

Explaining Hotel Pricing Strategies Through Service Offerings: Evidence from A Mediation Model of People, Process, and Physical Evidence

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This study examines how the service Ps (people, physical evidence, and process) shape the pricing strategies of a university-operated hotel and tests the mediating role of services offered. Anchored in Service-Dominant Logic, Customer Perceived Value Theory, and Signaling Theory, the researchers argue that the service Ps (people, process, and physical evidence) influence pricing primarily by strengthening the realized service bundle that guests experience and evaluate. Data were gathered from 249 hotel guests using a structured instrument. The gathered data were cleaned and analyzed using partial least squares – structural equation modeling (PLS-SEM). The findings reveal that people, physical evidence, and process do not have statistically significant direct effects on pricing strategies. However, each service P significantly predicts services offered, and services offered show a strong positive effect on pricing strategies, demonstrating an indirect-only (functionally full) mediation pattern. These results indicate that in the context of a university-operated hotel, pricing is best explained by the realized value-laden service bundle delivered to guests rather than by individual evaluations of staff performance, procedures, or tangible cues. The study contributes to services marketing and hospitality pricing literature by positioning services offered as a proximal mechanism linking the service Ps to pricing strategies, and it offers actionable guidance for administrators to pursue value-based pricing by standardizing and communicating clear service offerings supported by capable staff, efficient processes, and fit-for-purpose facilities.

Keywords: people, physical evidence, process, services offered, pricing strategies

Pricing in hospitality is increasingly conceptualized as a value-based managerial decision rather than a purely cost-driven exercise. Because hotel services are largely intangible, heterogeneous, and co-produced during service encounters, guests rely on experiential cues when evaluating price fairness and determining whether the overall offer warrants the rate charged (Alderighi et al., 2022; Qi et al., 2024). Accordingly, pricing strategies are closely intertwined with how hotels design, manage, and communicate the service experience.

The services marketing mix offers a useful conceptual lens for examining these value signals, emphasizing three controllable levers that are especially salient in service settings: people, process, and physical evidence (Booms & Bitner, 1981). The people element captures employees' competence and interpersonal performance; process reflects the design, efficiency, and consistency of service delivery across touchpoints; and physical evidence provides tangible cues that communicate quality standards, comfort, and reliability. Recent hotel research further shows that servicescape-related cues can shape guest responses with monetary implications (Fan et al., 2023), and that people, process, and physical evidence contribute to downstream customer outcomes through service evaluations (Kasigit & Bernarto, 2025). In combination, these

elements can strengthen a hotel's value proposition and shape its ability to pursue coherent value-based pricing strategies.

These relationships are particularly pertinent in university-operated hotels, which typically pursue multiple objectives, such as revenue generation, community engagement, and experiential learning, and often operate under institutional constraints affecting staffing, budgeting, and service standardization. Recent work on campus hotels emphasizes the dual pressures of meeting commercial expectations while aligning operations with broader institutional purposes and stakeholder needs (Hay, 2020). Such contextual conditions can shape both the service system and the degree of discretion available for pricing decisions, creating a strategic challenge: aligning the delivered guest experience with a pricing strategy that is competitive and perceived as equitable across diverse guest segments.

Although prior research has linked service design and delivery to guest evaluations and behavioral outcomes, comparatively limited evidence explains how the service Ps translate into pricing strategies in university-operated hospitality settings (Bitner, 1990; Elgarhy & Mohamed, 2022; Guinto & Ylagan, 2025). Contemporary hospitality pricing research likewise indicates that guests' evaluations of pricing practices are shaped by perceived fairness and value cues rather than by price levels alone (Han & Bai, 2022; Kool et al., 2022; Qi et al., 2024). Within this perspective, the effects of people, process, and physical evidence on pricing may be realized indirectly through the services offered: the concrete bundle of inclusions, features, and ancillary services that guests receive and evaluate.

To strengthen the theoretical logic of the links between the variables, this study draws on Service-Dominant Logic (S-D logic), which views service provision as the main basis of exchange and emphasizes value as co-created and ultimately identified by the beneficiaries in use and context (Vargo & Lusch, 2016). Based on this perspective, the service Ps (people, process, and physical evidence) are operant and operand resources that enable value co-creation during the stay of the guests in a hotel. Yet these upstream resources become economically meaningful only when they are translated into a recognizable and reliable service offering that guests can experience, assess, and compare.

Complementing S-D logic, customer perceived value theory conceptualizes value as the customers' overall assessment of what they receive relative to what they give, such as monetary and non-monetary sacrifices (Thielemann et al., 2018). In hotel settings, guests rely on tangible cues, employee interactions, and process performance to infer the benefits embedded in the offer, and these inferences inform whether the price of accommodation is perceived as justified. Accordingly, services offered are conceptualized as the realized bundle of inclusions and service features, which should function as the most proximal driver of the evaluations of guests in terms of pricing strategy.

Signaling theory further suggests that consumers rely on observable cues to infer service quality when major attributes are difficult to assess directly (Kirmani & Rao, 2000). In service encounters, those signals include the behavior of employees and physical surroundings, which significantly influence the evaluations of the consumers (Bitner, 1990). Based on this perspective, services offered represent the integrated manifestation of these signals, making them a proximal determinant of pricing evaluations.

Against this backdrop, this study tests a model in which the service Ps (people, physical evidence, and process) influence pricing strategies primarily through services offered in the context of a university-operated hotel. Building on S-D logic and perceived value reasoning theory, the researchers posit that guests translate evaluations of staff performance, operational procedures, and tangible cues into an assessment of the realized service bundle, which then anchors judgments about pricing strategy and rate justification. By specifying and empirically assessing this mediation pathway, this study contributes to hospitality pricing discussions that emphasize value realization and perceived fairness or value cues, while offering evidence to guide hotel managers and staff in translating service-system improvements into price-justifying offerings. With this, the following hypotheses were formulated.

- H1a.** The people element of the services marketing mix has a significant effect on pricing strategies of a university-operated hotel.
- H1b.** The people element of the services marketing mix has a significant effect on the offered services of a university-operated hotel.
- H2a.** The physical evidence of the services marketing mix has a significant effect on the pricing strategies of a university-operated hotel.
- H2b.** The physical evidence element of the services marketing mix has a significant effect on the services offered of a university-operated hotel.
- H3a.** The process element of the services marketing mix has a significant effect on the pricing strategies of a university-operated hotel.
- H3b.** The process element of the services marketing mix has a significant effect on the services offered of a university-operated hotel.
- H4.** The services offered have a significant effect on the pricing strategies of a university-operated hotel.
- H5a.** The services offered have a mediating effect on the link between the people element of the services marketing mix and pricing strategies of a university-operated hotel.
- H5b.** The services offered have a mediating effect on the link between the physical evidence element of the services marketing mix and pricing strategies of a hotel.
- H5c.** The services offered have a mediating effect on the link between the process element of the services marketing mix and pricing strategies offered by a university-operated hotel.

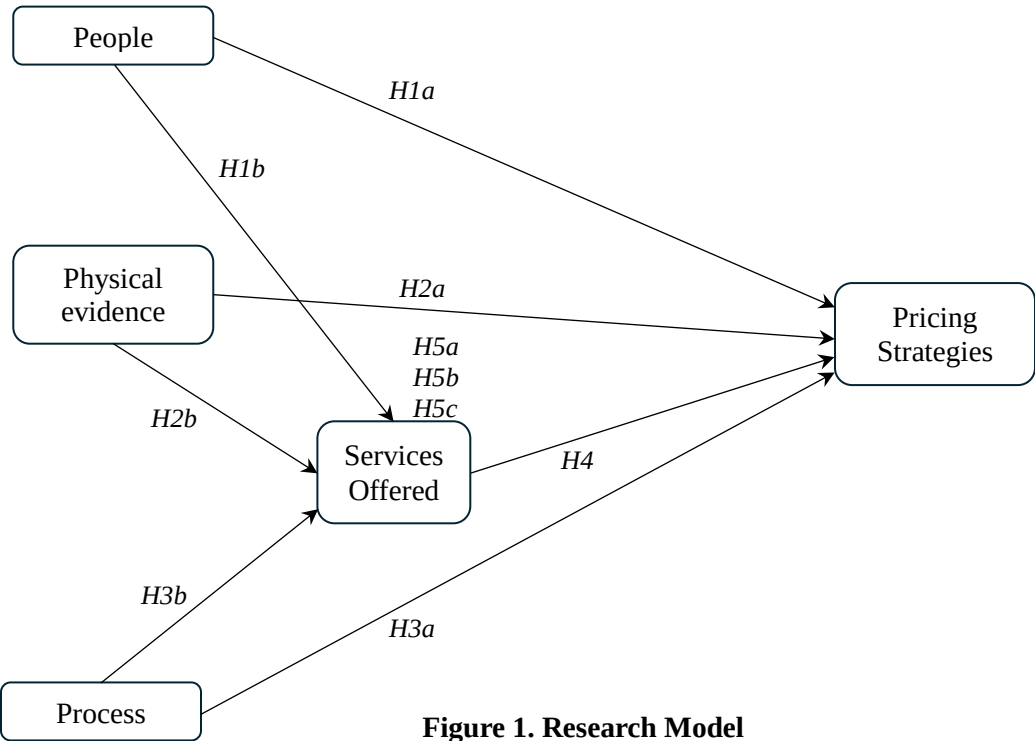


Figure 1. Research Model

Method

This study employed a quantitative research design with an explanatory and prediction-oriented analytic approach. The objective of this study was to assess the hypothesized direct and indirect relationships among the service Ps (people, physical evidence, and process), services offered, and pricing strategies as perceived by hotel guests. Because the proposed model is multivariate and includes mediation paths, partial least squares – structural equation modeling (PLS-SEM) was employed as the analytical technique. The PLS-SEM is appropriate for this study as it simultaneously estimates measurement models and structural relationships and is widely used in hospitality and marketing research when the goal is theory testing with an emphasis on prediction of key outcomes (Hair et al., 2019).

Both direct and indirect effects between the variables were assessed. The direct effects include assessment of the relationship between the 1.) People and pricing strategies (H1a), 2.) People and services offered (H1b), 3.) Physical evidence and pricing strategies (H2a), 4.) Physical evidence and services offered (H2b), 5.) Process and pricing strategies (H3a), 6.) Process and services offered (H3b), and 7.) Services offered and pricing strategies (H4). The mediating role of the services offered on the relationships between 1.) People and pricing strategies (H5a), physical evidence and pricing strategies (H5b), and process and pricing strategies (H5c) was assessed for indirect effects.

Respondents of the Study

The respondents of this study were guests of the Northwest Samar State University (NwSSU) Hotel. Data collection followed a systematic sampling procedure coordinated with hotel management. During the data collection period, every fourth eligible guest, after check-out or at a designated survey point, was invited to participate, starting from a randomly chosen first respondent each day. The guests who declined were replaced by the next eligible guest to maintain the interval. This procedure was used to reduce selection bias while remaining feasible in an operational university hotel setting. A total of 249 questionnaires were retrieved.

Sample adequacy was assessed using PLS-SEM considerations rather than survey-population formulas alone. In the proposed structural model, the most complex endogenous construct (services offered and pricing strategies) has at most three antecedent constructs. Prior PLS-SEM guidance recommends evaluating sample size based on the expected minimum effect size and desired statistical power, with alternatives to the overly simplistic “10-times rule” such as the inverse square root and gamma-exponential approaches (Kock & Hadaya, 2016) and broader PLS-SEM reporting guidance (Hair et al., 2019). With 249 observations, the study meets the recommended minimum sample requirements for models of comparable complexity and supports stable bootstrapping-based inference for the direct and mediating effects.

Table 1
Demographic Characteristics of the Respondents

Profile	f	%
Age		
18 to 24 Years Old (Young Adulthood Age)	141	56.63
25 to 44 Years Old (Middle Adulthood Age)	57	22.89
45 to 64 Years Old (Older Adulthood to Average Retirement Age)	35	14.06
Prefer not to say	16	6.43
Sex		
Male	90	36.14
Female	157	63.05
Prefer not to say	2	0.80
Civil Status		
Single	181	72.69
Married	2	0.80
Separated	55	22.09
Widowed	7	2.81
Prefer not to say	4	1.61
Highest Educational Attainment		

Master’s Level	2	0.80
College Graduate	22	8.84
College Level	172	69.08
High School Graduate	14	5.62
High School Level	18	7.23
Elementary Graduate	13	5.22
Elementary Level	7	2.81
Prefer not to say	1	0.40

Research Instrument

To elicit the respondents, a structured, self-administered, adapted questionnaire from the study of David (2023) was employed. The instrument had three sections: (1) respondent profile (age, sex, civil status, and highest educational attainment); (2) guests’ stay-related information and service experience context; and (3) measurement items for the latent constructs. The items for the service Ps (people, process, and physical evidence) were aligned with established service quality and servicescape conceptualizations (Parasuraman et al., 1988; Bitner, 1992), while items for services offered and pricing strategies captured the perceptions of the hotel guests of the completeness and attractiveness of the service bundle and the justification of the pricing strategy. All construct items used a 5-point Likert-type agreement format (1 = strongly disagree to 5 = strongly agree). Additionally, the instrument was originally administered using service quality wording, such as very poor to excellent, item scores were coded so that higher values consistently represented more favorable evaluations before analysis. Sample items include “hotel staff provides good services to the guests” for People, “Modern facilities are being used by the hotel” for Physical Evidence, “The hotel uses electronic processes (use of barcodes, e-receipts, other forms of graphics logos, and information about their services)” for Process, “The hotel provides variety of services according to the needs of the guests” for Services Offered, and “The hotel provides better pricing compared to competitors in the industry” for Pricing Strategies. These items were adapted from referenced scales and contextualized to the hotel operated by the Northwest Samar State University.

Data Analysis

To assess the parameters included the research model and hypothesized relationships simultaneously, partial least squares – structural equation modeling (PLS-SEM), a variance-based SEM approach (Guiao & Lacap, 2022), was employed. The analysis followed an established PLS-SEM procedures (Hair et al., 2019): 1.) assessment of the reflective measurement models, such as indicator loadings, internal consistency reliability via composite reliability and Cronbach’s alpha, convergent validity via average variance extracted (AVE), and discriminant validity via heterotrait-monotrait ratio of correlations (HTMT), and 2.) assessment of structural model, such as collinearity via inner variance inflation factor (VIF), path coefficients and their significance via bootstrapping, effects sizes f^2 , explanatory power via R^2 , and predictive relevance via blindfolding-based Q^2 . Approximate model fit index using standardized root mean square residual (SRMR) was employed to support the overall assessment of model adequacy.

Testing the significance relied on non-parametric bootstrapping to obtain the necessary results for direct and indirect effects. Mediation was assessed by examining the specific indirect effects (People, Services Offered, Pricing Strategies; Physical Evidence, Services Offered, Pricing Strategies; Process, Services Offered, Pricing Strategies) using bootstrapped sampling distribution, consistent with contemporary mediation guidance for PLS-SEM (Nitzl et al., 2016). The type of mediation was interpreted by comparing the significance and signs of the direct and indirect effects (Zhao et al., 2010). To address the potential common-method bias, the study followed the recommended diagnostics checks, such as full collinearity assessment (Kock & Lynn, 2012; Kock, 2015).

Results

Measurement Model Evaluation

The internal consistency of the reflective latent variables was evaluated using composite reliability (CR). The reflective reliability values of the reflective construct should not be below 0.70 (Dillon & Goldstein, 1984; Peterson & Kim, 2013; Kamran et al., 2025). The results of the analyses presented in Table 2 indicate that the latent variables, such as people, physical evidence, process, services offered, and pricing strategies, all have composite reliability values greater than 0.70 for their internal consistency.

The measurement model also includes the average variance extracted (AVE) analysis of the latent constructs and their corresponding factor loadings. The AVE coefficient and factor loading were used to analyze the convergent validity of the latent constructs. For AVE, the value must not be less than 0.50 (Amora, 2021; Fornell & Larcker, 1981) and every indicator must not be less than 0.50 for the latent constructs to exhibit significant convergent validity (Hair et al., 2009; Kock, 2014; Kock & Lynn, 2012). It can be observed in Table 2 that the latent constructs are within the required level for the AVE and factor loading. With the results of the analyses, the reliability and convergent validity are established.

Table 2

Reliability and Convergent Validity

Latent Construct	Factor	Factor Loading	AVE	Composite Reliability
People	Peo1	0.800	0.703	0.932
	Peo2	0.883		
	Peo3	0.836		
	Peo4	0.767		
	Peo5	0.879		
	Peo6	0.868		
	Peo7	0.830		
Physical Evidence	PE1	0.787	0.660	0.944
	PE2	0.805		
	PE3	0.826		
	PE4	0.823		
	PE5	0.714		
	PE6	0.815		
	PE7	0.802		
	PE8	0.864		
	PE9	0.831		
	PE10	0.851		
Process	Proc1	0.713	0.671	0.908
	Proc2	0.790		
	Proc3	0.816		
	Proc4	0.874		
	Proc5	0.855		
	Proc6	0.855		
Services Offered	SO1	0.767	0.631	0.928
	SO2	0.820		
	SO3	0.836		
	SO4	0.821		
	SO5	0.754		
	SO6	0.827		
	SO7	0.778		
	SO8	0.739		
	SO9	0.797		
Pricing Strategies	PS1	0.760	0.646	0.946
	PS2	0.827		
	PS3	0.741		

PS4	0.793
PS5	0.805
PS6	0.786
PS7	0.834
PS8	0.812
PS9	0.849
PS10	0.823
PS11	0.760

The measurement model assessment also includes discriminant validity evaluation of the latent constructs. Roemer et al., (2021) introduced an improved measure of discriminant validity using heterotrait-monotrait ratio of correlations 2 (HTMT2). According to Henseler et al., (2015), the recommended value for HTMT must be at most 0.85 for distinctly different latent constructs and 0.90 for similar latent constructs. The results in Table 3 present the HTMT ratios for assessing among the latent constructs. The HTMT values indicate strong discriminant validity across all construct pairs. Specifically, people (Peo) exhibit HTMT ratios of 0.770 with physical evidence (PE), 0.731 with process (Proc), 0.727 with services offered (SO), and 0.671 with pricing strategies (PS). Physical evidence (PE) shows ratios of 0.701 with process (Proc), 0.797 with services offered (SO), and 0.736 with pricing strategies (PS). Process (Proc) displays ratios of 0.726 with services offered (SO) and 0.667 with pricing strategies (PS). Services offered (SO) and pricing strategies (PS) have the highest ratio at 0.892. All of the HTMT ratios fall below the conservative threshold of 0.85 and 0.90 benchmark for similar constructs, confirming that the constructs are empirically distinct.

Table 3
Discriminant Validity Using HTMT Ratios

	Peo	PE	Proc	SO	PS
Peo					
PE	0.770				
Proc	0.731	0.701			
SO	0.727	0.797	0.726		
PS	0.671	0.736	0.667	0.892	

Peo – People; PE – Physical Evidence; Proc – Process; SO – Service Offered; PS – Pricing Strategies

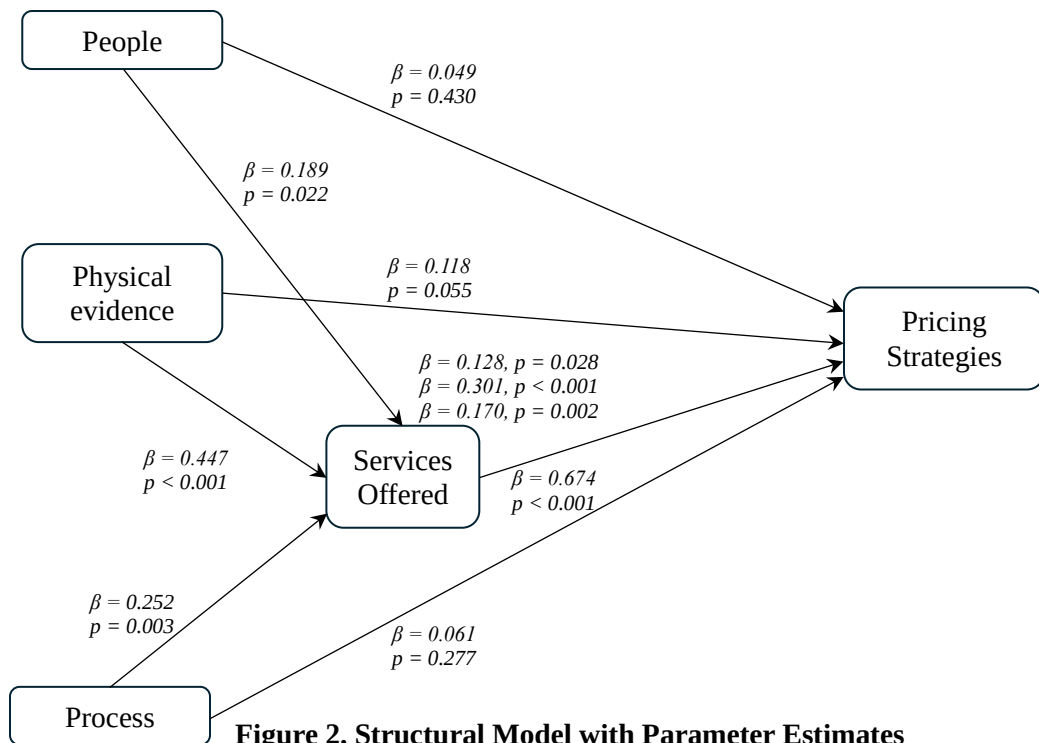
Structural Model Assessment

The next phase of the PLS-SEM analysis was the assessment of the structural model. Figure 2 and Table 4 show the results of the hypotheses testing measured using PLS path modeling. The results indicate that people had a positive, non-significant influence on the pricing strategies ($\beta = 0.049, p = 0.430$) and a positive, significant influence on the services offered ($\beta = 0.189, p = 0.022$). Therefore, H1b is supported, but H1a is not.

It was also found that physical evidence had a positive, non-significant influence on pricing strategies ($\beta = 0.118, p = 0.055$) and a positive, significant influence on services offered ($\beta = 0.447, p < 0.001$). Therefore, H2b is supported, but H2a is not.

Process was also revealed to have a positive, non-significant influence on pricing strategies ($\beta = 0.061, p = 0.277$) and a positive, significant influence on services offered ($\beta = 0.252, p = 0.003$). Therefore, H3b is supported, but H3a is not.

Moreover, the findings revealed that the services offered had a positive, significant influence on pricing strategies ($\beta = 0.674, p < 0.001$). Therefore, H4 is supported.



The effect sizes of the hypothesized relationships were also measured using the threshold set by (Cohen, 1988) – 0.02 (small), 0.15 (medium), and 0.35 (large). According to the findings, $Peo \rightarrow PS$ ($f^2 = 0.003$), $PE \rightarrow PS$ ($f^2 = 0.017$), and $Proc \rightarrow PS$ ($f^2 = 0.006$) had no substantial effect. On the other hand, $Proc \rightarrow SO$ was found to have a small effect ($f^2 = 0.085$), while $PE \rightarrow SO$ was revealed to have a medium effect ($f^2 = 0.232$). Only the $SO \rightarrow PS$ was found to have a large effect ($f^2 = 0.587$).

Table 4
Direct Effects, Indirect Effects, and Model Fit

Hypothesis	β	SE	R^2	Q^2	f^2	VIF	Decision
Direct effects							
Outcome: PS			0.714	0.528			
H1a. $Peo \rightarrow PS$	0.049	0.062			0.003	2.522	Unsupported
H2a. $PE \rightarrow PS$	0.118	0.062			0.017	2.865	Unsupported
H3a. $Proc \rightarrow PS$	0.061	0.056			0.006	2.185	Unsupported
Outcome: SO			0.630	0.612			
H1b. $Peo \rightarrow SO$	0.189**	0.082			0.040	2.425	Supported
H2b. $PE \rightarrow SO$	0.447***	0.098			0.232	2.325	Supported
H3b. $Proc \rightarrow SO$	0.252***	0.085			0.085	2.013	Supported
H4. $SO \rightarrow PS$	0.674***	0.061			0.587	2.706	Supported
Mediating effects							
H5a. $Peo \rightarrow SO \rightarrow PS$	0.128**	0.058	-	-	0.075	-	Supported
H5b. $PE \rightarrow SO \rightarrow PS$	0.301***	0.075	-	-	0.416	-	Supported
H5c. $Proc \rightarrow SO \rightarrow PS$	0.170***	0.056	-	-	0.133	-	Supported
Model Fit							
SRMR	0.055						

***($p < 0.01$). **($p < 0.05$). *Peo* – People; *PE* – Physical Evidence; *Proc* – Process; *SO* – Service Offered; *PS* – Pricing Strategies

The mediating role of services offered between people, physical evidence, process, and pricing strategies was measured. The results show that the services offered by the university hotel had a mediating

role on the relationships between people and pricing strategies ($\beta = 0.128$, $p = 0.028$) and process and pricing strategies ($\beta = 0.170$, $p = 0.002$), having small effect sizes on both ($f^2 = 0.075$, $f^2 = 0.133$). On the other hand, the services offered was also found to have a mediating role on the relationships between physical evidence and pricing strategies ($\beta = 0.301$, $p < 0.001$), with a large effect size ($f^2 = 0.416$).

The results also showed R^2 values of 0.714 for pricing strategies and 0.630 for services offered, with Q^2 values of 0.528 and 0.612, respectively. This shows that the model shows a strong explanatory and predictive capabilities. The collinearity was assessed as indicated by the VIF values ranging from 2.013 to 2.865. Lastly, the model fit was assessed using SRMR with a value of 0.055, indicating a good model fit and suggesting that the model adequately represents the observed data.

Common method bias was assessed using the full-collinearity variance inflation factor (VIF) approach recommended by Kock (2015). The full collinearity VIF values for all latent variables were below the 3.3 threshold, indicating that the validity of the results was unlikely to be threatened by common method bias. Consequently, the findings indicate that the observed relationships among the constructs are not primarily attributable to measurement artifacts arising from the employment of a single data source.

Discussions

This study creates three sets of contributions, such as 1.) theoretical, 2.) methodological, and 3.) practical. *Theoretical*: by grounding the extended marketing mix relationships in Service-Dominant Logic and customer perceived value, the results support a value-realization mechanism in which upstream service-system resources influence pricing evaluations mainly through a realized service bundle (services offered). *Methodological*: this study demonstrates the use of PLS-SEM to estimate and interpret indirect-only mediation in a university-operated hotel setting, highlighting the importance of reporting complete structural model diagnostics, such as collinearity, explanatory power, and predictive relevance. *Practical*: The results translate into a prioritized set of actions for university hotel managers focused on designing, standardizing, and communicating a price-justifying bundle.

This study clarifies how the service Ps (people, physical evidence, and process) relate to pricing strategies in a university-operated hotel by testing the mediating role of services offered. The structural model indicates that the service Ps do not exert statistically significant direct effects on pricing strategies, but they significantly predict services offered, which in turn shows a strong association with pricing strategies (H4). In substantive terms, the results suggest that pricing strategies in the context of a university-operated hotel are driven less by standalone evaluations of staff, facilities, or procedures and more by how these inputs are translated into a coherent, guest-recognizable service bundle.

Across the three service Ps, the same empirical pattern emerges: each dimension significantly contributes to services offered, and services offered transmit these effects to pricing strategies (H5a–H5c). This “indirect-only” (functionally full) mediation pattern suggests that improvements in employee performance, tangible service cues, and operational procedures support pricing only insofar as they improve what guests actually receive, such as, but not limited to, inclusions, ancillary services, and the reliability and completeness of the guests’ stay experiences. Notably, physical evidence shows the largest contribution to services offered among the service Ps, underscoring the enabling role of facilities and tangible cues in expanding or elevating the NwSSU Hotel’s service bundle.

A particularly important theoretical insight emerging from the findings is that the service Ps do not directly influence pricing assessments. Instead, the influence of the service Ps becomes meaningful only when translated into a solid bundle of services that guests can experience and assess. This result challenges the implicit assumption in many services marketing literature that improvements in people, process, or physical evidence automatically justify pricing. The findings indicate that the conversion of these resources into-guest visible service offerings constitutes the critical mechanism through which pricing legitimacy is established.

Strong explanatory and predictive capabilities were demonstrated by the structural model. The values indicate substantial explanatory power, with 71.4% of the variance in pricing strategies ($R^2=0.714$) and 63.0% in services offered ($R^2=0.630$) accounted for by the structural model. The Q^2 values of 0.528 for pricing strategies and 0.612 for services offered confirmed the structural model's predictive relevance. In terms of collinearity diagnostics, the VIF values ranging from 2.013 to 2.865 are within the acceptable limits, suggesting that there are no multicollinearity concerns. Furthermore, the model fit assessment demonstrates an SRMR value of 0.055, which is below the recommended threshold, confirming a good overall fit of the model (Hair et al., 2019).

Theoretically, the findings reinforce a value-realization view of services marketing in which customers respond most strongly to the realized service output rather than upstream operational inputs. In this study, the services offered function as the proximal value carrier that links the extended marketing mix to pricing strategy, providing empirical support for examining pricing as an outcome of service design and delivery rather than as a direct consequence of individual marketing mix elements. This mechanism is particularly salient in university-operated hotels, where institutional expectations and training-oriented staffing may reduce the extent to which prices can be adjusted purely in response to perceived service inputs (Hay, 2020; Elbanna, 2016; Vinod, 2022).

The results indicate that more defensible pricing strategies are achieved by making the hotel's value proposition explicit through well-defined services offered, such as standardized inclusions and coherent packages, supported by capable staff, efficient processes, and fit-for-purpose facilities. Accordingly, efforts to enhance people, process, and physical evidence should be assessed by whether they measurably strengthen the service bundle delivered to guests. This emphasis on service-bundle design provides a practical bridge from the Results section to the Practical Implications presented next.

Conclusion

This study examined how the service Ps (people, physical evidence, and process) shape pricing strategies in the NwSSU Hotel and tested whether these effects are transmitted through the services offered to guests. The results show that the service Ps do not directly explain pricing strategies; rather, they influence pricing primarily by strengthening the services offered, which emerged as the most substantive predictor of pricing strategies. This pattern indicates that guests' acceptance of pricing is anchored in the value embedded in the realized service bundle, not in isolated perceptions of staff performance, procedures, or the physical environment.

Theoretically, the findings extend services marketing research by empirically positioning services offered as a key mechanism linking service mix elements to pricing strategy in an academic hospitality setting. Managerially, the results suggest that NwSSU Hotel management can support more defensible and value-based pricing by designing, standardizing, and communicating clear service offerings that operationalize investments in people, process, and physical evidence. Because institutional contexts may constrain pricing flexibility, strengthening the service bundle provides a practical pathway for improving price justification and competitiveness.

However, these should be interpreted in light of this study's single-setting design and sample characteristics. Future research may validate the model across other university-operated and commercial hotels, examine additional value-related outcomes, such as perceived value and satisfaction, and test boundary conditions such as guest segment differences and competitive positioning to further explain when and how service design translates into pricing strategies.

Practical Implications

The findings indicate that, in NwSSU Hotel, pricing strategies are not strengthened by isolated improvements in people, process, or physical evidence per se; rather, these upstream service-system inputs matter to the extent that they are converted into a coherent and guest-recognizable bundle of services offered.

For managers of university-operated hotels, this shifts the managerial locus of control from “improving components” to “designing and reliably delivering an offer” that can credibly justify pricing. In practice, pricing decisions should therefore be treated as value-based judgments anchored in what guests tangibly receive and experience, with investments in staff, procedures, and facilities evaluated against their contribution to strengthening the bundle.

First, management should explicitly define, document, and operationalize the hotel’s core service bundle. This entails specifying, in unambiguous terms, what is included in the room pricing and ensuring that the same promise is delivered consistently across different shifts and booking channels. Because guests form price judgments relative to what they believe the offer contains, clear bundle definitions reduce interpretive ambiguity and provide a stable reference point for value communication and rate justification.

Second, processes should be standardized around the points of the guest journey that protect bundle reliability, including reservations, check-in and check-out, billing accuracy, and complaint handling. The present results imply that process improvements will contribute to pricing outcomes only when they reduce variability that undermines perceived value. Accordingly, managers should identify frequent failure points, such as delays, information gaps, or service breakdowns, set minimum service standards, and monitor adherence so that the delivered service bundle is dependable and aligned with what is communicated to guests.

Third, staff development should be framed explicitly as “bundle delivery” capability. Training should emphasize responsiveness, consistency, and service recovery behaviors that safeguard the promised inclusions and service guarantees, ensuring that the experienced offer matches the communicated offer. In a university-operated context where staffing may involve trainees or rotating personnel, codifying role expectations and providing simple service scripts and escalation pathways can help sustain service consistency and, by extension, strengthen the perceived legitimacy of the hotel’s pricing strategy.

Fourth, given that physical evidence exhibited the strongest contribution to services offered, facility and servicescape investments should be prioritized when they visibly improve or expand what guests receive. Rather than pursuing diffuse upgrades, limited capital should be allocated to tangible elements that directly elevate the utility and credibility of the bundle. Such improvements can make the value proposition more concrete for guests and may be especially important for reinforcing quality cues in a university-hotel setting.

Finally, the service bundle should be translated into clear packages and communication materials that align with key guest segments, such as, but not limited to, academic visitors, event participants, and community guests. By clearly communicating inclusions and differentiating offers, the hotel can strengthen price justification, reduce perceptions of unfairness, and support a more coherent value-based pricing strategy. This is particularly salient when institutional policies constrain pricing flexibility, as transparent and consistent communication can improve acceptance of rates by making the basis of value explicit.

Taken together, the results suggest that investments in people, physical evidence, and process should be assessed and prioritized based on their ability to strengthen the guest-visible service bundle and its consistency in delivery. This emphasis provides a practical pathway for improving price justification and competitiveness in university-operated hotels, particularly where institutional constraints limit rapid or frequent price adjustments.

Hotel managers may further strengthen their effectiveness by creating differentiated service bundles for specific guest segments, such as academic guests, conference participants, institutional partners, and tourists, thereby improving and enhancing perceptions of value while maintaining pricing flexibility.

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