekend night out and ‘going hard’; spending a night in with the girls and accepting the possible ill effects of imbibing liquor; and making a conscious decision to ‘man-up’.

*Racial identifier.* The concept of race and racial identity was retold amongst all three groups.

Observations ranged from wine being initially associated as a predominantly white, adult beverage consumed with dinner or entertaining clients to wines’ association with white friends.

*“...I only drank wine with white people. My college friends... not with black friends until many, many...years later...by my trade I had to know white from red and, zinfandels and...you know which was dry and which was sweeter. But, I just drank white people wine.”*

*“I have a lot of white friends too and they’re a lot more into wine than my black friends...I’ll go over there for dinner, and they’ll be like let’s have a bottle of wine. Exactly...”*

*Females’ influence.* Males universally noted being influenced by females and the role it plays regarding dating and setting an appropriate tone. Women repeated this refrain by recalling early wine drinking experiences when ‘going out’.

*“Wine to me is like, it’s a more intellectual buzz. It’s sexy. It’s something that I’d be more inclined to drink with a lady...”*

*“...knowing that they (women) like to drink wine, it became...a big interest of mine because I wanted...a good thing to share with them, a very good thing to share.”*

**Attitudes and opinions related to purchasing and consumption behavior (important themes).** To reiterate, important themes were instances in which at least two of the three groups echoed similar feelings or all groups mentioned the same idea under different constructs/themes. Three ideas emerged under the important theme grouping; market pricing as a signal of value; wine as behaviorally cool; and the health benefits of wine.

While value was a recurring theme with all groups, both men and women expressed an attitude of uncertainty relative to a wine's price signaling its quality and spoke of it as a purchase and consumption influencers. Additionally, the mixed gender group approached wine as being priced at an accessible 'easy to get' cost, mentioning it in the purchase and consumption influencers as well as the attitude and opinion section.

*"Yeah, but you think that wine, in the context of all these hundreds of wine makers, that there are people out there who say, they don't know. I'll put twenty-five dollars on it, and sell it. That's right. And people think the higher the price, and they don't know. I agree. So, that's what I'm afraid of."*

Regarding the notion of wine as cool, all three groups mentioned its importance, albeit during different parts of the conversation: men cited cool as a factor of attitudes and opinions as well as a purchase and consumption influencer; the mixed gender group and women cited a cool image and thought of 'cool' through aesthetics such as the image of a beautiful woman, beautiful stemware, beautiful clothes, in a beautiful setting being a purchase and consumption influencer. The mixed gender group recommended making wine look cool in their recommendations for industry marketing strategies.

*"You can be with friends, and have a nice little, mellow setting with a glass of wine. You can't do that with Ciroc and just be like, so how was your day? ...Like a shot glass vs. a wine glass. ...Exactly."*

*"Add a bottle of that wine in a sexy glass and poured for the pretty lady in the picture."*

Lastly, both the mixed gender group and women's group mentioned the health benefits of wine in their construction of attitudes and opinions. Men suggested touting the health benefits of wine for promotional purposes.

*"And another ad that maybe talks to the health benefits of wine. Mhmmm.*

*I mean, a lot of people find it very, very easy and more morally conscionable to drink wine because they think, oh, its medicine. I think the health benefit is a big perk."*

*“...life is short and with that comes taking care of your body, and I don’t think wine is as taxing on your health. You can still work out. You can still eat well and do certain things and won’t tap that, it won’t age you the same...if it’s in moderation”.*

**Influential purchase factors (global themes).** Again, universal or global themes under the category of influencers of consumption and purchasing reverberated throughout the discussion on what motivated participants to consume and purchase wine. Global themes included the following influencers: price points and a wine’s perceived value; wine pairings with food; wine’s influence as a mature, appropriate, and aspirational beverage; women being key drivers of wine consumption and purchases; and the influence of information sources on wine consumption and purchasing.

The price of a wine and its perceived price value (associated with its cost benefit analysis) was a theme shared by all focus group participants. As an entry-level adult beverage, the lower end of wine price points appeared to be a catalyst for wine consumption with all three groups. More specifically, wine’s lower price point positively influenced purchases by the mixed gender group; men had price tiers (everyday ‘sipping wine’ at \$9-12/ bottle; \$12-25/bottle); and women and the mixed gender group both appeared to prefer wine’s physical impact (over liquor).

*“I can drink wine casually just to get like a buzz or to relax. But if I’m drinking liquor, like, you [can] get drunk. ...kind of numbs you.”*

*“So, sometimes I’ll look for wine that’s nine to twelve dollars hoping I can find a real value but I don’t want to spend a lot of money...everyday wine..., and it’s called sipping’ wine.”*

Price versus perceived value and food pairing. Conversations regarding a wine’s price and its value as a purchase driver were complex. Though an important theme was indicated in participants’ attitude and opinions that a higher priced wine did not necessarily result in a higher quality wine or a wine

that tasted better than a medium-priced wine, many if not all participants commented on the difficulty of interpreting price as a signal for quality. However, it was interesting to hear that expenditures would be higher for wine purchases intended as a gift. Further, if the recipient had a preference for a certain varietal, the gift giver might purchase a more expensive bottle for the recipient, especially if the gift giver might be invited to join in its consumption. Participants all spoke to the pairing of wine with food as an influential factor in buying wine while dining out and in social groupings with friends.

*“...you can actually pair wine very well with meals to affect what you’re eating. And I think that’s something that is also why you drink wine.”*

*Wine’s influence as a mature, post-college transition beverage.* Wine is a beverage that is appropriate and sets a ‘common ground’ in multiple settings; Wine being an aspirational beverage was another universal theme.

*“...I want to be the person that doesn’t lose himself because we are African American, okay. At the same time, we know where the money is. ...The money is, shall we say, with the man, okay, and in order for us to get our foot in the door - You have to know your stuff...you have to play their game. Now, it just happens that I also like their game. – So, starting out in a professional career, a lot of these business luncheons are tests.”*

*“I’ve been out with clients...and they were impressed you know when I knew what to order for the wine, and it actually just built rapport with them ...they’re like, oh wow, ...this guy knows what he’s doing. ...that’s in the business world. It’s an assumption of a higher circle.”*

*“So if you’re out with a group, I mean, it’s always safe to say ‘I’d like a glass of wine’.”*

*Female influence.* The influence of women as being a key driver of wine consumption and purchases was clear with all three groups. Men drink and buy wine in the presence of women as a nod to what they consider women’s preferred adult beverage. Several women commented on their influence on their husband regarding consumption.

*“And I basically bought different wines depending on what her taste was at the time...she kind of drove what kind of wine we had in the house...”*

*Information sources.* Previous research suggests various sources are sought out for information in the wine purchase stage (Hammond, Velikova, & Dodd, 2013; Tach, 2008; Dodd, Laverie, Wilcox, & Duhan, 2005). These participants relied on friends, sommeliers, previous tastings, and retailers with whom they have experience as information sources for consuming and buying wine. This sample indicated that trust of the source was the key. Additionally, song lyrics, music, and movies were identified as significant information sources and influences on drinking and buying motivators.

*“...there was this song, ...and when that song came out...there’s a part in the song where he says, ‘I’m a sip Moscato’, you know, ...and I really feel like, in my opinion, that song put Moscato specifically on the map and there were a lot of people that were just starting to drink Moscato because of that...that is what encouraged me.”*

*“See, I think what you end up doing is you end up, you know, going places where you can rely on, you trust the advice you get.”*

*Influential purchase factors (important themes).* Four ideas emerged during the discussion about consumption and purchasing influences including 1) health benefits of wine; 2) socialness of wine; 3) appropriateness of wine as a gift; and 4) non-local winery visitation.

Both the mixed gender group and women mentioned the health benefits of wine as influential regarding their consumption and purchasing behaviors. Wine was mentioned by male and female groups as having more socialness than other adult beverages with phrases such as socializing, socially acceptable, getting together with friends used as exemplars. Men and women mentioned wine as the most appropriate and versatile beverage to gift and to serve. Both women and men indicated they had visited

non-local wineries (international and domestic); women's purchases appeared to be motivated by winery visits while sampling influenced consumption and purchasing by both women and men. However, discussion about visiting local wineries suggested that more persuasive marketing is called for as participants, particularly in the women's group, indicated they were aware of the presence of local wineries, but never thought about visiting them and did not know where they were.

**Potential industry marketing strategies (global themes).** The final topic discussed in all three groups concerned recommendations to the industry regarding communicating with and marketing to audiences of color, particularly African Americans. Two clear, global themes surfaced from this part of the discussion: the desire for African American 'models' in all media and messaging vehicles and the need for education.

*Image of me.* The phrase, wanting to see an 'image of me' was offered by all three groups; possible media vehicles included music, movies, commercials, print ads. Women noted that promotional images did not need to confine themselves to African Americans only, rather images should be representative of everyday lives of the panorama of American life. Men also suggested piggyback marketing strategies to leverage suppliers of different products that perhaps target the same audience. The resonant subtheme here was the distinction of this community not being monolithic and that a tiered segmentation approach would be appropriate and effective.

*"The other thing you don't see enough in wines [retailing] if you think about all the wine tastings you've been to over the years, it's a very white industry. You don't have that many black representatives that many black people pouring wine. Definitely not many wineries owned."*

"Image of me" extended to establishments serving wine. Trust might be garnered by establishing a comfortable environment, based on the theory of phenotyping whereby individuals identify more with people whose visual appearances are similar to their own. This is particularly applicable to African Americans according to Ting-Toomey, Yee-Jung, Shapiro, Garcia, Wright, and Oetzel (2000) who found



that African Americans have a stronger ethnic identity (i.e., identifying with their ethnic memberships) more so than other ethnic groups.

*“If they want to increase African American wine consumption, have something that is a national ad that talks to, you know, ... maybe there’s a professional kind of get together ad where you have couples that are drinking wine, enjoying themselves...”*

*Education.* The desire for wine familiarity, knowledge, and understanding also ran across all three groups. Recommendations for achieving this ranged from supporting wine sampling/tastings to merchandising wine flavors and pairings.

Potential industry marketing strategies (important themes). Again, important themes were instances in which at least two of the three groups echoed similar feelings or all groups mentioned the same idea under different constructs/themes. Three ideas emerged under the important theme grouping: celebrity endorsements, music, and health marketing.

Repeating the ‘image of me’ theme, celebrity advocates, were mentioned by both men (Beyoncé) and the mixed gender group (Oprah). But, women want authentic portrayals, not assimilation. And men don’t want to be ‘sold out’.

*“I don’t like being shown as [if] I’ve assimilated into that culture.”*

*“My mom said to me you know, nobody wants to be pimped.”*

Both men and the mixed gender group talked extensively about music being a key strategy to increase the ‘cool’ factor of wine consumption. The mixed gender group paralleled wine bottle service typically confined to a bottle of liquor being sold and brought to a table in a nightclub as a reference to ‘cool’.

Men suggested the health advantages red wine conveys making health marketing a sound strategy. Women and the mixed gender group spoke of the health benefits as consumption and purchasing influence.

*“...and another ad that maybe talks to the health benefits of wine.”*

*“And I do buy red wine because of my health.”*

*“A glass of wine is, is healthy for you.”*

### **Implications**

Wine marketing, to date, has been directed to those with demographic characteristics associated with the “typical” U.S. wine consumer (white, middle-aged, and well educated). However, this is no longer an accurate reflection of today’s wine consumer. Interestingly, this sample differs little in demographic characteristics except by racial identity. The findings of this study yielded several notions that indicate a variety of ways the wine industry could better resonate with African American wine consumers. The following discusses the emergent beliefs.

Wine is associated as feminine. There was a clear, unanimous message from participants that wine’s ‘gender’ was decidedly feminine. All indications pointed to wine purchases and consumption being influenced by females. Men were more open to considering wine, based on female acceptance even if it was not their beverage of choice, a point not lost on the female participants in the groups

Wine is a social beverage. Participants identified the inclusion of wine, sometimes to the exclusion of other alcoholic beverages, in work and leisure sectors, classifying it as a non-intimidating adult beverage and the most socially acceptable of all adult beverages. This universal response persisted, even while some identified beer or spirits as a favorite beverage.

Wine is viewed as the most socially acceptable beverage. This sample identified wine as the beverage that transcended race, class, and context for its appropriateness and social acceptability. For

example drinking several glasses of wine over the course of an evening left a more positive impression than imbibing several liquor-based cocktails, in spite of the realization for potentially identical amounts of alcohol being consumed. The consensus was that drinking wine, even too much wine, was less harmful and more socially acceptable than over-imbibing in other alcoholic beverages.

More education about wine is desired. All participants indicated a desire for wine education, highlighted by discussions of the mixed signals of price points and perceived value. Participants appeared to be eager to learn more about the tenets of wine consumption (pairings for example).

Wine may be an inadvertent segregating beverage. Lack of wine knowledge may put African Americans at a disadvantage. It was expressed that a fairly sophisticated familiarity about wine and pairings seemed to impress and surprise white colleagues and clients. Wine knowledge, particularly in dining situations, was identified as a way of leveling the playing field in professional circles and serving as a means for acceptance in the business world. Being able to confidently demonstrate wine knowledge was likened to the benefits of playing golf for career advancement and making professional connections.

Trust is key in choosing information sources used for wine purchasing decisions. Some indicated relying only on friends with significant wine knowledge while others indicated they shopped at particular outlets that have proven to be knowledgeable. This seems logical in that more education about wine was strongly desired and more wine knowledge was viewed as potential career leverage. Thus, the lack of knowledge would indicate the need to be able to trust information sources.

Music lyrics and movie placements are motivators for purchasing wine. Music's prominence in settings that may involve wine (entertainment venues as well as home-based entertaining) and strategic product placements (music videos, movies, etc.) appeared to generate a connection and relevancy that motivates purchasing. From the staging of one's home atmosphere, to its use in popular media such as song lyrics and movie placements, wine and music were frequently cited as companion mood elevators.

Every group vocalized the notion of music and its affinity with wine and mainstream settings in which wine may be provided (e.g. gourmet grocers' tastings, plays, and receptions).

Wine is associated with specific music genres. Participants indicated specific music genres associated with drinking wine compared to music associated with drinking other beverages, such that wine was easily paired with the relaxation jazz and blues music evokes while liquor and beer consumption was connected to other genres (e.g. rap, rock, pop).

Wine is perceived as a drink for Caucasians. This sample observed that wine marketing efforts have primarily been aimed at white consumers. Even on the service and sales side of the industry, no one could recall a time when they had been served wine by an African American sommelier, distributor, sales rep, wine tasting room employee, wine maker etc. The conscious notion is the desire to 'see people who look like me'. The knowledge that African Americans have a stronger ethnic identity than other ethnic groups (Ting-Toomey, et al., 2000) may help wine marketers better appreciate the positive response likely to accrue from African American consumers when confronting media images representing the tapestry of racial and ethnic groups across America. Similarly, positive behavioral responses are more likely to be realized with higher representation of African Americans in the wine system such as wine distributors, producers, and industry employees. This sample echoed they associated wine as a white, adult beverage making it apparent that marketing strategies must be implemented to attract African American wine consumers to make them feel that wine is meant for them too.

## **Conclusions**

With the growth of the African American demographic expecting to reach sixty-two million by the year 2060 (U.S. Census Bureau, 2012) combined with the purchasing power and growing wine interest of this population, it stands to reason that the marketing needs of this segment warrants attention.

This study was exploratory in nature with a purpose to begin building a body of knowledge regarding African American wine consumers. The purpose was to identify the attitudes and opinions of African American wine consumers related to purchasing and consumption behavior; determine what factors influence wine purchases and identify specific strategies that could be implemented by the industry with which the African American wine consumer could bond. This study yielded several emergent themes that require further investigation some of which were particularly interesting, despite some limitations to the study.

The implication that wine is perceived as a social beverage that is also considered the most sociably acceptable was not a surprise. Though it was interesting to hear this from a group who, in turn, identified wine as a drink for Caucasians and one in which they had never experienced a familiar representation (as in an “image of me”) at any level of distribution. It appears that as much as market segments differ, between and within segments, all are fundamentally the same in our need to “belong”. However, based on this study, this sample seems to be on the outside longingly ‘peering through the looking glass’. Findings also indicate the need to determine if the African American population perceives wine as a beverage for Caucasians only. Investigating this further may provide direction in how to better market wine inclusively.

The desire for more education should also be investigated further to determine what type of knowledge (wine/food pairings, varietal characteristics, growing regions) and what type of delivery methods (on-line, classes, books) are preferred. Additionally, it would be beneficial to determine if there are any differences across gender and among generational segments.

Building on the desire for knowledge, identifying information sources preferred by African Americans upon which to base wine purchases would be beneficial to those in the wine industry. Further research should be done to determine if level of knowledge and type of knowledge (objective versus subjective) affects information sources used by African American wine consumers.

The indication that song lyrics and movie placements influenced this sample's purchase motivations directs the need to determine if this is the same for the population. Additionally, further research is needed to investigate wine's association with specific music genres. These implications could be addressed in a variety of methods including experimental designs.

As one study is insufficient upon which to build a marketing program, it is the researchers' intention to launch a quantitative investigation based on the findings of this qualitative study. In order to generalize findings to a larger population, the development of a quantitative instrument is fitting. A limitation of this study exists in that all the study participants were from the same geographical region. Additionally, members from the Generation X (beginning birth dates from 1965 to 1976) demographic may be underrepresented. Also, given the exploratory, qualitative nature of this research it is not generalizable to any population, nor was that its purpose. The results of this study do however, provide a foundation to build a body of knowledge about African American wine consumers. Additionally, industry strategies have been suggested which need to be investigated further. The ultimate goal would be to both invite this segment in while enlarging the clientele of producers and retailers.

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**Table 1: Descriptive Statistics (n=29)**

Characteristic	Percent
<b>Which alcoholic beverage do you consume most? n=26</b>	
Beer	7.7
Wine	57.7
Spirits	34.6
<b>How often do you consume wine? n=29</b>	
Several time a week	48.3
Once a week	37.9
About once a month	6.9
Less than once a month	0.0
Special occasions only	6.9
<b>What is your favorite type of wine? n=26</b>	
Red wine	57.7
White wine	42.3
Rose / Blush wine	0
Sparkling wine	0
Fortified wine	0
<b>Gender n=29</b>	
Female	51.7
Male	48.3
<b>Highest education level completed n=29</b>	
High School Diploma / GED	0
Some College	6.9
Bachelor's Degree	58.6
Master's Degree	27.6
Doctoral Degree	0
Professional Degree (JD, MD)	6.9
<b>Marital Status n=28</b>	
Married	57.1
Single	35.7
Other	7.1
<b>Total annual household income n = 29</b>	
Less than \$20,000	0
\$20,001 - \$40,000	20.7
\$40,001 – \$60,000	17.2
\$60,001 – \$80,000	6.9
\$80,001 – \$100,000	13.8
\$100,001 -\$120,000	6.9
\$120,001 – \$140,000	3.4
Over \$140,000	31.0

## An Evaluation of Three Nutrition Labeling Formats for Restaurant Menus

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### **Abstract**

This study evaluated three menu nutrition labeling formats: calorie only information, a healthy symbol, and a nutrient list. Daily sales data for a table-service restaurant located on a university campus were recorded during a four-week period from January to February 2013 to examine changes in average nutritional content of the entrees purchased by customers when different nutrition labels were provided. A survey was conducted to assess the customers' use of nutrition labels, their preferences among the three labeling formats, their entrée selections, their cognitive beliefs with regard to healthy eating, and their demographic characteristics. A total of 173 questionnaires were returned and included in data analysis. Analysis of Variance (ANOVA) and regression analyses were performed using SAS. The results showed that favorable attitudes toward healthy eating and the use of nutrition labels were both significantly associated with healthier entrée selections. Age and diet status had some effects on the respondent's use of nutrition labels. The calorie only information format was the most effective in reducing calories contained in the entrees sold, and the nutrient list was most effective in reducing fat and saturated fat content of the entrees sold. The healthy symbol was the least effective format, but interestingly enough, was most preferred by respondents. The findings provide support for future research and offer implications for policy makers, public health professionals, and foodservice operations.

### **Keywords**

menu labeling, nutrition information, food choices, consumer preference

## Introduction

Overweight and obesity are major public health concerns, contributing to chronic diseases and the death of more than 2.8 million adults each year (World Health Organization, 2012). The combination of physical inactivity and the overconsumption of energy-dense foods is considered a major factor contributing to excessive weight gain (World Health Organization, 2012). The increase in foods consumed away from home is also thought to be an important factor contributing to overconsumption, and in turn, the prevalence of overweight and obesity (Lachat, Nago, Verstraeten, Roberfroid, Camp, & Kolsteren, 2012; McCrory, Fuss, Hays, Vinken, Greenberg, & Roberts, 1999). This may be attributed to the fact that restaurant foods tend to be rich in calories, fat, saturated fat, cholesterol, and sodium, and contain fewer micronutrients compared to food prepared at home (Guthrie, Lin, & Frazao, 2002; Lachat et al., 2012). In addition, restaurant foods are usually served in larger portion sizes, which significantly increases consumers' energy intake (Diliberti, Bordi, Conklin, Roe, & Rolls, 2004; Kral & Rolls, 2004; Young & Nestle, 2002).

To help restaurant customers make healthier food selections, the U.S. Food and Drug Administration (2011) proposed a rule to implement menu nutrition labeling provisions in restaurant chains, which requires "restaurants and similar retail food establishments that are part of a chain with 20 or more locations doing business under the same name and offering for sale substantially the same menu items to provide calorie and other nutrition information for standard menu items, including food on display and self-service food" (U.S. Food and Drug Administration, 2011, p.19192). Many chain restaurants, such as McDonald's, Subway, Burger King, Wendy's, Panera, Taco Bell, and others, have taken the initiative in providing calorie information on their menus or menu boards. In some cities and regions, such as San Francisco, New York City, and King County in the State of Washington, similar menu nutrition labeling regulations were adopted before the federal proposed rules were published (Rutkow, Vernick, Hodge Jr., & Teret, 2008).

After the regional regulations were passed, several studies were conducted to examine the effects of the menu labeling implementation. It was found that although many restaurants in King County (especially sit-down restaurants) improved the overall nutritional content of their food, the energy, saturated fat, and sodium content still greatly exceeded the 2005 Dietary Guidelines for Americans recommendations (Bruemmer, Krieger, Saelens, & Chan, 2012). In New York City, surveys conducted at 45 fast food restaurants showed that 72% of the customers reported seeing the calorie information on the menus or menu boards after it was posted, but among these customers only 27% reported using the information when selecting food (Dumanovsky, Huang, Bassett, & Silver, 2010). Other studies examined the influence of menu calorie information on customers' choices in fast food restaurants, but little effect was found (Finkelstein, Strombotne, Chan, & Krieger, 2011; Harnack, French, Oakes, Story, Jeffery, & Rydell, 2008).

In addition to calorie labels, previous research examined the effect of different types of menu nutrition labels. Some studies found that nutrition information provided at the point of purchase was associated with increased healthy food selections (Almanza, Mason, Widdows, & Girard, 1993; Chu, Frongillo, Jones, & Kaye, 2009; Cranage, Conklin, & Lambert, 2004; Pulos & Leng, 2010); in these studies, other nutrient information in addition to calorie content was also provided, which might be more helpful for customers, especially for those with special dietary needs. However, restaurant menus often have limited space to provide nutrition information. In addition, having too much information on the menu may make the nutrition labels difficult to use, thus discouraging customers from reading the nutrition labels (Kim & Almanza, 2001). Therefore, an effective menu labeling format that allows a clear presentation of an appropriate amount of nutrition information needs to be devised in order to help restaurant customers make more informed food selections.

## Literature Review

### The Theory of Planned Behavior

Many factors can affect people's eating behaviors in complicated ways, and the effects vary for different individuals, at different times, and under different conditions (Mela, 1999; Nestle, Wing, Birch, DiSogra, Drewnowski, Middleton, Sigman-Grant, Sobal, Winston, & Economos, 1998; Rozin & Vollmecke, 1986). When investigating the effects of providing menu nutrition labels on restaurant customers' food selection in an actual restaurant setting, other factors that noticeably influence customers' food selections should be taken into consideration. For this study, a model was developed based on the theory of planned behavior (Ajzen, 1991) to account for the influences of customers' cognitive beliefs on their food selections.

According to the theory of planned behavior (TPB), people's expectation about the consequences of performing a given behavior and the evaluation of these consequences (attitude), people's perceived social pressure to perform or not perform a certain behavior (subjective norm), and people's perceived ease or difficulty of performing a given behavior (perceived behavioral control) can determine behavioral intentions (Ajzen, 1991). According to TPB, a more favorable attitude, agreement with the subjective norm, and greater perceived control with regard to performing a given behavior are positively associated with a stronger intention to perform the behavior. Furthermore, intentions and perceived behavioral control jointly can explain a large proportion of the variation in actual behavior (Ajzen, 1991). The theory of planned behavior was an extension of the original theory of reasoned action, with an additional predictor, perceived behavioral control, of behavior intentions and behavior (Madden, Ellen, Ajzen, 1992).

In previous research, the TPB variables (attitude, subjective norm, and perceived behavioral control) proved to be good predictors of the behavioral intentions of various health-related behaviors

including healthy eating (Åstrøsm & Rise, 2001; Conner, Norman, & Bell, 2002), fruit and vegetable intake (Bogers, Brug, Van Assema, & Dagnelie, 2004; Emanuel, McCully, Gallagher, & Updegraff, 2012; Povey, Conner, Sparks, James, & Shepherd, 2000), eating a low-fat diet (Povey et al., 2000), and dietary supplement use (Conner, Kirk, Cade, & Barrett, 2001). In these studies, the TPB variables were able to explain between 43 to 63% of the variance in behavioral intentions (Åstrøsm & Rise, 2001; Bogers et al., 2004; Conner, Norman, & Bell, 2002; Povey et al., 2000). But the ability of the TPB variables to predict actual behavior (self-reported and observed) was not as strong, explaining only 9 to 46% of the variance (Bogers et al., 2004; Conner et al., 2002; Povey et al., 2000). Among the TPB variables, perceived behavioral control (PBC) was generally found to be a strong predictor of intention and behavior, while subjective norm was thought to be a relatively weak predictor (Armitage & Conner, 2001; Åstrøsm & Rise, 2001; Bogers et al., 2004; Conner et al., 2002; Emanuel et al., 2012).

### **Evaluation of Menu Nutrition Labeling Formats**

In order to develop an appropriate menu labeling format, a number of studies have evaluated the effects of menu labeling formats on entrée selections. It was found that the application of different nutrition labeling formats affected people's entrée selections (Kim & Almanza, 2001; Almanza et al., 1993). However, the findings appeared to be inconsistent as to which format was most effective in helping people make healthy entrée selections and no single menu labeling format was found to be the best on all performance measures (Almanza et al., 1993; Almanza & Hsieh, 1995; Kim & Almanza, 2001). In these studies, the effectiveness of different formats was measured either through the percentage of entrees chosen by the respondents that met the designated guidelines (Almanza et al., 1993) or through the number of correct answers that the respondents gave on the menu-related test (Kim & Almanza, 2001). When calculating the percentage of entrees sold that met the designated guidelines, the entrees were grouped into only two categories – “entrees that meet the designated guidelines” and “entrees that do not meet the designated guidelines,” which might be too rigid for determining the effectiveness of

nutrition labeling on people's food selections. In addition, even though the respondents could answer the questions better when the nutrition information was provided, it did not necessarily mean that they would actually make healthier food choices.

Based on the literature review, the following hypotheses were proposed. Figure 1 illustrates the conceptual model of this study.

**H1:** People who have a more favorable attitude towards healthy eating will be more likely to select healthier entrees when dining in a restaurant.

**H2:** People who perceive a greater subjective norm with regard to healthy eating will be more likely to select healthy food when dining in a restaurant.

**H3:** People who perceive greater behavioral control over selecting healthy food items from a restaurant menu will be more likely to choose healthy food.

**H4:** The number of calories contained in the food purchased by each customer on average will be different when different types of nutrition labels are provided.

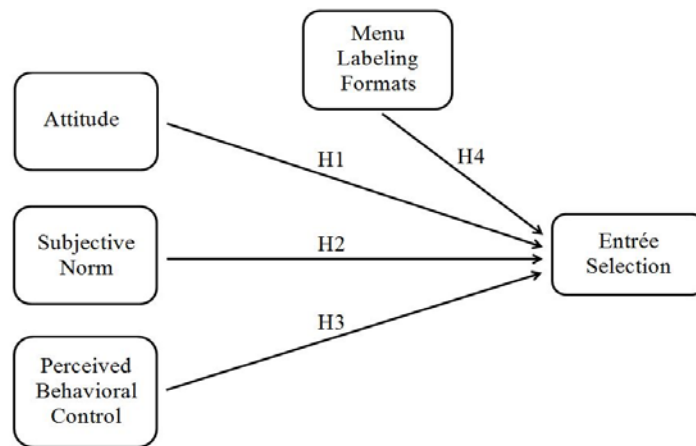


Figure 1. Conceptual Model Adapted from Ajzen's (1991) Framework for the Theory of Planned Behavior

## Methodology

### Nutrition Analysis and Menu Labeling

This study was conducted in a table service restaurant located on the campus of Purdue University, West Lafayette, Indiana. The restaurant's lunch menu offered nine standard menu items

including a soup and eight entrees, and three special items that changed daily or weekly. Prior to this study, nutrition information was not provided on the restaurant's lunch menu. To determine the nutritional content of each standard menu item, nutrition analysis was conducted using Food Processor SQL (version 10.7.0, ESHA Research, Salem, Oregon), the USDA National Nutrient Database for Standard Reference (Release 25, U.S. Department of Agriculture, Agricultural Research Service), and the recipes for the menu items provided by the restaurant.

In order to provide nutrition information on the menus, three nutrition labeling formats were developed as shown below.

- (1) **Calorie Only Information:** The calorie content accompanied by the term "Cal" was presented on the menu in brackets adjacent to the name of each standard menu item.
- (2) **A Healthy Symbol:** The healthy symbol format was developed based on previous studies (Almanza et al., 1993; Almanza & Hsieh, 1995; Kim & Almanza, 2001). In addition to calorie information, an icon of a green leaf was posted adjacent to the name of the menu items that contained less than 600 calories and met at least one of the following guidelines representing one-third of the Daily Values (DVs) as established by the FDA: containing less than 21.7 grams of fat and no more than 30% of calories derived from fat, less than 6.7 grams of saturated fat and less than 10% of calories derived from saturated fat, less than 800 milligrams of sodium, less than 100 milligrams of cholesterol, or more than 8.3 grams of fiber. An explanation of the green leaf icon was provided at the bottom of the menu.
- (3) **A Nutrient List:** In addition to calorie information, the nutritional content of fat, calories derived from fat (%), saturated fat, cholesterol, sodium and fiber were listed below the menu description of each standard menu item. The daily values (DV) established by FDA for the appropriate intake of fat, saturated fat, cholesterol, sodium and fiber based on a daily caloric intake of 2,000 calories were provided at the bottom of the menu.

For all three nutrition labeling formats, the statement "A 2,000 calorie daily diet is used as the basis for general nutrition information; however, individual calorie needs may vary" was presented at the bottom of the menu (U.S. Food and Drug Administration, 2011). For the items that changed daily or weekly (and were therefore not included in the analyses), "Calories vary" was presented in brackets adjacent to the name of the item.



## **Study Design and Data Collection**

The study was conducted during the lunch hours of a four-week period from January 28th to February 24th, 2013. During the first week, surveys were not conducted; customers were provided menus with no nutrition information in order to capture baseline data. From weeks two through four, menus with calorie only information, the healthy symbol, and the nutrient list, were provided respectively, and surveys were administered. Sales data for lunch items were recorded daily throughout the four weeks to obtain menu item sales information. Restaurant specials were not included in the analyses as comparisons could not be made to previous sales data and also because adequate time was not available for nutritional analysis and printing of the menus (daily specials were often determined the morning they were offered). During the three weeks when surveys were conducted, a poster announcement was placed on the front door of the restaurant informing the guests about the ongoing study. Procedures used in this study were approved by the Purdue University Institutional Review Board.

On the days when surveys were conducted, menus, questionnaires, and pens were placed on the restaurant tables at each seat prior to opening for service. As an incentive, all customers who completed the questionnaire were eligible for a drawing for a free lunch for two in the restaurant. The restaurant host invited the customers to complete the questionnaire after they ordered, and gave them a brief explanation about the survey. Customers were asked to return the completed questionnaires to a survey collection box located by the restaurant entrance when they left. To be entered in the drawing, customers needed to put their name and email address on a small card which was placed on the table together with the questionnaire, and place the card in a bowl next to the survey collection box. The cards were kept separately from the questionnaires so that the questionnaire responses were kept anonymous.

## **Questionnaire**

The questionnaire was comprised of 17 items assessing the respondents' food selection for the current meal, their attitude, subjective norm, and perceived behavioral control regarding healthy eating, their interests in having food nutrient information presented on restaurant menus, their demographic information, and their preferences for the three menu nutrition labeling formats. The nine items assessing the respondents' attitude, perception of subjective norm, and perceived behavioral control with regards to healthy eating in restaurants were developed based on a review of previous research (Ajzen, 1991; De Castro, 1994, 1995; Herman, Roth, & Polivy, 2003; Howlett, Burton, Bates, & Huggins, 2009; Nestle et al., 1998; Petrovici & Ritson, 2006), and are presented in Table 1. The respondents were asked to assess statements on a 7-point scale ranging from -3 to 3 (-3, -2, -1, 0, 1, 2, 3), with -3 representing "disagree" and 3 representing "agree". The attitude, subjective norm and perceived behavioral control rating scores were averaged respectively and the mean scores were used in the data analyses. Additionally, respondents were asked whether or not they noticed and used the nutrition information provided on the menu when they made their food selection for the current meal.

Table 1

*Statements Measuring Attitude, Subjective Norm, and Perceived Behavioral Control*

Measures	Statements
<i>Attitude</i>	When I have lunch in a restaurant, I would like to order whatever I want regardless of its nutrition content. (A)
	Healthy food generally does not taste as good as dishes that are higher in fat or calories. (B)
	When I have lunch in a restaurant, selecting food that is healthy is very important to me. (C)
<i>Subjective Norm</i>	My companion(s) for the current meal probably think I should select healthy food on the menu. (D)
	My friends probably think I should eat healthy food when dining in a restaurant. (E)
	My family probably thinks I should eat healthy food when dining in a restaurant. (F)
<i>Perceived Behavioral Control</i>	I consider myself very knowledgeable about nutrition. (G)
	When I made today's selection, having the nutrition information readily available on the menu made it easier for me to select food. (H)
	The nutrition information provided was enough for me to select the food I wanted to order. (I)

*Note.* The parenthetical letters are presented in Table 3 with the rating scores received by the corresponding statements.

**Data Analysis**

All data analyses were performed using SAS (version 9.3, SAS Institute Inc., Cary, NC). Descriptive statistics were used to summarize the response rates, sample demographics, respondents' preferences for different nutrition labeling formats, their use of nutrition labels, and their interest in having nutrient information presented on the restaurant menu. Customers' entree selection was measured by calculating the nutritional content of the entrees sold during each week of the study period. One way

analyses of variance (ANOVAs) were conducted to compare the differences in the respondents' food selections and their use of nutrition labels when different nutrition labeling formats were used. ANOVA tests also assessed the effects of demographic factors on the respondents' preferences for different nutrition labeling formats, their use of nutrition labels, and their food choices. Linear regression analyses were conducted to evaluate the influences of attitude, subjective norm, and perceived behavioral control on the subjects' food choices. The respondents' agreement to the two statements "When I have lunch in a restaurant, I would like to order whatever I want regardless of its nutrition content" and "Healthy food generally does not taste as good as dishes that are higher in fat or calories" indicated a negative attitude towards healthy eating, therefore these two measurements were reverse coded – the negative values of the rating scores received by these two statements were used in the data analysis. A significance level of 0.05 was applied for all significance tests.

## **Results & Conclusions**

### **Descriptive Statistics**

A total of 173 questionnaires were returned and analyzed. Unanswered questions were treated as missing values. Of the 173 questionnaires, 49 were returned during week two, 63 were returned during week three, and 61 were returned during week four. The estimated response rate was 53.8% for week two, 69.2% for week three, and 50.4% for week four, which were considered acceptable.

The sample was slightly skewed with more females (56.7%) than males (43.4%). Respondents' ages ranged from 18 to 72 years with the average age of 43.5 years (SD = 13.0362). The age distribution was positively skewed with over half the respondents between 26 and 45 years of age. In addition, the sample was severely skewed toward the highly educated sector of the population; 81.7% (n=107) of the respondents had a graduate degree, of which 71% (n=76) held doctorate degrees. In terms of dietary

status, 14.71% (n=25) of the respondents reported that they were following a special diet. The demographic information of the sample is listed in Table 2.

Table 2

*Sample Demographics*

	Week 2		Week 3		Week 4		Total	
	<i>Calories Only</i>		<i>Healthy Symbol</i>		<i>Nutrient List</i>		N	%
	N	%	N	%	N	%		
<b>Gender</b>								
Male	19	50.0	27	50.0	12	28.6	58	43.3
Female	19	50.0	27	50.0	30	71.4	76	56.7
<b>Age</b>								
18-25	1	2.7	0	0.0	4	9.8	5	3.8
26-35	9	24.3	16	30.8	17	41.5	42	32.3
36-45	11	29.7	11	21.2	9	22.0	31	23.8
46-55	9	24.3	10	19.2	3	7.3	22	16.9
56-65	6	16.2	10	19.2	7	17.1	23	17.7
≥ 66	1	2.7	5	9.6	1	2.4	7	5.4
<b>Education</b>								
High school diploma	1	2.6	1	1.9	2	4.9	4	3.0
Bachelor degree	9	23.7	7	13.5	4	9.7	20	15.3
Master degree	10	26.3	11	21.1	10	24.4	31	23.7
Doctorate	18	47.4	33	63.5	25	61.0	76	58.0
<b>Diet Status</b>								
No special diet	39	79.6	55	91.7	51	83.6	145	85.3
On a special diet	10	20.4	5	8.3	10	16.4	25	14.7
<i>Low fat</i>	1	10.0	3	60.0	4	40.0	8	32.0
<i>Low sodium</i>	2	20.0	2	40.0	3	30.0	7	28.0
<i>Low calorie</i>	5	50.0	0	0.0	1	10.0	6	24.0
<i>Vegetarian</i>	0	0.0	0	0.0	4	40.0	4	16.0
<i>Others</i>	3	30.0	1	20.0	2	20.0	7	28.0

*Note.* Frequencies may not total 173 due to non-response or multiple responses to the questions.

In their responses to the questionnaire, fifty-five (32.9%) of the respondents expressed interest in having nutritional information about all the listed nutrients on restaurant menus, including calories, fat, saturated fat, cholesterol, sodium, and fiber. Among the six nutrients, calories were a concern for most of the respondents (81.4%), followed by fat (56.9%) and sodium (50.3%). By contrast, 15.6% (n=26) of the

respondents indicated that they had no interest in having nutrition information about any of the six nutrients displayed on restaurant menus.

The results of the survey also showed that the healthy symbol was the most preferred among the three types of nutrition labeling formats, favored by 43.44% (n=53) of the respondents, while only 17.21% (n=21) of the respondents preferred the calories only format. However, the calorie only label was used by a higher percentage of the respondents compared with the other two types of labels. During the second week when calorie information was provided on the menus, 87.8% (n=43) of the respondents reported that they noticed the information; among these respondents 76.7% (n=33) reported using the information when they selected food. During the third week when the healthy symbol was presented on the menus, 65.6% (n=40) of the respondents reported noticing the healthy symbols, but among these respondents only 27.5% (n=11) reported using the healthy symbol. During the fourth week, 76.7% (n=46) of the respondents reported that they noticed the nutrient information, and 67.4% (n=31) of these respondents reported using the information.

### **Analysis of Variance: Demographic Factors**

One-way analysis of variance and post-hoc analysis were performed to evaluate the effects of demographic factors on the respondents' use of nutrition labels and their preferences for different menu labeling formats. The results showed that the respondents who were following special diets were more likely to use the menu nutrition labels ( $F(1,165)=4.66, p=.0322$ ). Age was also found to significantly influence the respondents' use of nutrition labels ( $F(5,124)=5.00, p=.0003$ ). Respondents aged 66 years or older were the least likely to use the nutrition labels, followed by the respondents in the 36 to 45 age group. In comparison, the respondents aged between 26 to 35 years and 56 to 65 years were significantly more likely to use the nutrition labels when they selected food. Gender and education were found to have

no significant effect on nutrition label use. No significant association was found between demographic factors and the respondents' preferences for different menu labeling formats.

### **Theory of Planned Behavior Variables**

Simple Linear regression analyses were conducted to determine the effects of the respondents' attitude, subjective norm, and perceived behavioral control on their food choices, use of nutrition labels, and preferences for different menu nutrition labeling formats. Each of the three dependent variables (the respondents' food choices, their use of nutrition labels, and their preferences for different nutrition labeling formats) was regressed on each of the three independent variables (attitude, subjective norm, and perceived behavioral control) respectively. The results are presented in Table 3.

**Attitude.** Simple linear regression analysis demonstrated that the respondents who held a more favorable attitude towards healthy eating were more likely to select entrees that were lower in calories ( $b = -44.04$ ,  $p = .0441$ ), and were more likely to use nutrition labels ( $b = 0.20$ ,  $p < .0001$ ). In addition, respondents with a more positive attitude also tended to prefer the nutrition labels that provided more nutrition information ( $b = 0.14$ ,  $p = .0033$ ). Therefore, the hypothesis (H1) that people who have a more favorable attitude towards healthy eating will be more likely to select healthier entrees when dining in a restaurant was supported.

**Subjective Norm.** Subjective norm was not significantly associated with the respondents' use of the nutrition label, or their preferences for different menu labeling formats. The results of regression analysis showed that there was some association between greater subjective norm and the purchase of food lower in calories; the association, while not significant at the level of 0.05, approached significance ( $b = 35.42$ ,  $p = .0754$ ). Thus, the hypothesis (H2) that people who perceive a greater subjective norm with

regard to healthy eating will be more likely to select healthy food when dining in a restaurant was partially supported.

Perceived Behavioral Control. The hypothesis (H3) that people who perceive greater behavioral control over selecting healthy food items from a restaurant menu will be more likely to choose healthy food was not supported since the study results suggested that perceived behavioral control was not significantly associated with the respondents' food choices or their preferences towards different nutrition labeling formats. However, perceived behavioral control proved to be positively associated with the respondents' use of nutrition labels ( $b=0.18, p<.0001$ ).

Table 3

*Linear Regressions for the Behavior Measures and Preferences for Different Labeling Formats on Attitude, Subjective Norm, and Perceived Behavioral Control*

Predictor	Food Choice		Use of Nutrition Label		Preference	
	<i>B</i>	<i>p-Value</i>	<i>B</i>	<i>p-Value</i>	<i>B</i>	<i>p-Value</i>
<b>Attitude<sup>a</sup></b>	-44.04	0.0441*	0.20	<0.0001***	0.14	.0033**
A <sup>b</sup>	-28.88	0.0364*	0.11	0.0004***	0.07	.0240*
B <sup>b</sup>	-12.10	0.4265	0.10	0.0018**	0.03	.3948
C <sup>b</sup>	-27.13	0.1536	0.13	0.0012**	0.14	.0003***
<b>Norm<sup>a</sup></b>	-35.42	0.0754	0.04	0.3855	0.05	.3092
D <sup>b</sup>	-6.17	0.7154	0.03	0.4094	0.06	.1423
E <sup>b</sup>	-40.71	0.0206*	0.03	0.4796	0.01	.7151
F <sup>b</sup>	-30.89	0.0590	0.03	0.4712	0.04	.2684
<b>PBC<sup>a</sup></b>	-12.64	0.5247	0.18	<0.0001***	0.06	.1651
G <sup>b</sup>	-3.97	0.8341	0.12	0.0030**	0.05	.2170
H <sup>b</sup>	-40.91	0.1732	— <sup>c</sup>	— <sup>c</sup>	0.09	.3285
I <sup>b</sup>	14.38	0.6768	— <sup>c</sup>	— <sup>c</sup>	-0.11	.3221

Note. \*Significant at the  $p<0.05$  level. \*\*Significant at the  $p<0.01$  level. \*\*\*Significant at the  $p<0.001$  level.

Norm = Subjective Norm; PBC= Perceived Behavioral Control.

a. The average value of the rating scores received by the three statements measuring attitude (statement A~C), subjective norm (statement D~F), and perceived behavioral control (statement G~I), was used as a measure of attitude, subjective norm, and perceived behavioral control, respectively.

b. A~I represents each of the corresponding statements measuring attitude, subjective norm, and perceived behavioral control presented in Table 1. The rating score received by each of the nine statements was used in data analyses.



c. The respondents who reported not using the nutrition information were asked not to rate the statements H and I, therefore, only the respondents who used the nutrition labels rated these two statements, which makes the association between the respondents' rating of these two statements and their use of nutrition label biased.

**Effect of Menu Nutrition Labeling Formats on Customers' Entree Selections**

The analysis of the restaurant's sales data for the four-week study period showed that overall, the entrees purchased by customers after nutrition information was included on the menus contained fewer calories, fat, saturated fat, cholesterol, and more fiber; the decreases in calories ( $F(3,563)=4.50, p=.0039$ ), fat ( $F(3,563)=4.57, p=.0036$ ), and saturated fat ( $F(3,563)=4.73, p=.0029$ ) purchased were significantly associated with the provision of nutrition information (Table 4).

Table 4

*ANOVA of Menu Nutrition Information Delivery on the Nutritional Content of the Entrees Purchased*

Nutrient	<i>Means</i>				<i>F</i>	<i>P</i>
	<i>No Nutrition Label</i> (n=178)	<i>Calories Only Information</i> (n=123)	<i>Healthy Symbol</i> (n=126)	<i>Nutrient List</i> (n=140)		
Calories(Cal)	856	730	825	771	4.50	.0039**
Fat (g)	41.9	38.1	38.2	36.6	4.57	.0036**
Saturated Fat (g)	9.6	7.2	7.8	6.9	4.73	.0029**
Cholesterol (mg)	86.0	79.1	73.6	78.8	1.76	.1529
Sodium (mg)	1443	1317	1506	1406	1.26	.2858
Fiber (g)	7.3	7.4	7.8	7.7	2.04	.1069

Note. SD=Standard Deviation. \*\* Significant at the  $p < 0.01$  level.

The results of post-hoc analysis indicated that, more specifically, the provision of Calories Only Information was associated with a significant decrease in calories ( $p=.0041$ ) and saturated fat ( $p=.0224$ ) contained in the entrees sold as compared to the entrees sold during week one (No Nutrition Information), while the format incorporating a Nutrient List was associated with a significant decrease in fat ( $p=.0029$ ) and saturated fat ( $p=.0040$ ) contained in the entrees sold.

Post-hoc analysis was also conducted to make comparisons among the three menu labeling conditions. The results showed that the entrees sold during week two (Calorie Only Information) contained 95 fewer calories as compared to the entrees sold during week three (Healthy Symbol), and this difference was statistically significant ( $p=.0407$ ). Therefore, the hypothesis (H4) that the number of calories contained in the food purchased by each customer on average will be different when different types of nutrition labels are provided was supported.

The ANOVA results indicated a significant association between respondents' use of nutrition information and the calorie content of entrées purchased. Post-hoc analysis was performed and demonstrated that respondents who used the nutrition information ordered 226.23 fewer calories ( $p=.0008$ ) as compared to the respondents who noticed but did not use the nutrition information, suggesting that the effectiveness of menu nutrition information is somewhat dependent on people's use of the labels, which, in turn, was positively associated with attitude and perceived behavioral control with regard to healthy eating in restaurants, and was also influenced by age and diet status.

## **Discussion**

### **Summary**

This study evaluated three menu nutrition labeling formats (calories only information, a healthy symbol, and a nutrient list) in terms of customers' nutrition information usage, their preferences, and the effectiveness of different formats in increasing customers' selection of healthier entrees. In order to objectively measure customers' entree selections, daily sales data were recorded and the nutritional content of the entrees purchased by customers under different menu labeling conditions was calculated and analyzed. Effects of the respondents' attitude, subjective norm, and perceived behavioral control on their entree selections were also assessed. The study findings supported the hypothesis (H1) that people who have a more favorable attitude towards healthy eating will be more likely to select healthier entrees

when dining in a restaurant, and the hypothesis (H4) that the number of calories contained in the food purchased by each customer on average will be different when different types of nutrition labels are provided. The hypothesis (H2) that people who perceive a greater subjective norm with regard to healthy eating will be more likely to select healthy food when dining in a restaurant was partially supported, while the hypothesis (H3) that people who perceive greater behavioral control over selecting healthy food items from a restaurant menu will be more likely to choose healthy food was not supported by the findings of this study.

The results showed that both the calorie only information and the nutrient list were helpful in increasing customers' selection of healthier entrees. The nutrient list was the most effective in reducing fat and saturated fat of entrees purchased, and the calorie only label was the most effective in reducing calories purchased. The calorie only label was also noticed and used by the highest percentage of customers compared with the other two menu labeling formats, but was also the least preferred. The healthy symbol, although found to be the least used and the least effective nutrition labeling format among the three, was the most preferred with 43.44% of the respondents indicating a preference for it. This was possibly because the healthy symbol was simplistic and attractive (Almanza & Heiseh, 1995), but did not convey much specific information that was helpful for customers' food selection. In addition, only 18.1% of the respondents actually used the healthy symbol, which might also help explain why the healthy symbol was not as effective.

### **Implications & Applications**

As suggested by the findings, calories intake might be perceived by consumers as more important than other nutrients for a healthy diet. Maintaining a balanced caloric intake, however, is only one aspect of a healthy diet; imbalanced intake of other nutrients like sodium, fat, saturated fat, and cholesterol can

also cause serious health problems. However, consumers may not have a very clear understanding about the relationship between diet and diseases. In a study (Kim, Lopetcharat, Gerard, & Drake, 2012) examining consumers' knowledge about the relationship between a diet and disease, only 10% of the 489 respondents were aware that excessive sodium intake could increase the risk of heart disease. In another study investigating consumer's perception of diet and disease related risks (Garretson, & Burton, 2013), only 23% of the respondents correctly associated fat consumption with the risk of cancer. In order for consumers to have a better understanding of the relationship between dietary intake and the risk of associated chronic diseases, it is important for government policy makers and public health professionals to educate consumers through nutrition education programs, public health policies, or the media. Increased nutrition knowledge may help increase consumers' ability to interpret the nutrition information provided on menus and thus improve the efficacy of menu nutrition labeling.

The findings of this study also suggest that the effectiveness of menu nutrition labeling on customers' food selection largely depended on customers' attitudes towards healthy eating and their actual use of the nutrition labels. In this study, however, less than half of the respondents reported using the nutrition information when they made their menu selections. In order to increase the effectiveness of menu nutrition labeling and to help customers make more healthful food selections, it is important to increase consumers' menu label usage. Several factors that influenced customers' use of nutrition information were identified in this study, including consumers' cognitive beliefs such as their perceived importance of healthy eating, their perceptions of healthy foods as being tasty, their knowledge about nutrition, and demographic factors including age and diet status. In order to increase consumers' use of menu nutrition labels, behavioral interventions could be developed from these aspects. Future research investigating the effectiveness of nutrition labeling may also need to take into consideration the influences of these factors.

Furthermore, the effect of menu nutrition labeling on customers' food selection is underscored by the underlying complexity of people's food choices. People's food choices in daily life are often unconscious, emotional, or even impulsive, and can be affected unconsciously by some factors such as environmental influences, feelings, and emotions (Barker & Swift, 2009; Jacquier, Bonthoux, Baciou, & Ruffieux, 2012; Wansink & Sobal, 2007). Thus, the effects of different menu nutrition labeling formats on people's food selection might not only be attributed to the changes in people's cognitive beliefs due to the provided information; it is possible that presenting the same nutrition information in different forms could also affect people's food selections and their use of nutrition information in some unconscious ways. For example, the text font, the font size and color used for presenting menu nutrition information may affect people's food selections. Future research could further explore how different menu labeling formats could influence people's use of nutrition labels and their food selections, and develop more effective menu nutrition labeling formats.

### **Limitations & Suggestions for Future Research**

This study also has several limitations that must be acknowledged. First, a confirmed case of foodborne illness (Typhoid) in one of the restaurant's employees was revealed on the first day of the survey; consequently, the number of customers dining in the study restaurant decreased substantially. Because of this, survey collection was extended for an additional day each week in order to secure a reasonable sample size.

Second, the study sample was a convenience sample drawn from the customers dining in a restaurant located on a university campus, primarily comprised of university students, faculty and staff. Therefore, the educational level of the sample was severely skewed with 97% of the respondents holding at least a college degree (n=127), and the majority of the respondents had a graduate degree (n=107,

81.7%). Additionally, the age distribution of the sample was also skewed with only five (3.8%) respondents in the 18 – 25 years age group, and only seven (5.4%) respondents in the older-than-66-years age group. The demographic characteristics of the study sample make it difficult to generalize the findings of this study.

Third, the menu of the study restaurant also offered daily and weekly special items, side dishes and desserts, for which standard recipes were not provided, and the nutritional values were not calculated. In addition, customers who ordered any of the entrees could choose one of the soup items as a side dish for no extra charge, which would not be recorded by the cash register system. Therefore, even using the objectively recorded sales data, it was difficult to track actual customer orders. Although respondents were asked to report their food selections in the questionnaire, there was no guarantee that the self-reported food selections would be fully accurate. Consequently, customers' selection of any daily or weekly special item, side item, dessert, or soup was excluded from data analysis, affecting the accuracy of the study results.

Additionally, customers' lunch meal selections alone may not be sufficient to reflect the effects and helpfulness of providing menu nutrition information. Customers could change their behavior by reducing their consumption of food instead of selecting different food. It was also possible that, even if the customers' food selection and consumption for the lunch meal was not significantly affected, their subsequent food intake after the lunch meal could have been influenced because of the nutrition information (Roberto, Larsen, Agnew, Baik, & Brownell, 2010). In future research investigating healthy eating interventions, more attention needs to be paid to customers' actual consumption of food and any subsequent or long-term influences that behavioral interventions may produce in order to accurately assess the efficacy of the interventions.

Furthermore, the theory of planned behavior has its own limitations. Social cognition theories such as the theory of planned behavior are better at predicting deliberate behaviors (Barker & Swift,

2009). Eating behavior, however, is not as cognitive and rational as other health behaviors. As previously discussed, people's daily food choices could be affected by many factors unconsciously (Barker & Swift, 2009; Jacquier et al., 2012; Wansink & Sobal, 2007). People are sometimes not even aware of the decisions they make about what they eat (Wansink & Sobal, 2007). Thus, people's daily food choices may not be explained thoroughly by cognitive beliefs alone. For future research examining the effectiveness of healthy eating interventions, it would be appropriate to incorporate factors from multiple theories and develop a better framework to get a clearer understanding of eating behaviors.

This study was conducted in a casual dining restaurant located on a university campus. Future research in this area could also be conducted in other types of restaurant settings. Comparisons of menu nutrition labeling in different restaurant settings could provide a better understanding about the effectiveness of menu nutrition labeling interventions on consumers' healthy eating behaviors, which can help public health policy makers to improve the effectiveness of health promotion interventions.

Additionally, studies can also be conducted to investigate the effects of menu nutrition labeling on restaurant sales of individual menu items. This could be helpful for restaurants or other foodservice operations to better understand how nutrition labeling would affect customers' purchases, and to be able to offer various food choices, develop attractive menu items, and formulate appropriate marketing and operation strategies to meet the market needs.

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