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The Effect of Consumer Experience on Brand Loyalty: A Study of Boutique Hotels in the Kathmandu Valley

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Abstract

In the context of the boutique hotel segment in the Kathmandu Valley, this study examines the effects of consumer experience on brand loyalty with reference to the stimulus-organism-response (S-O-R) theory. The main purpose of this study is to examine the effect of aesthetics, escapism, and entertainment experiences that foreign consumers and guests have acquired from the service quality, attributes, activities, and facilities of boutique hotels in the Kathmandu Valley on their brand lovalty towards the boutique hotel segment. This research consists of 110 foreign consumers and guests who have derived emotions fulfilments and experiential enrichments from the facilities, attributes, activities, and services of boutique hotels inside the Kathmandu Valley. This study finds that customer experiences within the realm of aesthetic appeal, escapism, and entertainment have positive effects on brand loyalty of consumers towards boutique hotels in the Kathmandu Valley. Besides, this study remains consistent with S-O-R theory, as this study finds that functions, facilities, attributes, programs, events, products, services, and environments of boutique hotels in the Kathmandu Valley generate experiences and positive emotions that affect customers' preferences and brand loyalty. In the context of an experience-based economy, this study suggests that boutique hotels in the Kathmandu Valley need to offer various amenities, structures, and features that enable their customers to interact with the aesthetic, entertainment, and emotional sphere of experiences that lead to brand loyalty for the boutique hotel market.

Key Words: boutique hotel, brand loyalty, experience economy.

Introduction

This study examines the effects of consumer experience on brand loyalty for the boutique hotel segment in the Kathmandu Valley with reference to the stimulus-organism-response model (S-O-R) as a theoretical framework (Kokkhangplu & Auemsuvarn, 2024). In order to ascertain the impact of consumer and hotel guest experience on brand loyalty towards boutique hotels in the Kathmandu Valley, this study evaluates different realms of experience economy such as aesthetics, escapism, and entertainment that customers acquire from the functional features, facilities, services, cultural programs, interactive activities, and surroundings of boutique hotels (Pine & Gilmore, 2013; Kabra & Singh, 2023; Kokkhangplu & Auemsuvarn, 2024). Based on infrastructure that reflect historic orientations, boutique hotels that offer a distinctive lodging experiences emphasising fashionable individuality, sophisticated service standards, and giving each visitor individualised attention along with opportunities to explore and enjoy different dimensions of experiential economy (Aggett, 2007; Quadri-Felitti et al., 2022).

Moreover, boutique hotels as hospitality brands offer ultra-personal service that reflects the local culture and emphasise unique architectural styles and artistic furnishings, creating a distinct atmosphere. Each boutique hotel aims for an individualised character, avoiding the generic design, facilities, and services (Quadri-Felitti et al., 2022). and in boutique hotels, consumer desires for joy, happiness, warmth, love, delight, pleasure seeking, and hedonistic experiences determine consumer spending patterns and loyalty (Parolin & Boeing, 2019; Quadri-Felitti et al., 2022; Altinay et al., 2023). The pursuit for these pleasures reflects the desire of the consumer to feel alive, delighted and experience instantaneous sensations (Parolin & Boeing, 2019). As a result, consumers for the purpose of fulfilling their pleasure-seeking needs engage in the aesthetic, entertainment, and emotional realm of experiences they can obtain from the facilities, features, attributes, and services of boutique hotels in the Kathmandu Valley. Importantly, the extent to which their hedonistic needs get fulfilled by these experiential dimensions affects their brand loyalty (Kabiraj & Shanmugan, 2011; Kokkhangplu & Auemsuvarn, 2024).

Furthermore, this study argues that brand loyalty is the integration of attitudes, emotions, and behaviours of consumers to continue association, identification, engagement, and buying behaviour in boutique hotels of the Kathmandu Valley based on their previous experience (So et al., 2013). The hotels have offered them those essential services, facilities, programs, attributes, and interactive activities to acquire aesthetic, entertainment, and emotional experiences (Kabiraj & Shanmugan, 2011; Kabra & Singh, 2023).

When it comes to experience consumption, a customer at a boutique hotel looks for a string of unforgettable moments that satisfy their cravings for feelings, sensations, joys, and memories connected to entertainment, escapism, and beauty (Hosany & Witham, 2010; Parolin & Boeing, 2019). Consumers and hotel guest seek different domains of experiences in boutique hotels in the dimensions of escapism, entertainment and aesthetics, mainly due to the environment, landscape, decoration, functional attributes, and facilities that provide opportunities for the consumers to experience cultural interaction, music, concerts, and cultural shows, emotional authenticity, relaxation, rejuvenation, and well-being (Parolin & Boeing, 2019; Kabra & Singh, 2023; Kokkhangplu & Auemsuvarn, 2024).

Importantly, even with numerous boutique hotels in Kathmandu Valley and, with different studies available with reference to hospitality sector of other countries, but in the case of Nepalese Boutique Hotels examination of customer brand loyalty from the perspective of SOR model and with reference to experience economy is in dearth, hence this study has attempted to look on to this aspect (Hosany & Witham, 2010; Parolin & Boeing, 2019; Kokkhangplu & Auemsuvarn, 2024) Besides, there is still a research gap regarding different dimensions of consumer experiences in boutique hotels and their subsequent effect on the brand loyalty generated through aesthetics, escapism, and entertainment experiences consumers derive from service quality, satisfaction, hotel image, interactive programs, and functional attributes and facilities available in boutique hotels (Sipe & Testa, 2018). Besides, boutique hotels are always looking to offer layered, integrated, personalised, and transformative experiences that not only satisfy the customers but also bond customers emotionally to generate brand loyalty (Walls et al., 2011; Kabra & Singh, 2023)

Similarly, to find a loyal foreign customer and hotel guest base, boutique hotels in Kathmandu valley need to explore experiential realms beyond their facilities, features, products, and create an esteemed relationship with their consumers that generates brand loyalty derived from experiential-based engagements (Sipe & Testa, 2018; Altinay et al., 2023). Besides, increasing, acquiring, and maintaining brand loyalty from the consumers and hotel guests have become essential issues for the long-term success of boutique hotels. It's no longer a matter of selling services in the hospitality sector; it is equally necessary to offer live experiences for the expansion of brand loyalty. Hence, boutique hotels in the Kathmandu Valley also need to provide unexpected and extraordinary things that can produce emotions, bonds, affection, and sensations (Sipe & Testa, 2018; Parolin & Boeing, 2019; Kabra & Singh, 2023).

Hence, the main purpose of this study is to specifically examine effects of aesthetics, escapism, and entertainment experiences foreign consumers and guest have acquire from service quality, attributes, activities, and facilities of boutique hotels in the Kathmandu Valley, on their brand loyalty towards this segment of hotels. Importantly, building loyalty has been foundational area for successful management of customer experience yet there is a dearth of study on boutique hotels explaining consumer brand loyalty by incorporating variables of aesthetics, escapism, and entertainment experiences consumers derive from differentiating factors of boutique hotels (Srivastava & Kaul, 2016). Besides, In the context of boutique hotels, this study applies the Stimulus-Organism-Response (S-O-R) theory model to examine how customer experiences trigger positive emotions in customers, which affects their perception and preference for brand loyalty among boutique hotels in the Kathmandu Valley (Rahimian et al., 2021; Şahin & Kılıçlar, 2023; Srivastava & Kaul, 2016).

In particular, the conceptual framework applied in this study helps to understand the relationship between consumer experience and brand loyalty and provides empirical evidence to the owners, investors, entrepreneurs, and hospitality managers associated with the boutique hotel segment to develop services, attributes, and facilities that enable their consumers to enjoy and experience aesthetics, escapism, and entertainment pleasures, moods and feels that have a significant impact on their brand loyalty towards boutique hotels. This article contributes to understanding of positive emotional associations and stimulus, process and response mechanism associated with consumer experience and brand loyalty by illustrating the experiential perceptions of consumers within the boutique hotel segment. Furthermore, this study empirically validates specific consumer experiences associated with aesthetics, escapism, and entertainment realms that have a consequent influence on brand loyalty.

This paper is organised as follows. First, this study along with theoretical references review existing literature on customer experiences and brand loyalty. Next, this study illustrates the description of the research methodology, sample, survey instruments, data collecting, and analysis tools and methodologies used to evaluate the presented hypotheses following this literature review. After that, the data analysis and finding section presents the evaluation of descriptive statistics and correlation analysis that shows the impact of customer experiences related to several domains of experiential economy effects on brand loyalty. Besides, in-depth assessments of the research findings, limitations, and future research directions are presented in the concluding part.

Review of Literature

This study has reviewed previously published literature that has examined the relationship between different dimensions/realms of experiences consumers acquire in boutique hotels and its subsequent impact on brand loyalty. Regarding theoretical reference, this study derives its foundations from the Stimulus-Organism-Response (S-O-R) theory, and this theory has been applied to understand to what extent external stimuli affect consumer's internal processes, leading to observable responses and outcomes (Jacoby, 2002). The stimulus-organism-response model (S-O-R) is a psychological framework that explains how consumer behaviour is influenced by both external factors and inner evaluations and perceptions derived from those experiences. A stimulus triggers a cognitive and emotional process within a consumer which then leads to a response such as consumer loyalty (Kim et al., 2020)

Moreover, this model is relevant in the context of consumer behaviour, as this model explains how various external factors, facilities and attributes of boutique hotel influence consumers' decisions and experiences (Kokkhangplu & Auemsuvarn, 2024). The functions, facilities, attributes, programs, events, products, services, and environments of boutique hotels in the Kathmandu Valley that create experiences and emotions that affect customers' intentions, perceptions, and purchasing behaviour are referred to as Stimulus (S) in the Stimulus-Organism-Response (S-O-R) theory (Jacoby, 2002; Şahin & Kılıçlar, 2023).

Moreover, with reference to the Stimulus-Organism-Response (S-O-R) theory, this study assumes that customers of boutique hotels will react emotionally favourably to a positive stimulus, and this positive response cumulates into favourable consumer behaviour that can potentially foster customer loyalty (Kokkhangplu & Auemsuvarn, 2024). By applying Stimulus-Organism-Response (S-O-R) theory as a reference, this study assimilates that in the context of boutique hotels, various stimuli such as the hotel's design, ambiance, service quality, and marketing strategies serve as inputs that can evoke emotional and cognitive responses from consumers. Similarly, in boutique hotels, the organism component includes consumers' perceptions, emotions, and experiences shaped by the stimuli they encounter (Kim et al., 2020). Importantly, these positive emotional experiences of consumers, in turn, lead to favourable behavioural outcomes because these positive experiences can potentially lead to positive emotions, which, in turn, foster customer loyalty (Jacoby, 2002; Kokkhangplu & Auemsuvarn, 2024).

Regarding boutique hotels, Aggett (2007) found that location, quality, uniqueness, services provided, and the personalised levels of service offered are essential attributes for attracting consumers to boutique hotels. More importantly, this study by Aggett (2007) also attributed the growth of the boutique hotel sector in the United Kingdom to consumers seeking alternatives to the standardised provisions of existing accommodation modalities. Besides, Walls et al. (2011), in their study, found that luxury hotel experiences are affected by trip-related factors and personal characteristics of consumers, which impact perceived experience dimensions.

Concerning the review of previous literature that have examined the relationship between consumer experience and brand loyalty in the context of hospitality sector, in a study So et al. (2013) indicate that the consumer's identification with a particular hotel brand and their brand loyalty towards the hotel depend on the customer's evaluation of factors

related to service experiences. Besides, as consumers' evaluation of service experiences provided by the hotels affect their brand identification, in their study So et al. (2013) also suggests that hotels need to facilitate and leverage positive consumer evaluation of the hotel brand, which in turn increases brand loyalty of hotels. In another study, Srivastava and Kaul (2016) while indicating the relationship between experience and loyalty also suggests that consumers visit service providers not only for the consumption purpose but for entertainment and enjoyment. Hence, the authors argue that consumers evaluate different attributes of services provided by institutions associated with hospitality sector based on the pleasure or fun they have received, and, in turn, these experiences influence the brand loyalty of consumers towards service providers (Srivastava & Kaul, 2016).

Similarly, in a study, Parolin and Boeing (2019) illustrated that boutique hotels provide entertainment-based experiences through dimensions of enticing and interesting activities illustrated by leisure activities; however, the same study has also indicated that consumers consider the entertainment dimension a less-relevant dimension of experience consumers associate with boutique hotel experiences. In addition, in a study by Kandampully et al. (2015), found that organisations associated with the hospitality sector need to create emotionally engaged, loyal brand consumers by focusing on emerging areas, such as customer engagement, brand co-creation of value, co-design, and co-consumption that generates positive experience among consumers. Hence, with reference to Kandampully, et al. (2015), this study also assimilates that boutique hotels need to engage their consumers with attributes, features, and services that generate positive experiences and emotions and in turn also affect their brand loyalty.

Moreover, Guan et al. (2021) indicated that functional experiences are critical in building brand loyalty, and therefore, organisations in the hospitality sector need specific focal points for the enhancement of customer experience. Likewise, Rahimian et al. (2021) also find that hotel managers need to enhance the management of their customers' experience and deliver entertaining, memorable experiences. Further, Kabra and Singh (2023) found that interactive authenticity, emotional authenticity, and novel atmosphere are significant predictors of transformative experiences consumers associate with boutique hotels.

In the Nepalese context, regarding previous research on consumer experiences, brand loyalty, and the hospitality sector, Karanjit et al. (2024), found that there is a positive relationship between brand experience and consumer behaviour in the context of Himalayan Java Coffee Shops in Kathmandu valley. However, this study lacks to relate different dimensions and realms of experiences of consumers associated with and expected from the functions, services, facilities, and attributes of Himalayan Java Coffee Shops in terms of aesthetic, escapist, and entertainment experiences.

Furthermore, regarding realms of experience economy, Maru and Dey (2024) examined the effects of Pine and Gilmore's four experience realms—educational, aesthetic, escapist, and entertainment experiences—on product and services design, and this study finds that the 4Es affect consumer emotional components of pleasure and arousal, and pleasure and arousal lead to enhanced loyalty intention. More importantly, Kokkhangplu and Auemsuvarn (2024) found that positive emotions and experiences evoked in consumers after participating in and enjoying activities of boutique hotels also affect brand loyalty of consumers towards these hotels.

Hence, based on a review of literature that has examined the relationship between consumer experience and brand loyalty, this study argues that a customer's positive experience during their stay at boutique hotels can potentially lead to affirmative perception and evaluation, which, in turn, affects customer loyalty (Jacoby, 2002; Kokkhangplu & Auemsuvarn, 2024). Besides, by thoroughly investigating the implications of the aesthetic, escapist, and entertaining experiences that consumers and guests have in the Kathmandu Valley's boutique hotels and their combined impact on brand loyalty, this study seeks to close a significant gap in the literature.

Based on the literature review, this study also identifies that there is a need for empirical research on the Kathmandu Valley's boutique hotels to better understand to what extent brand loyalty of foreign consumers and guests towards the boutique hotel segment is influenced by their enjoyment, aesthetic preferences, and escapist experiences. Furthermore, the results offer useful insights for boutique hotel managers and marketers, assisting them in developing appropriate amenities, essential features, high-quality services, and captivating experiences that elicit favourable feelings and boost brand loyalty for a profitable and competitive boutique hotel business

Concepts, Operational Definitions and Hypotheses

The concept of the entertainment experience in this study refers to the feeling of amusement that results from passively watching entertainers, dancers and musicians unleash their creative content or engaging in specific activities such as reading or listening to music at specific locations. Another level is aesthetic experience, which describes how customers and hotel guests perceive physical surroundings of a boutique hotel by passively interacting with the sensuous surroundings and enjoying the overall ambience of the hotel. When people actively seek out experiences that differ from their normal routines or try to escape their daily lives while on vacation by booking accommodations at boutique hotels, this is referred to as an escapism experience (Hosany & Witham, 2010; Kokkhangplu & Auemsuvarn, 2024; Pine & Gilmore, 2013).

Moreover, Pine and Gilmore (2013) have characterised entertainment experience as passive absorption of activities in which consumers absorb themselves in events through their senses designed and animated for the purpose of entertaining the consumers. This is the domain consumer experiences tend to be 'passive observers' rather than active participants. The core of entertainment experiences in boutique hotels is based on eliciting feelings, for example, happiness or enjoyment, from consumer experiences involving any form of art, such as music, drama, or storytelling.

Furthermore, with reference to Pine and Gilmore (2013), this study examines the concept of aesthetics experiences within the context of boutique hotels, emphasising how these establishments create unique environments that engage guests on multiple sensory levels. Whereas aesthetic experiences focus on the appreciation of beauty and sensory engagement. Furthermore, Pine and Gilmore (2013) argue that these experiences allow consumers to appreciate art, decorations or surroundings of boutique hotels for its own sake. In boutique hotels, aesthetics plays a crucial role; the design elements such as architecture, interior design, lighting, and landscaping—are meticulously crafted to evoke emotional responses from guests (Kim & Jang, 2016).

Escapism is a significant theme in the hospitality industry, particularly in boutique hotels (Kokkhangplu & Auemsuvarn, 2024; Maru & Dey, 2024). These hotels provide an escape from everyday life through their distinctive themes, personalised services, and immersive environments. Based on the conceptualisation of escapism by Pine and Gilmore (2013), boutique hotels have functions, activities, facilities and services that allows consumers and guests to temporarily step away from their daily routines. However, in this study educational dimension of experiential economy has not been considered since apart from outliers' activities such as painting classes, handcraft sessions, and photography classes are not offered to foreign guests by boutique hotels in Kathmandu Valley.

Similarly, brand loyalty refers to a consumer's consistent preference and commitment to purchasing a particular brand's products or services over competitors (Srivastava & Kaul, 2016). Here, competitors of boutique hotels in Kathmandu refer to either the chain-independent hotels that are part of a group of hotels operated by the same management company or independent hotels, which are lodging businesses operated by individual owners rather than by a hotel group or management company (Aggett, 2007). Hence, this study argues that based on enjoyment, aesthetics, and escapist experiences, consumers prefer boutique hotels over other chain or independent hotels (Hosany & Witham, 2010)

Besides, this study conceptualises positive customer emotions and experiences acquired through aesthetic, escapist, and entertaining realms as predictors of customer loyalty expressed as behavioural intention, intention to revisit, or intention to recommend (Hosany & Witham, 2010; Kokkhangplu & Auemsuvarn, 2024).

Figure 1

Conceptual Framework

Antecedents Consequence Aesthetic Experiences Entertainment Experiences Brand Loyalty Escapist Experiences

(Note, Hosany & Witham, 2010; Pine & Gilmore, 2013; Rather & Sharma, 2016; Kokkhangplu & Auemsuvam, 2024)

Moreover, based on theoretical reference, conceptualisations, and operational definitions, the following hypotheses have been developed.

Hypothesis (H1): Aesthetic experiences consumers acquire through sensory engagement in boutique hotels in Kathmandu positively and significantly affect their brand loyalty towards the boutique hotel segment.

Hypothesis (H2): Entertainment experiences have a positive and significant effect on brand loyalty consumers and guests exhibit towards the boutique hotel segment.

Hypothesis (H3): Escapist experiences consumers obtain in boutique hotels have a positive and significant effect on the brand loyalty they have towards the boutique hotel segment.

Research Methods

In this study, a quantitative research approach has been employed, and the questionnaires were administered to consumers of seven boutique hotels in the Kathmandu Valley. Besides, explanatory research approaches have been adopted to understand the causal effects between variables. Accordingly, this study focuses on the effect of aesthetics, escapism, and entertainment as dimensions of the experience economy on brand loyalty of consumers associate with boutique hotels in the Kathmandu Valley. In the research model for this study aesthetics, escapism, and entertainment are independent variables, whereas brand loyalty is a dependent variable (Pine & Gilmore, 2013; Rather & Sharma, 2016; So et al.2013).

Participants and Procedures: The selected sample frame for this research consists of foreign consumers and hotel guests who have derived different dimensions of emotions and experiences from the facilities, attributes, activities, and services of boutique hotels inside the Kathmandu Valley. The selection of the hotels for the research was based on consumer reviews, responses, and ratings available on Tripadvisor.com. In this study, the boutique hotels have been conveniently and purposely selected by the researcher based upon his professional associations, personal connections, and internship student network. Among seven hotels, four hotels are in Kathmandu district and three in Bhaktapur district.

For data collection, printed questionnaires have been used and distributed to the foreign consumers and guests of boutique hotels inside the Kathmandu Valley. The respondents from this study are from the different countries including hotel guests of South Asian origins, this cross-sectional survey on the consumers and guests of boutiques was based on convenience of sampling, which refers to obtaining data from sample units that are the most conveniently accessible for the study. By using convenience sampling, this study has selected consumers and guests who are readily available for data collection. Here, selection criteria for consumer and hotel guests include at least one night stay at the boutique hotel.

Importantly, due to ineffective consumer data management systems at boutique hotels, it was virtually impractical and impossible to conduct probability sampling. Potential participants were first informed about the nature of the study and how to access the questionnaires. In this study, 138 questionnaires were collected through printed mode. However, some of the collected questionnaire responses were incomplete and others were deemed unfit for further analysis. Hence, the sample size for study remains at n=110. Here, it was made clear from the outset to consumers and guests that all the information collected would remain confidential. Based on data collected from N=110 consumers and hotel guests, statistical analysis in this study has been conducted using descriptive statistics and correlation analysis to understand the relationship between

one dependent variable and multiple independent variables. The correlation coefficient is a statistical measure that indicates the strength of a linear relationship between two variables. Besides, the data collected from completed questionnaires was entered into IBM SPSS Statistics version 24.0 software for statistical analysis and calculations.

Survey Instruments and Measurement Scales: In this study, for the purpose of a cross-sectional survey, a questionnaire was developed consisting of multiple-choice demographic questions and research items that represent independent variables and dependent variables. The research statements for variables comprise 12 items, with three research statements for each variable, and the respondents were invited to answer the statements according to the prescribed measurement scale. In this study, the items followed a random order so that the consumer did not associate the items with a specific construct. Here, survey instruments apart from demographic and behavioural profiles of respondents, represent response of consumers and guests on dimensional structure of the three realms of experience for measuring emerging experience economy concepts within boutique hotel settings and their effects on brand loyalty. Considering data privacy and respondent sensitivity questions related to income and professional background have been excluded.

A questionnaire was designed with items adapted from prior literature. This study has adopted, modified, and even contextualised research instruments based on Hosany and Witham (2010), Walls et al. (2011), Pine and Gilmore (2013), Rather and Sharma (2016), Şeker and Unur (2022), Kokkhangplu and Auemsuvarn (2024), and the dimension scales of the questionnaire for all items in the second section were established on the 5-point Likert scale ranging from strongly disagree (1) to strongly agree (5). Here the data for both independent and dependent variables was collected using a Likert scale-based questionnaire.

Regarding the research statement on brand loyalty, a study by Rather and Sharma (2016) has been referenced to develop questionnaire items. To measure three dimensions of aesthetic, entertainment, and escapism experiences of consumers, reference to research items from Oh et al. (2007), Pine and Gilmore (2013), Şeker and Unur, (2022), Kokkhangplu and Auemsuvarn (2024), has also been adapted, modified and contextualised. After the development of research constructs, the criterion was followed by Cronbach's test to measure the form of reliability. The values of Cronbach's alpha for all the constructs in this study are more than the value of 0.6, ranging from the lowest value of Cronbach's alpha (brand loyalty = 0.78). Cronbach's alpha shows strong internal consistency between dependent variables consumer brand loyalty (0.78) with 4 items of independent variables aesthetic, entertainment, and escapism experiences, each at aesthetic (α = 0.88), entertainment (α =0.79), and escapism (α =0.84), respectively. These high Cronbach's alpha values indicate that the measuring instrument reliably represents each research construct.

Data Analysis And Findings

This section of study includes demographic and behavioural profile of consumers and hotel guests of boutique hotels inside Kathmandu valley and their responses regarding realms of experience economy in the dimension of aesthetics, escapism, and entertainment experience these guests and consumers have engaged with and acquire through attributes, functions, services and facilities of boutique hotel segment.

Demographic and Behavioural Profile

This study includes 110 guests and consumers (N = 110) of boutique hotel in Kathmandu Valley.

Table 1

Respondents' Profile

Respondents character	No. of responses	Percentage (Approx.)	
Age (in year)			
20-30	25	23%	
30-40	40	36%	
40-50	35	32%	
50 & above	10	9 %	
Total	110	100%	
Categorisation of Hotel Guests and Consumers			
Family Travelers	20	18%	
Conventional Vacationers	45	41%	
Backpackers	24	22%	
Health & Wellness Seekers	15	14%	
Business Travelers	6	5%	
Total	110	100%	

Note. From researcher's survey, 2024

Regarding demographic information related to age, in this study most of the consumers and guests of boutique hotels are in the age groups of 30–40 and 40–50, with an aggregate of 68% (n=75) of consumers and guests belonging to these two age groups. Likewise, the age group of 20-30 years consists of 23% (n=25). Additionally, in terms of the categorisation of hotel guests and consumers, this study finds that conventional vacationers make up the largest segment at approximately 41%, followed by backpackers at about 22% and family travellers at around 18%. Here, the categorisation of hotel guests shows a diverse range of traveller types visiting and preferring boutique hotels in the Kathmandu Valley, with conventional vacationers being the most prevalent group among those surveyed for this research

Table 2
Behavioural Profile of Respondents

	Catiafied with facilities attributes and services of Davidson Hatel	
	Satisfied with facilities, attributes and services of Boutique Hotel	
Yes	75	68%
No	35	32%
Total	110	100%
	Likelihood of Recommendation for Boutique Hotel Segment	
Yes	80	73%
No	30	27%
Total	110	100%
	Intention to Revisit Boutique Hotels	
Yes	90	82%
No	20	18%
Total	110	100%
	Overall Experience at Boutique Hotel	
Positive	85	77%
Negative	15	14 %
Indifferent	10	9%
Total	110	100%

Note. From researcher's survey, 2024

Moreover, with regards to consumer satisfaction with boutique hotels, 75 (68%) expressed satisfaction with the facilities, attributes, and services, and conversely, 35 (32%) indicated dissatisfaction. The data indicates a significant majority (68%) of guests are satisfied with their experiences in boutique hotels. This suggests that boutique hotels are generally meeting or exceeding guest expectations regarding their offerings. Besides, data regarding recommendations for the boutique hotel segment reveals that out of 110 respondents, n=80 answered 'Yes' to recommending boutique hotels, which represents 73% of the total, and n=30 answered 'No', representing 27% of the total respondents. With regards to intention to revisit boutique hotels, survey results show a clear preference among respondents towards revisiting boutique hotels. With 82% n=90 indicating a positive intention (Yes), this suggests that a significant majority of those surveyed have had favourable experiences at these types of accommodations.

Similarly, concerning the overall experience at the boutique hotel, most respondents (77%, n = 85) had a positive experience, indicating that the boutique hotel is generally well-received by its consumers and guests. The negative feedback (14%), which is relatively low, and indifference (9%) suggest that most consumers and guests either enjoyed their stay or were satisfied enough not to express their negative feelings. Based on a survey on the demographic and behavioural profile of consumers, this study recommends to boutique hotels to become aware of dramatic changes in the marketplace and in consumers' connections with the hospitality industry and remain keen to understand the factors that underpin customer loyalty (Srivastava & Kaul, 2016).

Descriptive Statistics of Realms of Experience Economy

The findings of descriptive analysis in this study indicate that respondents identify, acknowledge and provide response towards research constructs and items associated with three significant realms of experience economy such as aesthetics, escapism, and entertainment selected in study. Here, with reference to previous studies (Hosany & Witham, 2010; Kokkhangplu & Auemsuvarn, 2024; Oh et al., 2007; Pine & Gilmore, 2013; Şeker & Unur, 2022;) that have examined the realms of experience economy and their effective on consumers and guests in hospitality sector, in this study the constructs and research items have been extracted, modified and adopted acknowledging research context of boutique hotels in Kathmandu Valley.

The findings of descriptive statistics in this study indicate that among different realms of the experience economy, the aesthetics domain has a weighted mean score of 4.24, while the entertainment domain has the lowest weighted mean score of 2.78. Likewise, the weighted mean score of escapism experiences is 3.75, based on a 5-point Likert scale ranging from strongly disagree (1) to strongly agree (5). The experience economy, as articulated by Pine and Gilmore (2013), emphasises the importance of creating memorable experiences that engage customers on multiple levels. Likewise, the weighted mean score for brand loyalty is 3.97.

As indicated by the findings of descriptive statistics, in the context of boutique hotels, aesthetics plays a crucial role in shaping consumer and guest experiences. Besides, this study also indicates that boutique hotels in the Kathmandu Valley have visual and sensory elements that create an inviting atmosphere and sensual environment for the consumers, making them feel special by passively engaging with the beauty of the hotels and their environment (Hosany & Witham, 2010). The aesthetic appeal of boutique hotels includes interior design, architecture, colour schemes, lighting, and fragrance.

Correlation Analysis

As the above table 4 shows aesthetic and escapism realms of experience economy and consumer loyalty have a positive and statistically significant association. Pearson's correlation coefficient indicates a high positive relation (r=0.84, p value=0.015) between aesthetic domain of experience and consumer brand loyalty. Similarly, there is a moderate positive and significant relationship between experiences associated with escapism (r=0.69, p value=0.034), and consumer brand loyalty. However, there is low positive and statistically insignificant relationship between entertainment (r=0.28, p value=0.220) and consumer brand loyalty in the context of boutique hotels in Kathmandu Valley. Hence, based on analysis of the Pearson correlation coefficient this study indicates that among different realms of experience economy aesthetic appeal of boutique hotels have higher explanatory power.

Based on the significance of the coefficients, the two hypotheses proposed in the study have been accepted. Thus, this study indicates that aesthetic, escapist, and entertainment experiences impacted customers' positive emotions and loyalty (Kokkhangplu & Auemsuvarn, 2024). Moreover, this study suggests that the aesthetic appeal and escapism opportunities that boutique hotels provide have significant influences on customer loyalty.

Table 3

Response of Consumers and Hotel Guest towards Realms of Experience Economy and Brand Loyalty

Realms of Experience Economy	Mean	Std. Dev.
Aesthetics		
The presence of unique artistic elements influences my decision to visit and	4.18	0.64
stay at a boutique hotel.		
The visual design and ambiance of the boutique hotel significantly enhance my	4.44	0.53
overall experience.		
I feel a sense of beauty when I stayed at the boutique hotel.	4.10	0.75
Weighted Mean	4.24	
Entertainment		
The boutique hotel has engaging activities as part of entertainment.	2.77	0.97
The boutique hotel provides entertaining activities.	2.85	0.79
This boutique hotel has fun activities/performances.	2.72	0.93
Weighted Mean	2.78	
Escapism		
The unique atmosphere of a boutique hotel enhances my overall experience.	3.72	0.81
Personalised service at a boutique hotel makes me feel more relaxed and able	3.65	0.85
to escape from my daily life.		
The availability of unique amenities and activities at a boutique hotel enhances	3.88	0.67
my ability to disconnect from everyday stress.		
Weighted Mean	3.75	
Brand Loyalty		
I would recommend boutique hotels in Kathmandu Valley to someone who	4.15	0.73
seeks my advice		
I would encourage my friends and relatives to stay in boutique hotels when	3.85	0.93
they visit Kathmandu Valley		
I intend to return to boutique hotels for future stays	3.90	0.79
Weighted Mean	3.97	

Note. From researcher's survey, 2024

Based on correlation analysis, boutique hotels in Kathmandu need to realise that when guests feel emotionally connected to their surroundings due to thoughtful design choices, they are more likely to return or recommend the hotel to others (Hosany & Witham, 2010; Kokkhangplu & Auemsuvarn, 2024).

Table 4

Correlation Statistics between Realms of Experience Economy and Brand Loyalty

(N=110)

Realms of Experience Economy		Consumer Brand Loyalty towards Boutique Hotel Segment
Aesthetics	Pearson Correlation	0.84*
	Sig. (2-tailed)	0.015 (H1 supported)
Entertainment	Pearson Correlation	0.28
	Sig. (2-tailed)	0.220 (H2 not supported)
Escapism	Pearson Correlation	0.69*
	Sig. (2-tailed)	0.034 (H3 Supported)

^{*}Correlation is significant at the .05 level

Discussions This research investigates to what extent aesthetic appeal, escapism, and entertainment experiences contribute to consumer loyalty, specifically within the context of boutique hotels. Moreover, this study finds that customer experiences within the realm of aesthetic appeal and escapism, have statistically significant, positive effects on loyalty of consumers towards boutique hotels in the Kathmandu Valley. Therefore, the results of this study are in line with the findings of Kokkhangplu and Auemsuvarn (2024), that in boutique hotels, customer experiences positively impact customer loyalty. Furthermore, our study supports Guan et al. (2021) by showing that social and functional experiences are important for boutique hotels in fostering brand loyalty. As such, there should be the focus of improving the guest experience. According to Hosany and Witham (2010), the results of this study further support the idea that customers are looking for unique, entertaining, escapist, aesthetic, and unforgettable experiences in the hotel and service industries in the new experience economy.

Moreover, this study also confirms the S-O-R theory in the context of boutique hotels, as the findings of this study illustrate those external inputs, such as experiences consumers engage with and acquire from the physical environment, features, facilities, activities, and attributes of boutique hotels in each dimension of aesthetic appeal, escapism, and entertainment experiences generates enough stimulus for response from consumers in terms of brand loyalty. In other words, consumers experience positive emotions as a part of internal processes within the consumers, causing them to react behaviourally or associate with boutique hotels with increased customer loyalty. (Jacoby, 2002; Kim et al., 2020). Hence, the research findings of this study contribute to the theoretical implications of the S-O-R theory to explain and understand consumer behaviour in the context of the Nepalese hospitality sector. Again, based on theoretical reference, this study remains consistent with the findings of Kokkhangplu and Auemsuvarn (2024) that the conceptual model of S-O-R theory is relevant for assessing various external factors that influence consumers' decisions and experiences. After all, the result of this study also reveals that aesthetic, escapist, and entertainment experiences impact customers' positive emotions and loyalty.

More importantly, the study remains consistent with S-O-R theory (Jacoby, 2002), as this study finds that functions, facilities, attributes, programs, events, products, services, and environments of boutique hotels in the Kathmandu Valley generate experiences and positive emotions that affect customers preferences and brand loyalty, which are referred to as Stimulus (S), and, upon exposure to a stimulus, consumers represented as Organism (O) reflect upon and evaluate the impact of each stimuli through internal assessment (Kim et al., 2020). Furthermore, the response (R) is the consumer's response to a stimulus that yields an observable positive or negative response. (Jacoby, 2002; Şahin & Kılıçlar, 2023). Here, behavioural responses of consumers in this study also aligns with So et al. (2013) that customer identification with a particular hotel brand and brand loyalty depends on the customer's positive evaluation of factors relating to service experiences Besides, like a study by Das et al. (2017), this study also indicates that most of the foreign consumers and guests of boutique hotels are satisfied with services, functions, and facilities of these hotels.

Moreover, this correlation analysis also confirms with Hosany and Witham (2010) that the aesthetics dimension accounts for most of the variance in predicting arousal, memory, overall perceived quality, satisfaction, and overall brand loyalty consumers associate with boutique hotels in the Kathmandu Valley. More importantly, by applying Pine and Gilmore (2013) model for experience economy, this study aimed to investigate the dimensions of consumers experiences in boutique hotels and which dimension has the most significant effect on consumer loyalty. The findings of this study indicated that aesthetics and escapism have a significant relationship and predictive power for consumer brand loyalty towards boutique hotels. In this study, correlation between entertainment realm of experiences and consumer brand loyalty is positively low and statistically insignificant this finding indicates that foreign consumers and guests doesn't perceive entertainment activities provided by boutique hotels as significant differentiating or influencing factors for preferring boutique hotel segment over other hotel concepts (So et al., 2013).

Similarly, this study confirms with Parolin and Boeing (2019) that the dimensions of escapism and aesthetics were the most relevant in the context of customer perception in boutique hotels, mainly due to the environment, landscape, decoration, relaxation, and well-being. The entertainment dimension, which is subtly reported by users as something interesting in boutique ventures, has been characterised as a less relevant dimension for consumers with boutique hotel experiences. Besides, the findings of the current study show that three dimensions of the 4Es of the Pine and Gilmore (2013) model have a significant positive effect on consumer loyalty. This study indicates that elements related to the escapist and dimension of the experience proposed by Pine and Gilmore (2013) have a significant impact on brand loyalty. Likewise, the findings of this study also remain consistent with Alnawas and Altarifi (2016) that customer hotel brand identification is associated with powerful emotional experience with hotel brands, and based on experiential dimensions, consumers cultivate affections and passion for that hotel brand.

Conclusion and Implications

This study, with reference to theoretical underpinnings of the Stimulus-Organism-Response (S-O-R) model, examines consumer experience as constructed in the context of boutique hotels in the Kathmandu Valley and its subsequent effect on brand loyalty

towards this type of hotel. The research findings suggest that consumer associations, loyalty, and preferences for boutique hotels are perceived through experience dimensions. The research findings indicate a significant relationship between consumer experience and brand loyalty within the context of boutique hotels in the Kathmandu Valley. The research findings indicate that aesthetics and escapist realm of experiences significantly influence brand loyalty among boutique hotel consumer guests. Furthermore, based on research findings, the study provides specific implications for hotel executives looking for ways to differentiate themselves from their competitors through using experience marketing strategies.

Based on data analysis and discussions, this study recommends boutique hoteliers to develop sufficient facilities, attributes, service quality, and functions that engage consumers emotionally and experientially and enables the customer and hotel guests to connect their experiences with the hotel brand, resulting in trust, affection, and brand loyalty. Besides, the proposed framework in this study also enables entrepreneurs, investors and managers of boutique hotels to understand how different experiential dimensions impact consumer experiences and what facilities, attributes, features, and service qualities boutique hotels need to develop and formulate for the purpose of generating positive experiences among consumers and hotel guests that lead to brand loyalty towards the boutique hotel segment. Moreover, this article contributes to the overall understanding of consumer experience by illuminating the experience perceptions of consumers within the boutique hotel segment in Kathmandu Valley.

Here, this article also recommends that investors, entrepreneurs, and managers of boutique hotel segments in the Kathmandu Valley also need to realise that in the hospitality sector where there is intense competition, it is not sufficient for boutique hotels to offer quality functional level of products and services, and rather their offerings must be accompanied by experiential dimensions that both differentiates and gives them comparative advantage among diverse hotel concepts. And to thrive in the experience economy, boutique hotels in the Kathmandu Valley also need to focus on the design and delivery of service experiences to increase consumer satisfaction and loyalty. Likewise for enhancing entertainment experiences this study suggests the boutique hotels to provide foreign consumers and hotel guests with access to performances by local musicians and blend wellness practices with entertaining activities within the hotel premises.

From a marketing perspective, within the reference of experience economy, this study suggests that consumers want more than just the consumption of services from boutique hotels in the Kathmandu Valley; these foreign consumers are also seeking unique consumption encounters and opportunities that create memorable experiences. Hence, this study recommends that in the context of an experience-based economy, it is necessary for boutique hotel segment in the Kathmandu Valley to provide different facilities, structures, and attributes that enable consumers to engage with the aesthetic, entertainment, and emotional realm of experiences by consuming leisure, spectacle, play, attractions, activities, distraction, and sense of beauty, and service quality that culminates into brand loyalty for the boutique hotel segment. Furthermore, this study also argues that it important for boutique hotels to include different realms of experiences consumers associate with their facilities and services so that they can facilitate those attributes and activities that persuade customers to become repeat consumers and to exhibit brand loyalty

Boutique hotels are characterised by their unique design, intimate atmosphere, and personalised service (Aggett, 2007). Unlike large hotel chains, boutique hotels often reflect the local culture and environment, providing guests with a distinctive experience that emphasises aesthetics, escapism, and entertainment. As this study indicates that the aesthetic appeal in boutique hotels in Kathmandu has the most significant impact on consumer loyalty; hence this study recommends boutique hotels in the Kathmandu Valley enhance the aesthetic experience characterised by assimilating beauty, harmony, and sensory engagement and create an environment that appeals to guests' senses—sight, sound, smell, touch, and taste.

Likewise, the boutique hotels also need to integrate aesthetic elements such as interior design, architecture, and sublime ambiance that positively influences initial impressions of hotel guests and consumers and enables them to establish emotional connections with the boutique hotel environment. In addition, boutique hotels also need to enhance their aesthetic experience through thoughtful design and architecture and by incorporating traditional Nepali architectural elements such as wood carvings and intricate metalwork along with arts and design that reflects social cultural dimensions Nepalese society,

Regarding brand loyalty, this study indicates that a positive consumer experience is crucial for enhancing the brand loyalty towards the boutique hotel segment as different dimensions of experiences shape customers perceptions and feelings about the boutique hotel segment, influencing their likelihood of returning and recommending the brand to others. Since consumers seek boutique hotels for their various dimensions of experience associated with their features, functions, services, and facilities, this study suggests that it is necessary for boutique hotels to provide expert associations related to aesthetic, escapist, and entertainment experiences that affect consumer loyalty. Additionally, this study also recommends boutique hotels develop marketing strategies that emphasise storytelling through online communities that highlights unique aspects of the hotel experience, appealing to potential guests' emotions and desires for authenticity by leveraging social media platforms.

Likewise, based on its limitations, such as the application of convenience sampling, including local guests in a sample frame, the application of qualitative techniques for data collection and interpretation, and the de-limitation of research exclusively based on boutique hotels inside the Kathmandu Valley, this study acknowledges that more empirical research is needed to understand the specific factors influencing customer experiences in boutique hotel segment. Hence, this study generates scope for further studies to examine and explore how unique experiences and other components affect consumer behaviour in boutique hotels. Moreover, this study, after examining the effects of entertainment, aesthetic, and escapist experiences on consumer brand loyalty within a hospitality service business, implicates experiential value as differentiation that boutique hotels apply to gain a competitive advantage over other large hotel chains and independent hotels in the Nepalese hospitality sector.

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