



# **A Model of Perceived Fairness of Revenue Management in the Hospitality Industry**

---

Bachelor Thesis for Obtaining the Degree  
Bachelor of Business Administration  
Tourism and Hospitality Management

Submitted to Mr. Florian Aubke (MRes)

Jona Lacka

0811544

Vienna, 15th of April, 2011

## **Affidavit**

I hereby affirm that this Bachelor's Thesis represents my own written work and that I have used no sources and aids other than those indicated. All passages quoted from publications or paraphrased from these sources are properly cited and attributed.

The thesis was not submitted in the same or in a substantially similar version, not even partially, to another examination board and was not published elsewhere.

---

Date

---

Signature

## Abstract

The subject of perceived fairness of Revenue Management in the hospitality industry is increasingly being examined by various research studies. When different prices are allocated to the same product, hospitality businesses that apply dynamic pricing strategies are at risk of being perceived as unfair by customers. This study investigates whether price fairness perceptions are determined by the inequality situation, familiarity with the pricing practice and stage of the purchase phase. Within the framework of this study, a conceptual model is presented, in which these three dimensions are assumed to be the building blocks of perceived fairness of Revenue Management.

The given research problem is initially approached by presenting fundamental conceptualizations on the subject of perceived price fairness. Subsequently, findings on the three building blocks of inequality, familiarity and purchase phase are illustrated. These dimensions were measured by issuing a survey questionnaire, which followed a scenario approach, to 101 students at Modul University, Vienna. The aim of the survey was to detect whether the presented variables are significant in the creation of fairness perceptions about Revenue Management and whether further patterns in the given context can be identified. The data was processed using SPSS.

In this study, both familiarity and purchase phase are found to be non-determining factors of perceived fairness. Interesting findings about fairness perceptions for individual pricing practices and their resulting inequalities are also derived. Booking time and arrival time-related price inequalities, which have been incorporated in the questionnaires' scenarios, are largely evaluated to be fair, if they follow perceived procedural standards. The perceived fairness of price discrepancies resulting from the use of a different booking channel is assumed to be based on transaction utility and thus is at higher risk of being perceived as unfair. The findings suggest that a hotel's pricing strategies should follow perceived norms and, where no clear norms exist in the mind of the average customer, other actions should be implemented in order to ensure that the hotel is perceived as fair and to avoid the negative effects associated with unfairness perceptions.

# Table of Contents

<b>1. Introduction</b> .....	<b>6</b>
<b>2. Literature Review</b> .....	<b>8</b>
2.1. Pricing and Product in the Hospitality Industry – Revenue Management .....	8
2.2. Is Revenue Management Fair? .....	10
2.3. Theoretical framework of Perceived Price Fairness .....	12
2.3.1. Perceived Fairness as Behavioral Science .....	12
2.3.2. The Comparative Nature of Perceived Price Fairness .....	12
2.3.3. Adaption Level Theory and Assimilation Contrast Theory .....	14
2.3.4. Distributive Justice and Equity Theory .....	14
2.3.5. Procedural Justice.....	16
2.3.6. Principle of Dual Entitlement and Attribution Theory .....	16
2.3.7. Prospect Theory.....	18
2.3.8. Inequality and Transaction Value .....	20
2.3.9. The Role of Familiarity.....	21
2.3.10. Purchase Process.....	23
<b>3. Methodology</b> .....	<b>28</b>
<b>4. Results</b> .....	<b>35</b>
<b>5. Discussion of Results</b> .....	<b>41</b>
<b>6. Limitations and Recommendation for Future Research</b> .....	<b>45</b>
<b>7. Conclusion</b> .....	<b>48</b>
<b>8. References</b> .....	<b>50</b>
<b>9. Appendix A : Thesis Questionnaire</b> .....	<b>57</b>

## List of Figures

<b>Figure 1: Conceptual Model of Perceived Fairness of Revenue Management .....</b>	<b>7</b>
<b>Figure 2: Equity Theory, Adams (1965) .....</b>	<b>15</b>
<b>Figure 3: Assymetric effects of gains and losses .....</b>	<b>19</b>
<b>Figure 4: Purchase Process .....</b>	<b>24</b>
<b>Figure 5: Graphical Representation of Hypothesis .....</b>	<b>30</b>
<b>Figure 6: Questionnaire Scenario Coding.....</b>	<b>33</b>
<b>Figure 7: Sample Demographics.....</b>	<b>36</b>
<b>Figure 8: Percentage Distribution of Fair/Unfair Ratings.....</b>	<b>37/38</b>
<b>Figure 9: Familiarity with Revenue Management .....</b>	<b>39</b>

## 1. Introduction

---

Every buyer-seller encounter implies the coincidence of different interests, which presumes the non-existence of interest conflicts for the actual transaction to proceed. According to the dual entitlement principle both buyer and seller are entitled to reasonable price and profit. While the assumption of the “profit maximizing firm” is evident, the role of the customer needs to be elaborated in terms of their “willingness to reject unfair transactions” (Kahneman et al., 1986, p. 299). However, hereby the self-interest of the buyer with respect to pricing in an exchange setting needs to be considered. The endowment effect as proposed by Thaler (1980) states that: “People generally will demand more to sell an item they own than they would be willing to pay to acquire the same item” (Thaler, 1980 cited in Thaler 1985, p. 201). Besides manifesting the self-interest of the buyer, the hereby illustrated pattern furthermore shows an asymmetry which can be found in various other conceptualizations dealing with buyer behaviour. Kahneman and Tversky (1984) explain that “the disutility of giving up an object is greater than the utility associated with acquiring it”, a behaviour which is referred to as ‘loss aversion’ (Kahneman and Tversky, 1991, p. 194). All of these statements are based on one fundamental finding, namely that individuals prefer gains over losses, but perceive losses more strongly than gains (Thaler, 1980 cited in Thaler, 1985).

Collectively, the illustrations provided above clearly manifest the customers’ self-interest in an exchange situation. The customers’ self-interest and the resulting asymmetry in perceiving gains or losses implicate the creation of biased perceptions of price fairness. Situations which are perceived to be unfair trigger stronger negative emotions and behaviour than the notion of a fair situation. Perceptions of fairness are found to not consequently result in positive emotions. The assumption of dissymmetry can even be widened further to the actual identification of fair and unfair situations. Previous research suggests that individuals tend to identify events when they feel they are treated in an unfair manner more easily than events when they are treated fairly. This pattern is explained by the assumption that the definition of what is unfair is for most individuals clearer, more accurate and more straightforward than their description of what is fair (Ordonez et al., 2000; Monroe et al., 2004).

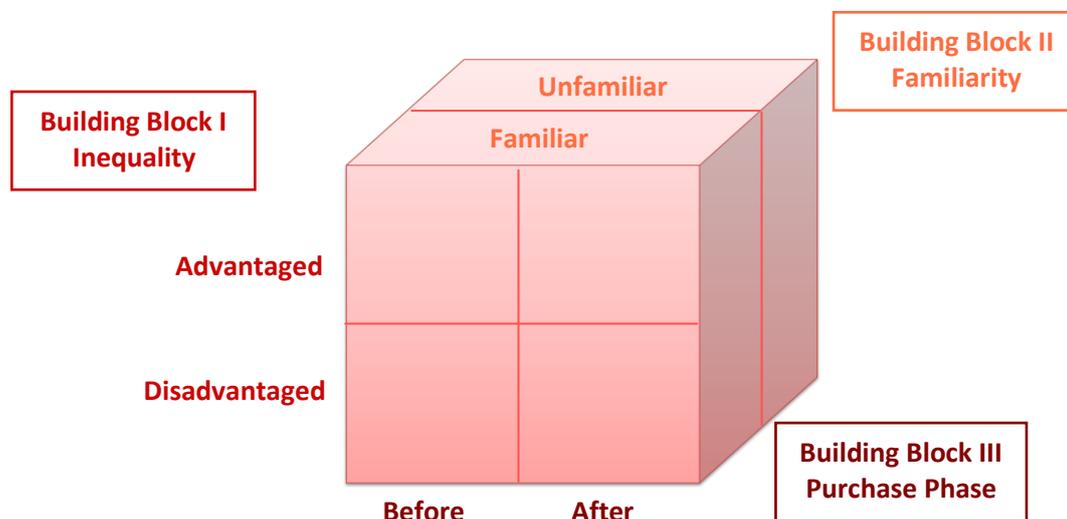
Given the strong customer orientation of the hospitality industry, applying Revenue Management practices might cause potential conflicts between the hotel business and

the guest. When different prices are allocated to basically the same product, inequalities are produced continuously. Consequently, customers will mostly experience either a gain or a loss when comparing their output to that of other guests. Such a comparison might evoke unfairness perceptions which simultaneously enhance dissatisfaction with the hotel. Thus, the goodwill of the customer and the long-term profitability of the business would be at risk (Kimes, 1994; Kimes et al., 2002).

The problematic introduced here shows that there is a strong need to explore the possible determining factors of perceived fairness of Revenue Management. The subject of perceived fairness of Revenue Management is hereby believed to be a complex one. The present study assumes that the overall construct of perceived fairness of Revenue Management is formed by three specified building blocks. These building blocks are inequality situation, familiarity with Revenue Management and purchase situation. Together these three possible determining factors constitute the conceptual model of perceived fairness of Revenue Management for the present study. Each of these dimensions is regarded from two perspectives. An inequality situation can be advantaged or disadvantaged, an individual can be familiar or unfamiliar with Revenue Management and the overall purchase phase can be divided into before or after the transaction has taken place. The findings of this study should clarify whether fairness perceptions can be explained by these three building blocks. By detecting the determining factors, managerial implications can be developed which could minimize the potential of unfairness perceptions arising.

Figure 1

### Conceptual Model of Perceived Fairness of Revenue Management



## 2. Literature Review

---

### 2.1. Pricing and Product in the Hospitality Industry – Revenue Management

---

Pricing is of fundamental strategic relevance to any business or organization whose primary objective is to generate profits. Price is the only element of the four 'P's of the marketing mix that actually generates revenues. Hence, the strategic process of setting prices is an enormously important factor that especially affects the monetary success of an organization. Since the emergence of large-scale retailing and industrialization, fixed price strategies have become common pricing policies. Today, charging the same price for all buyers is still a dominant practice applied by marketers. However, pricing is also considered to be flexible. The "sum of the values that consumers exchange for the benefits of having or using the product or service" can be changed much faster compared to changing product features (Kotler et al., 2008). Pricing is also regarded as being a very sensitive element in the generation of profits, meaning that significant changes in profit might arise due to just minimal changes in average prices. This effect can translate into both negative as well as positive implications for profit (Baker et al., 2010). Thus, some organizations are moving away from fixed price practices and employing pricing strategies, in which prices are continuously adjusted for the purpose of earning maximum revenues from customers and, at best, profiting from possible consumer surplus.

Acknowledging the high importance of pricing, and given the unique characteristics of the hospitality industry, highly sophisticated processes of pricing, referred to as 'Revenue Management', are increasingly being used. Revenue Management is defined as "selling the right room to the right customer at the right time for the right price and for the right length of stay" (Cross, 1997). Hence, Revenue Management is concerned with balancing the control of inventory and the control of pricing through strategic processes (Kimes et al., 1998). The aim is to create the most profitable mix of customers and maximize revenue throughout all the different levels of demand (Cross, 1997). Revenue Management was originally developed and applied in the Airline Industry, where it is commonly referred to as 'Yield Management'. It was developed as a result of the

deregulation of the aviation industry in the United States in the late 1970s. With this deregulation, competition in the aviation industry consequently increased. In order to deal with this new situation and encourage competitiveness, Yield Management systems were designed. The aim thereby was to maximize yield, where the term 'yield' stands for the "revenue an airline makes on each passenger for every kilometer/mile travelled" (Kimes, 1989). In this study, the terms 'Revenue Management' and 'Yield Management' will be used synonymously.

It is obvious that the aviation and the hospitality industries share similar fundamental characteristics. Tailored to the specifics of the hotel industry, this pricing strategy has proved to be applicable in this environment as well. Sheryl E. Kimes identifies six preconditions necessary for an organization to utilize Revenue Management. These pricing techniques are especially suitable when the organization is dealing with a finite capacity and its inventory is perishable. Once all rooms in a hotel are sold on one day, there is no possibility of adding further rooms to meet exceeding demand. Moreover, when one room is not sold on a given day, its revenue is lost forever and cannot be put into inventory for later usage. Industries that apply Revenue Management face fluctuating demand patterns. In very simple terms, one of the strategies applied to deal with fluctuating demand is to decrease rates during low-demand periods to stimulate demand and, conversely, increase rates during busy periods in order to maximize revenues. For Revenue Management to function efficiently, market segmentation needs to be undertaken. Different strategies for different segments, which obviously show different travel behaviours and price expectations, have to be designed. A further condition, which is characteristic to the hospitality industry and necessary for the pricing strategy under discussion to be applicable, is that capacity can be sold in advance. Again, different segments show different time spans between reservation and actual arrival, a factor which is also managed by Revenue Management strategies. Lastly, we are also dealing with industries which show low variable to fixed cost ratios resulting in low marginal sales costs. For the hospitality setting this means that after a certain level of rooms are sold, staff and other cost factors are set and any additional rooms sold would not cause much change to these factors and not much additional cost. This consequently allows revenue managers to ignore costs and assume that revenues equate to profit maximization. These six preconditions clearly implicate that various processes are needed for Revenue Management to be effective and enhance the generation of revenues. Forecasting demand, segmenting the market and creating appropriate sets of rates are some of the processes involved (Kimes, 1989).

The establishment of well-designed rate fences is especially important. Rate fences can be seen as guidelines or rules that determine which guest gets which price and thus all types of guests are segmented within specific fences (Kimes and Wirtz, 2003). According to customers' specific travel behaviours and needs, such as their willingness to pay and their transaction or consumption characteristics, rate fences should guide travellers in placing themselves in a particular market segment. The purpose of this strategy is to prevent customers who have a high surplus and are willing to pay high rates from taking advantage of lower rates offered to specific segments who show a more distinct willingness to pay. Those fences might be of a physical or a non-physical nature. Physical rate fences are concerned with the basic product, offered amenities or the service level provided. The size of the room, included breakfast or personal butler are possible forms of physical rate fences. Non-physical rate fences are based on transaction characteristics, consumption characteristics and buyer characteristics. Offering discounts for early-birds, decreased rates for customers staying three nights with a must stay over Saturday or corporate rates are examples of non-physical rate fences (Lovelock et al., 2007 cited in Wirtz et al., 2007). Through this differentiation of product components, by the means of distinct customer demand characteristics, variable room rates are justified. However, in essence, Revenue Management allocates different prices to different segments over different times for basically the same product. Thus, the question arises as to whether customers perceive these practices to be fair or not.

## **2.2. Is Revenue Management Fair?**

---

Given the strong customer orientation of the hospitality industry, the use of Revenue Management practices might cause potential conflicts between the hotel business and the guest. The differential room pricing applied in the hospitality industry gives rise to the situation where there will always be consumers having to pay a higher price in comparison to other guests for the same service or, conversely, paying less than other guests. Thus, as Revenue Management allocates a variety of rates to basically the same service, customers might have feelings of being treated unfairly by the organization and this might thus result in dissatisfied customers (Kahneman, Knetsch, Thaler, 1986; Kimes et al., 1988). This supposition will be thoroughly explicated and verified by various theories in the following sections. However, it is particularly important to the hospitality

industry that it is perceived as being fair. This is in contrast to the airline industry where Yield Management has been practised for longer and where passengers seem to have become resigned to differential pricing. When booking a specific flight the consumer may choose from a very limited number of competitors. However, when reserving a hotel room the customer may select from numerous competitors. When customers perceive or have experienced that the differential pricing strategy applied by one specific hotel or hotel group is not fair, they can easily switch to a competitor (Kimes, 1989). If the pricing strategy applied is perceived as unfair, the short-term goals set by the company might be realized, but simultaneously, damage to long-term profitability may be caused through decreased repurchase intentions (Kimes, 1994; Campbell 1999; Kimes, Noone, 2002). Hence, it is of great necessity to investigate those factors which might influence people's perceptions of fairness concerning Revenue Management and manage these accordingly.

Much of the previous research on perceived fairness of Revenue Management focuses on the effect of different rate fences or framing on fairness judgements (Kimes et al., 2003; Choi et al., 2004; Wirtz et al., 2007). These factors are found to play a major role in the creation of price fairness perceptions when consumers are less familiar with Revenue Management pricing (Wirtz et al., 2007). Given economically equivalent prices for example, the price is more likely to be perceived as fair when it is presented as a discount rather than a surcharge (Kimes et al., 2002). Collectively, these studies further suggest that the degree of information provided to customers correlates significantly with perceptions of price fairness. Customers who have no information at all about the processes involved in creating the price are more likely to judge the pricing practice to be unfair. However, limited information influences price fairness perceptions only to a very limited degree (Choi et al., 2004). It is argued that if the guest has information about the product and the pricing methods used, price fairness evaluations will be more accurate and thus might lead to perceptions of fairness (Rao et al., 1988). Another factor closely related to this approach and also often examined in related studies on perceived fairness of Revenue Management is familiarity (Kimes, Wirtz, 2003 and 2007; Taylor, Kimes, 2010). These studies collectively suggest that the more an individual is familiar with dynamic pricing, the more the perceived fairness increases. Unfortunately, it can be observed in most of the studies that the terms 'being informed' and 'being familiar with' are used synonymously and no clear distinction is made between them (see Rao et al., 1988; Kimes, Wirtz, 2003 and 2007). However, the factor of familiarity has been proved to be a fundamental moderating factor. Therefore it will play an important role in this research, which attempts to investigate this problematic more closely in section 2.3.8.

As outlined above, the diverse previous analyses conducted on the issue of perceived fairness of Revenue Management provide evidence that some factors influence the formation of such perceptions, and other factors do not. However, when individuals judge the fairness of prices or pricing policies, there are underlying complex processes involved in making that judgement. It is essential to understand *how* individuals create perceptions of price fairness. The theoretical framework for perceived price fairness is outlined in the following section and serves as a foundation for this research study.

## **2.3. Theoretical Framework of Perceived Price Fairness**

---

### **2.3.1. Perceived Fairness as a Subject of Behavioural Science**

The subject of perceived fairness has been analysed thoroughly in the past by social behavioural scientists and has resulted in various theories and conceptualizations that attempt to explain how people form perceptions of fairness. In the last decades, the concept of perceived fairness has become increasingly important in the economy. For that reason, these various concepts have been examined and adapted to the context of pricing.

Bolton, Warlop and Alba (2003) define fairness as an assessment of whether an outcome or the process of deriving that outcome is “reasonable and just” (Bolton et al., 2003, p. 475). In order to investigate fairness perceptions, researchers differentiate between perceived fairness and perceived unfairness. According to Webster’s ‘unfairness’ is a term used to describe a process or an outcome marked by injustice, partiality or deception (see merriam-webster.com).

### **2.3.2. The Comparative Nature of Perceived Price Fairness**

A deeply fundamental finding regarding the concept of perceived price fairness has been proposed by various research studies, namely that consumers’ evaluations of price fairness are grounded in comparisons (e.g., Adams, 1965; Erickson, Johansson 1985; Thaler, 1985; Monroe, Lee, 1999). This statement implies that when individuals form perceptions on price fairness they do not consider merely their own final outcome. In

order to establish perceptions of price fairness, consumers check the price they were offered or have paid for a specific product against the price offered or paid by another comparative party. In other words, consumers compare their actual price with a reference price. This reference price is defined as serving an “internalized standard against which newly encoded prices are compared “(Monroe, Lee, 1999 cited in Oh, 2002, p.387). Hence, the reference price can also be simply defined as the price customers expect to pay (Thaler, 1985). Those comparative references might be one’s own experience and the price one has paid in a past transaction, the price another person has paid, or rates offered by other suppliers (Jacoby, 1976). Individuals tend to compare themselves to reference objects experiencing similar situations (Adams, 1965 cited in e.g. Xia et al., 2010; Oh, 2003). The more similar the transaction of the reference object is to one’s own transaction, the stronger the reactions are if discrepancies with the actual price exist. In an exchange setting this would mean that a comparison to a third party, that is, other customers buying the same product, affects customers’ perceptions of price fairness the most because it represents the most similar situation. In addition to this, reference prices might be the outcome of consumers’ beliefs that they are entitled to a specific price for specific reasons. For example, social groups such as senior citizens might feel entitled to discounts in some transactions because of their lower income level (Xia et al., 2004). Only after comparing the internal reference price with one’s actual price, does a customer form a judgement and perception regarding the price. Such a comparison of two prices for the same product can result in one of three possible outcomes: if the prices paid are equal, the outcome is referred to as ‘price equity’; if the actual price is smaller than the reference price, an ‘advantaged price inequity’ situation arises; or if the price paid by the consumer is more than the price paid by the comparative reference, the term ‘disadvantaged price inequity’ is used (Oliver, Shor, Todd, 2004 cited in Xia et al., 2010).

Based on this underlying conceptualization, further theories have been constructed which contribute to a more extensive understanding of the issue of perceived price fairness. Those theories are of great relevance to the current research topic and will be illustrated in the following sections.

### **2.3.3. Adaption Level Theory and Assimilation Contrast Theory**

In his adaption level theory, Helson (1964) implies that perceptions about a given price are evoked not just by comparing the actual price with an internal adaption level price (or reference price), but also by considering the magnitude of difference between those two prices. Relative to this difference, responses are formed about whether the price is regarded as being too expensive, inexpensive or neutral (Helson, 1964 cited in Oh, 2003). Similarly, assimilation contrast theory explains that if a difference between an external stimulus and a pre-existing standard exists, then the magnitude of this difference can be crucial when forming judgements (Sherif, 1963 cited in Oh, 2003, p.388). In the context of price perceptions this would mean that if the difference between the actual price (external stimulus) and the reference price (pre-existing standard) is insignificant, the difference is assimilated towards the reference price and hence accepted. Otherwise, a contrasting effect takes place and the price is rejected. However, these theories do not demonstrate that reverse processes also might occur (Monroe, 1973 cited in Oh, 2003). Other research studies further argue that behavioural reactions, such as acceptance and rejection, do not necessarily conform to fairness perceptions (Urbany et al., 1989).

Given the above mentioned theories and concepts, it becomes very clear that the comparison of prices is highly necessary and provides a fundament from which perceptions of price fairness arise. However, it also appears to be obvious that price comparisons alone are not sufficient for price fairness perceptions to be formed. Further conceptualizations from social psychology, namely the theories of distributive justice (Homans, 1961) and procedural justice (Thibaut & Walker, 1975) support this statement. These two theories were later integrated into the principle of dual entitlement, a concept widely recognized as a means to explain price fairness perceptions (Kahneman et al., 1986).

### **2.3.4. Distributive Justice and Equity Theory**

The theory of distributive justice, examined by the sociological theorist Homans (1961), implies that “a man’s rewards in exchange with others should be proportional to his investments” (Homans, 1961, p. 232 cited in Berlitz, 2009). Thus, perceptions of fairness are not merely derived from looking only at the resultant outcome, but also at the investments made. Based on this, individuals judge transactions to be fair, if their

investment to profit ratio corresponds accordingly with all the involved parties. The involved parties might be of a direct nature, e.g., buyer-seller, or of an indirect nature, e.g., two buyers from one single seller (Homans, 1961 cited in Berlitz, 2009). These assertions from procedural justice theory were later adapted and extended in the equity theory established by Adams (1965). Equity theory explains that individuals relate their input and output in a subjective manner. The ratio that results from this comparison is perceived as the final outcome. In order to have some sort of benchmark, individuals need to compare their ratio to ratios of comparative others. These might have different levels of input and output, but this is not significant because just the final outcome is being compared. If the comparison results in a similar situation, a fair relationship is proved. If a discrepancy is observed, an unfair relationship has occurred. In the context of price fairness, equity theory explains that transactions where “deviations larger than zero between actual price and reference price” exist can be judged as being unfair. This implies that perceptions of price unfairness might arise when buyers perceive their input (i.e., price paid) to be unequal relative to the input made by a comparable other party, given the same output. Only if each participant receives the same ratio and therefore the same total outcome, can the transaction be viewed as fair (Adams, 1965) (see Figure 2 below).

Figure 2

**Equity Theory, Adams (1965)**

Adams (1965):

$$\frac{O_P}{I_P} = \frac{O_O}{I_O}$$

**Equity**

$$\frac{O_P}{I_P} < \frac{O_O}{I_O}$$

$$\frac{O_P}{I_P} > \frac{O_O}{I_O}$$

**Inequity**

Whereby O – Outcome; I – Input; P – Person; O - Other

As the first concept to pay closer attention to this issue, equity theory further suggests which emotions might result from different inequity situations. In a disadvantageous inequity situation individuals are assumed to react with anger or outrage. Whereas being in an advantaged inequity position might cause feelings of guilt. However, the emotions generated in the disadvantaged situation are supposed to be stronger than those in the

advantaged situation (Adams, 1965 cited in e.g. Oh, 2003; Xia et al., 2010; Heo et al., 2010).

### **2.3.5. Procedural Justice**

In contrast to distributive justice and equity theory, which explain perceived price fairness on the basis of final outcomes, procedural justice mainly considers the process by which the outcome has been derived as significant in fairness perceptions. If the processes involved in creating prices are based on established norms and standards, the price is perceived as being fair (Thibaut & Walker, 1975 cited in Heo et al., 2010; Lind et al. 1988). Hence, fair procedures lead to equitable outcomes according to procedural justice theory. Researchers distinguish between subjective and objective procedural justice (Lind et al., 1988). Subjective procedural justice is sometimes also referred to as ‘interactional justice’. Subjective procedural justice examines how individuals perceive the process in which they have been involved to achieve a specific outcome and whether they feel treated fairly or unfairly during that process (Sparks, McColl-Kennedy, 2001 cited in Berlit, 2009). On the other hand, objective procedural justice is concerned with the process’s capability of fulfilling “normative standards of justice” (Lind et al., 1988, p.3 cited in Berlit, 2009). This form of justice further implies that actions need to be taken to strengthen processes when fairness is endangered by, for example, “unacceptable bias or prejudice” (Lind, Tyler, 1988, p. 3 cited in Berlit, 2009). Both subjective and objective procedural justice need to be achieved for the final outcome, namely the price, to be perceived as fair (Lind, Tyler, 1988). In situations where customers perceive an organization to have set prices on the basis of procedures violating established norms and standards, emotions of anger and outrage might be evoked (Lind et al., 1988; Dickson, Kalapurakal, 1994).

### **2.3.6. Principle of Dual Entitlement and Attribution Theory**

The implications provided by both distributive justice theory and procedural justice theory are integrated into the principle of dual entitlement. Judgements on perceived price fairness are therefore based on reference transactions, outcomes of other exchange parties involved in the transaction and the exchange context (Cox, 2001). The principle of dual entitlement supposes that if the parties involved in a transaction do not receive what they believe they are entitled to get, the outcome will be perceived as unfair. This implies

that companies are entitled to a reasonable amount of profit as much as the consumer is entitled to a reasonable price. No party involved should benefit from losses caused to another party. Hence, both supply and demand sides are taken into account. The outcomes should be derived by following standard policies. In the case of changing prices, Kahneman, Knetsch and Thaler (1986) suppose that customers perceive cost-justified price changes to be fair, whereas, for example, they perceive price increases based on exploiting specific market conditions to be unfair. Consequently, even if the increase in price is equal for every party buying from the same supplier, the outcome can still be perceived as unfair if the way the price has been increased does not conform with established norms (Kahneman et al., 1986).

Attribution theory adds further insights to the dual entitlement principle and emphasizes the difficulties individuals sometimes have when assessing whether a price is fair or not. This difficulty is, according to attribution theory, caused by ambiguities when reflecting on *why* the specific outcome has resulted and *who* is in charge of the outcome. In cases where the seller has no control over the price increase being made, because they are external, customers are more likely to perceive the increase to be fair. However, if buyers perceive that the price increase is as a result of the internal motives of the seller, customers are more likely to evaluate the outcome as unfair. With reference to the statement of the dual entitlement principle, namely that cost-based price increases are believed to be perceived as fair, attribution theory argues that this is not necessarily always the case. Cost-justified price increases due to cost increases that are internal to the seller and within the organization's volitional control are perceived to be unfair. Only if price increases are due to external cost increases, such as general inflation, are perceptions of fairness likely to occur (Vaidyanathan, Aggarwal, 2003).

The theories discussed thus far demonstrate the broad scope of the subject of perceived price fairness. In order for price fairness perceptions to be formed, the equality of outcomes, the processes involved in deriving those outcomes and, in the case of price changes, the *why* and *who* play a significant role. Considering the main statements of the above mentioned theories, one might suggest that these concepts expect the customers who form perceptions of price fairness to have some knowledge related to the seller and its pricing processes. However, it is obvious that individuals do not always know how given prices or price changes come about. Nevertheless, this does not consequently mean that perceptions of fairness cannot be formed. Various theories of social psychology reason that it lies in human nature to derive causal inferences about everything being

observed, even if the data about the observed event is minimal, which holds true especially for negative situations (Winer, 1986 cited in Oh, 2003). Nevertheless, making judgements and consequently choices on the basis of minimal information involves risk, because the specific outcome is uncertain (Kahneman et al., 1979).

In addition to the illustrated theories, it is of fundamental importance to consider the asymmetries in the creation of fairness perceptions when an individual is faced with an advantaged inequality situation, i.e., a gain, or an inequality situation, i.e., a loss. Kahneman and Tversky (1979) explored this problematic amongst others within the framework of the prospect theory, a work about choices under risk, for which the authors were honoured with a Nobel Prize in 2002.

### **2.3.7. Prospect Theory**

Kahneman and Tversky (1979) developed a descriptive model, called the prospect theory, to attempt to explain primarily how individuals make decisions under risk. As a descriptive model, prospect theory aims to describe realistic choices, rather than optimal choices, and examines those made about prospects with monetary outcomes and known probabilities. According to this model, decision making under risk involves two main phases. The first phase is referred to as the 'editing phase', the second phase is the 'evaluation phase'. As can be inferred from its name, the editing phase involves the detailed analysis of the available prospects. Various processes have been defined which can take place in this phase. A fundamental process identified is the 'coding of prospects', meaning that individuals perceive an outcome as a gain or loss, therefore as changes rather than just as a final state. Another process taking place in the editing phase is the so-called 'isolation effect'. Individuals ignore characteristics which are the same amongst the offered prospects. When a decision has to be made amongst various hotels, the service of a wake-up call is ignored, because it is common to all hotels (Oh, 2003). The collective parts of the editing phase simplify the representation of the various prospects and makes the second phase of evaluation easier. In the evaluation phase the prospect with the highest value is finally chosen.

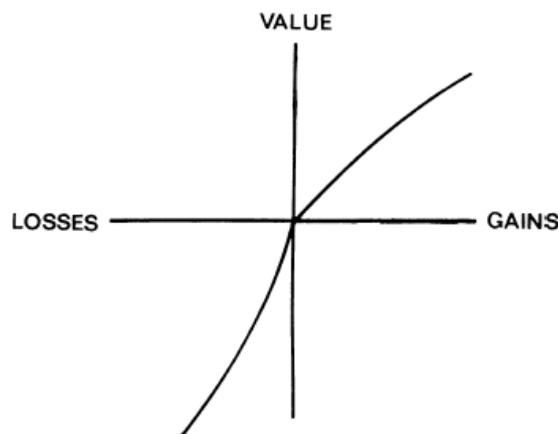
In its mathematical representation, the overall value ( $V$ ) of a prospect is inferred by the effect of two scales,  $\pi$  and  $v$ , where  $\pi$  serves as a weighting function that explains impact of the probability on the overall value of the prospect. As this scale is not of much

relevance to the current context, it will not be illustrated here. However, the scale of  $v$  is of fundamental importance for the further analysis of advantaged or disadvantaged inequality situations and thus needs further examination. This scale represents a subjective value by which an individual illustrates whether the prospect is a gain or a loss relative to their initial asset position which serves as the reference point. Kahneman and Tversky (1979) observed that an asymmetry of reactions towards gains or losses exists. The value function is described as “generally concave for gains and commonly convex for losses”, but “steeper for losses than for gains” (Kahneman et al., 1979, p. 279). In other words, this would mean that losses are perceived much more intensively than gains. As a result, individuals tend to exhibit much more risk-seeking behaviour when they recognize that there is the possibility of avoiding a loss, especially a loss which has a high probability of occurring (Kahneman and Tversky, 1979). This characteristic of the value function,  $v$ , is shown in Figure 2.

Figure 3

### Assymmetric effects of gains and losses

#### Hypothetical Value Function



Kahneman and Tversky 1979, p. 279

By illustrating asymmetries in dealing with gains and losses, the above presented theory completes our overall theoretical framework of perceived price fairness. The complete theoretical framework forms the foundation for analysing the three building blocks of the conceptual model of perceived fairness of Revenue Management, presented in Section 1, the introduction of this paper.

### **2.3.8. Inequality and Transaction Value**

As already outlined in Section 2.3.2, the condition of inequality can be analysed from two perspectives, namely advantaged inequality and disadvantaged inequality (Xia et al., 2004). Furthermore, the assumption has been made that emotions resulting from disadvantaged inequality situations are asymmetrically stronger than those from an advantaged inequality situation (Ordonez et al., 2000; Xia et al., 2004). However, the nature of inequality has further detailed implications, which can be explained by the concept of transaction value. If comparisons of actual price to reference price result in an unequal relationship, consumers form perceptions of psychological satisfaction or dissatisfaction (Grewal et al., 1998 cited in Haws, 2006). According to this concept, if customers find out that they have paid more than their reference they may consequently be dissatisfied because the price paid represents a negative transaction value. Conversely, customers who know they have paid less than a reference for the same product may be satisfied with the price paid and experience a positive transaction value. Research by Xia and Monroe (2010) aimed to connect the two concepts of psychological satisfaction and perceived fairness of a given price. The study provides results demonstrating that a negative transaction value, i.e., being dissatisfied with a price, is highly correlated with perceiving the price as unfair. Consumers are generally found to be more concerned with the subject of fairness if they are confronted with a disadvantaged transaction situation (Jasso, 2006 cited in Xia et al., 2010; Burke, 2006). However, experiencing a positive transaction value, i.e., being satisfied with the outcome, does not necessarily convert into perceiving the price as fair. The results in their study show that being in an advantaged inequality situation “may be received to be less fair when the reference price is a higher price paid by another customer for a similar transaction” (Xia, Monroe, 2010, p. 9). As already stated, their finding also shows that the prices paid by other customers are identified as causing the strongest reactions for a customer when comparing the price paid. The product of interest in Xia and Monroe’s (2010) study was a DVD player. Given

the complex nature and pricing characteristics of the product being researched here, namely rooms offered by a hospitality organization, it seems reasonable to analyse the subject of inequality more elaborately in the context of perceived fairness in the Hospitality Industry. This is done under the assumption that an advantaged inequality converts into being satisfied and a disadvantaged inequality results in being dissatisfied with the specific price, as specified in the concept of transaction value.

### **2.3.9. The Role of Familiarity**

In a study conducted in 1994, Kimes examined perceived fairness of Revenue Management in the aviation industry and found it to be higher than in the hospitality industry. Given the fact that dynamic pricing had been applied for a longer period in the aviation industry and was not considered as that common in the hospitality industry at that specific time, this result was later commented on as “not surprising” (Kimes, 1994; Kimes, 2003, p. 134). A follow-up study was published eight years later, demonstrating that fairness perceptions of Revenue Management are similar for both industries (Kimes et al., 2002). Thus, a practice which had been seen as being unfair at the time it was introduced became increasingly perceived as fair when customers became more aware of it. This development is supported by the concept of procedural justice which, as discussed earlier, implies that procedures have to conform to community norms in order to be perceived as fair. Such community norms obviously can change. Consequently, once a pricing strategy becomes common, exchanges based on this pricing strategy will be perceived as acceptable (Kahnemann et al., 1986; Van der Bos et al., 1997 cited in Haws, 2006). The follow-up study (Kimes et al., 2002) proves this shift of perceived fairness towards established norms to hold true in the context of Revenue Management. Thus, a market which becomes increasingly familiar with Revenue Management may increasingly perceive this practice to be fair. However, a question arises: just because Revenue Management is becoming more and more accepted as a market norm, does this necessarily mean that it is also perceived to be fair? (Wirtz et al., 2007).

Another approach to the issue of familiarity and perceived fairness of Revenue Management has been made by Wirtz and Kimes (2007), who extended the findings made by Xia, Monroe and Cox (2004) concerning transaction comparisons.

The assumption is made that if customers are familiar with rate fencing or framing practices, the customers segment themselves amongst other customers and do not judge their transaction to be similar to all the other transactions dealing with the basic exchange of room and money. Such a customer is likely to perceive different prices for a hotel room booked very far in advance compared to one hotel room booked one day before arrival as distinct products and thus dissimilar transactions. Hence, the familiar customer compares his price only to other customers thought to be in the same segment. This would result in minimal differences between actual price and reference price, which might presumably be assimilated, and perceptions of fairness are likely to arise (Monroe et al., 2004; Sherif, 1963 cited in Wirtz et al., 2007). If the customer is unfamiliar with these pricing practices, the differences between the transactions are not realized. The customer will perceive his transaction to be similar to all the other transactions, namely paying a specific room rate. As the price paid is compared across fencing conditions, dissimilar transactions are experienced, which are likely to result in perceived unfairness (Major, 1994; Monroe et al., 2004 cited in Wirtz et al., 2007). In this context it is necessary to emphasize that the effect of rate fences and framing is much more significant on the perceptions of fairness of customers unfamiliar with those practices. In contrast, customers who are familiar with the practices and are, for example, confronted with a rate being framed as a discount, are not significantly affected by these in terms of perceived fairness (Wirtz et al., 2007). If one summarizes these findings, it can be supposed that customers who are familiar with Revenue Management are more likely to perceive it to be a fair practice. Conversely, individuals unfamiliar with these pricing practices may perceive them as less acceptable. However, given that the perceptions of fairness of customers familiar with a pricing practice are little influenced by how the rate is presented, one might deduce that perceptions are guided by cognitive processes, which may also be based merely on repetitions and not factual information, rather than on emotional processes and reactions. Under this assumption it may still be plausible and non-excludable if a consumer who notices different segments still compares their transaction to dissimilar transactions, because the consumer nevertheless believes that the exchange is of a similar nature and that rate fences are inherently unfair. The outcome of the transaction might therefore be seen as unfair.

Another problematic existing when analysing the factor of familiarity are the boundaries of the term 'familiarity'. As noted earlier in this paper, the terms of 'being familiar with' and 'being informed' are used mostly synonymously. Even if mentioned distinctly, no clear difference can be identified. Both factors show symmetrical effects on the perception of

price fairness. This result might be regarded as an indication of the similarity of the two terms. However, one might also suggest that the result may be attributed to a lack of delineation between the two factors. When searching for an adequate and universal definition of the term 'familiarity' one discovers that this is a difficult task to achieve. However, for the purpose of this research it appears inevitable that one needs to define the meaning of the factor 'familiarity', especially given its complexity. It seems reasonable to suggest that the recognition of a familiar situation is grounded in recognition. Research on recognition memory explicates that recognition is formed by two separate processes, namely, familiarity and recollection (Harlow et al., 2010). Recollection is specified as the "retrieval of contextual details" and the term familiarity is defined as "a general sense of prior exposure" (Harlow et al., 2010, p. 1381). An interpretation of the "retrieval of contextual details" leading to 'being informed' and adopting the given definition of familiarity for our context provides an approach to distinguish the two given terms from each other. In this study, the supposition is made that the state of being informed postulates the possession of knowledge or data that assists the understanding of contexts and processes. Being familiar with Revenue Management merely means that an individual has encountered these pricing practices, one or more times, in the past.

### **2.3.10. Purchase Process**

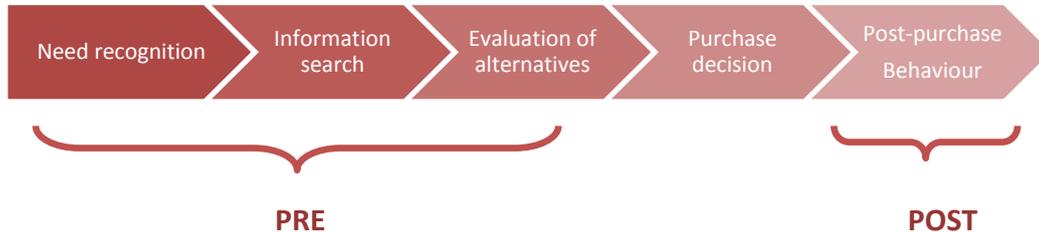
This study also aims to provide insights into whether the time-point of price comparison, namely before or after the transaction has taken place, plays a significant role in the formation of fairness perceptions or not. Unfortunately, to the best of this researcher's knowledge, there appears to be a lack of research that analyses this dimension in the given context. As a consequence, it is inevitable that the researcher must approach this issue on a general level and analyse the distinctions between the pre-purchase phase and the post-purchase phase. As it has been found that perceived risk is an integral part of the pre-purchase phase and expectation fulfilment dominates the post-purchase phase, the question arises as to whether the distinct psychological states in which the customer finds himself create distinct reactions towards the finding of price inequalities in terms of fairness.

It is evident that the purchase process starts before and continues after the actual buying. According to Kotler et al. (2008), the customer is involved in five stages during the buyer decision process, as illustrated in Figure 4.

Figure 4

**Purchase Process**

Adapted from Kotler et al., 2008



The fourth stage, namely purchase decision, is the time point when the customer actually purchases the product or service. In further analysis, the stages before this point will be referred to as the pre-purchase stage and the stage afterwards will be referred to as the post-purchase stage.

**2.3.10a. Pre-Purchase Phase**

The pre-purchase phase of the buyer decision process involves need recognition, information search and evaluation of alternatives. For the entire process to start the customer has to recognize some need or problem: “The buyer senses a difference between his or her actual state and some desired state.” (Kotler et al., 2008, p. 265). If the need is strong enough, the customer will take further action and start gathering information about the respective need. The extent of the information being searched for depends on various factors such as the strength of the need, the information already available or the ease of gathering the information (Kotler et al., 2008). The way this information is presented to the potential customer can play a significant role in the evaluation of alternatives stage and hence in the buying decision. The question as to how prices should be presented to customers in order to increase their willingness to book a room is a current one in the hospitality industry. This is especially a result of the application of best available rate (BAR) pricing. With BAR pricing the hotel guarantees to the booking guest that the quoted price is the lowest available rate for a specific night. As there might be variable best available rates for various different nights, the customer might actually pay different rates for different nights in a multiple-night stay (Rohlfis et al., 2005). Consequently, BAR pricing practices require hotels to decide between a blended or a non-blended rate presentation strategy. In a blended approach the customer is

presented with one single rate for every single night they intend to stay at the hotel. This rate is an average of the multiple BARs. In a non-blended approach the customer is confronted with individual rates for the various single nights. By looking at various suppliers we can observe that both strategies are being applied. For instance, whereas Starwood Hotels and Resorts choose the blended approach, Marriott Hotels and Resorts use the non-blended rate strategy (Noone et al., 2009). Research by Noone and Mattila (2009) suggests that a non-blended approach creates a higher willingness to purchase. Furthermore, Rohlfs and Kimes (2005) imply that the non-blended strategy is also perceived as fairer than the blended approach by possible customers.

However, besides raising the question of how and how much or which information to provide, it is highly necessary for every organization to understand *why* customers are searching for information before they make an actual purchase decision.

Customers conduct information searches for products or services prior to actual buying to reduce perceived uncertainty and hence reduce perceived risk (Murray, 1991). Mitchell and McGoldrick (1996) explain that “the level of perceived risk is a product of the degree of uncertainty and the extent of consequences that would result from a wrong decision.” (Mitchell et al., p. 3 cited in Quester et al., 2005). These uncertainties and consequences can evolve from five possible factors: financial; performance; physical; psychological; and social (Jacoby, Kaplan, 1972 cited in Quester et al., 2005). In general, the supposition can be made that risk is, to some degree, involved in every purchase. However, given the characteristics of service products such as the hotel product, research suggests that the perceived risk associated with this context appears to be higher than for physical products. The characteristics of service products can be intangibility, heterogeneity of customers or the high focus on experience (Guseman, 1981; Zeithaml, 1981; Zeithaml and Bitner, 2003 cited in Quester et al., 2005). The search process for trip planning, for example, is very much guided by perceived high risk, high costs and high involvement (Bonn et al., 1999 cited in Quester et al., 2005). Research provides evidence that consumer evaluation of services seems to be different than that of tangible products (Zeithaml, 1981). The factor of intangibility in particular is seen as a main reason why it is so difficult for customers to evaluate the service before actual purchase, which causes an increased perceived risk (Mitchell & Greatorex, 1993 cited in Quester et al., 2005). The effort put into the information search seems to be consequently higher for services such as a trip planning and results in greater amounts of information being gathered and in

more active search behaviour than for more tangible products (Eiglier, Langeard 1977; Hwang et al., 2002; Öörni, 2004 cited in Quester et al., 2005).

After information has been collected the customer creates a set of possible choices. In order to choose amongst these the customer needs to evaluate the choices by processing the information gathered (Kotler et al., 2008). Considering the importance of perceived risk during the pre-purchase phase, especially in our context of a hospitality service product, the most compatible concept illustrating this problematic is perhaps the prospect theory of Kahneman and Tversky (1979), which is used to explain decision making under risk (see section 2.3.7.).

Zeithalm (1981) explains that the above mentioned service characteristics of intangibility, heterogeneity or inseparability additionally manifest high levels of experience and credence attributes, and a low level of search attributes. Search attributes refer to those aspects a customer can evaluate before purchase. When buying a tangible product this might be size, colour, feel or fit. However, when it comes to service products the ability to evaluate characteristics beforehand is very limited. In a service context customers evaluate the overall product by focusing on the experience attributes. However, this evaluation of experience can only be done after purchase, unless the customer is used to this specific service. The term 'credence attributes' refers to services which cannot be fully evaluated by the customer even after purchase and experience. This might be the case for medical services for example (Zeithalm, 1981 cited in Quester et al., 2005).

### **2.3.10b. Post-Purchase Phase**

Even after the product or service has actually been purchased, buying behaviour has not ended. The satisfaction or dissatisfaction resulting from the purchase will guide customers in their post-purchase behaviour. When customers judge the overall performance of a service, they not only consider the aspect of outcome, but also focus on the experience (Johnston, Clark, 2008). Whether the purchase results in a satisfied or dissatisfied customer depends on "the relationship between the customer's expectations and the product's perceived performance" (Kotler et al., 2008, p. 271). According to expectations conformity theory, this effect is guided by either positive or negative disconfirmation between expectations and performance (Oliver, 1977). If performance does not meet expectations, the customer will be dissatisfied; if expectations are fulfilled the customer

will be satisfied and if performance exceeds expectations the customer will be delighted. Hence positive disconfirmation results in satisfaction and negative disconfirmation in dissatisfaction (Spreng et al., 1996 cited in Richter, 2005). However, the term 'expectation' has to be used with care. For example, if performance meets and thus confirms the negative expectations a customer has towards a product or service, this does not lead to satisfaction as the theory would suggest when taken literally. Consequently, when talking about expectations in this context, we are dealing with positive ones (Santos et al., 2003, p. 142). The authors explain that peripheral expectations can "range from the ideal standard to the minimum tolerable level". If a customer's expectations are an ideal of that specific service and those expectations are met, the customer will be satisfied. If these expectations just represent a minimum tolerable level and this is met, this does not necessarily result in satisfaction but rather in indifference and acceptance. The state of dissatisfaction is thus reached only if performance is under the minimum tolerable level, or more commonly, if the customer already expects a negative outcome and this is met (Santos et al., 2003 cited in Richter, 2005). The magnitude of difference between actual performance and expectation is of great importance as well. The greater the difference, the more dissatisfied or satisfied the customer will be (Kotler et al., 2008).

However, when considering expectations as a fundamental comparison standard in relation to actual performance, it becomes clear that those expectations directly influence and distort performance perceptions. Thus expectations have a dual function; they serve as a basis to be able to make quality judgements and distort perceptions of quality (Groß-Engelmann, 1999; Müller, 1999; Sauerwein, 2000; Kaiser, 2002 cited in Richter, 2005). This issue has been approached by previous research from two perspectives, assimilation contrast theory and prospect theory. Both of these theories have already been presented in the context of this study, namely in relation to perceived price fairness (see sections 2.3.3. and 2.3.7, respectively). However, assimilation contrast theory in particular is strongly related to many other issues dealing with cognitive dissonance, such as here, where we are dealing with an expectation placed in contrast with an actual performance. In the case of an existing discrepancy between these two dimensions, customers tend to assimilate actual performance towards expectations under certain circumstances in order to avoid the psychological state of discomfort when dealing with such discrepancies. If one considers the propositions of assimilation contrast theory, some interpretations regarding expectation management can be formed. For example, Groß-Engelmann (1999) assumes that customers who are exposed to exaggerated promises regarding service quality and experience these promises not being met in the

actual purchase, will perceive performance to be higher than those customers who are initially presented with more realistic information. This effect is also observed vice versa in that customers who receive understated promises and experience much higher performances will perceive this positive effect more weakly than those who are exposed initially to realistic information (Groß-Engelmann, 1999 cited in Richter, 2005). As a direct consequence, promises which are slightly exaggerated will lead to a better evaluation of overall performance because customers are more likely to assimilate slight exaggerations or understated promises. If information has been highly exaggerated, it will result in more negative evaluations and thus a contrast-effect (Homburg, Stock, 2002 cited in Richter, 2005).

As already presented in section 2.3.7, prospect theory provides evidence that negative discrepancies between the reference and the actual are perceived to be higher than positive discrepancies. This issue has been tested on price differences; however, this approach is also applicable in other settings, such as in performance evaluations. With respect to expectation management, prospect theory might infer that expectations should be created that are relatively low in order to avoid this strong asymmetric affect on performance evaluation of negative discrepancies between expected performance and actual performance. However, because prospect theory has not yet been tested empirically in this setting, it is advisable here to focus on expectation conformity theory and assimilation contrast theory (Richter, 2005).

These theories make it clear that if expectations are met the customer feels indifference to some degree, whereas when expectations are exceeded the customer is truly satisfied. For companies this suggests that they should focus on exceeding expectations or otherwise managing expectations in a specific way rather than just meeting them. Ultimately, satisfied customers might then respond by engaging in profitable relationships and providing lifetime value, good word of mouth and paying less attention to other brands and competition (Kotler et al., 2008).

### **3. Methodology**

---

The central question being addressed in this study is: in which specific situations do customers perceive the price of a hotel room to be fair or unfair? This central question is

approached by elaborating the conceptual model of perceived price fairness, developed in the initiation of the present study. By the transfer of this conceptual model into a framework of hypotheses (see Figure 5), it will be assessed whether the three building blocks illustrated play a significant role in the perception of fairness of Revenue Management. The conducted study aims to measure the explanatory power of Building Block I inequality (advantaged or disadvantaged) and Building Block III time stage of the transaction process (before or after transaction has been completed) on the perception of price fairness. Subsequently the current research will examine whether Building Block II familiarity is an influential factor in the overall process of creating price fairness perceptions and whether the results acquired can be explained by the factor familiarity.

Based on the formulated research questions and the theoretical framework provided, the following hypotheses are proposed:

### **H1**

In an advantaged inequality situation and before the actual transaction takes place, the customer perceives the price to be

- a. fair, when familiar with dynamic pricing strategies.
- b. unfair, when unfamiliar with dynamic pricing strategies.

### **H2**

In an advantaged inequality situation and after the transaction has taken place, the customer perceives the price to be

- a. fair, when familiar with dynamic pricing strategies.
- b. unfair, when unfamiliar with dynamic pricing strategies.

### **H3**

In a disadvantaged inequality situation and before the actual transaction takes place, the customer perceives the price to be

- a. fair, when familiar with dynamic pricing strategies.
- b. unfair, when unfamiliar with dynamic pricing strategies.

**H4**

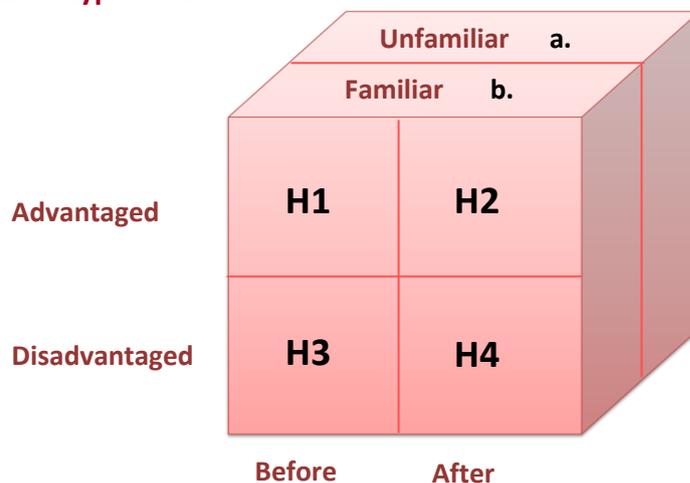
In a disadvantaged inequality situation and after the transaction has taken place, the customer perceives the price to be

- a. fair, when familiar with dynamic pricing strategies.
- b. unfair, when unfamiliar with dynamic pricing strategies.

The hypotheses presented above have been induced directly from theory, whereby attention must be focused on H1a, H2a, H3a, and H4a. As illustrated in the literature review (see section 2.3.9), research has led to the assumption that familiarity with Revenue Management does not necessarily translate into perceived fairness. This might be the case especially when faced with a disadvantaged inequity situation due to an individual’s self-interest, but research has also illustrated that even when faced with an advantaged inequity situation, a customer might still perceive the price to be unfair (Xia, Monroe, 2010). Furthermore the assumptions made for fairness perceptions in the context of stage of transaction have to be regarded with care. As explained in 2.3.10. no empirical study on purchase stage in the given relation to price fairness perceptions could be found. In the following Figure the transfer of the conceptual model of perceived fairness of Revenue Management into a framework of hypotheses is illustrated.

Figure 5

**Graphical Representation of Hypothesis**



The above hypotheses are assessed by applying quantitative research. A structured survey was designed in order to collect the necessary primary data and to make measurement of relevant relationships possible. The survey follows a scenario approach, meaning that respondents are presented with diverse situations and are asked to rate these based on a predetermined indicator. This form of questioning is used frequently in customer behaviour research, not least in measuring perceived fairness (Kahneman et al., 1979; Taylor et. al., 2010; Xia et al., 2010). Kahneman and Tversky (1979) explain that the issue of price perception in particular is highly context specific. Hence, the analysis of this phenomenon requires a product or transaction-specific setting (Kahneman et al., 1979). In respect to the measurement of perceived price fairness, the literature further supports the comparative nature of price perceptions. Thus, price perceptions are the result of comparisons between actual and reference price (Adams, 1965; Thaler, 1985). Collectively these argumentations create the foundation of the established survey design.

This study used a questionnaire containing direct questions regarding perceived fairness, familiarity and demographics of the respondent. Those three dimensions are clearly arranged in the questionnaire and are the subject of separate sections of questions. All response options are predetermined and follow a non-comparative itemized rating scale design. Specifically, a bipolar scaling method, the Likert scale, has been applied so that a positive or negative response to the question can be measured. The Likert scale is used because it is one of the most common techniques for conducting survey research. When dealing with the capture of intensities of feelings, as is the case in this study, the Likert scale is one possible choice (Bryman, 2008). The survey used in this study applies a five-point scale including a 'middle' or neutrality point. An exception to the use of the Likert scale as a scaling format is made for the collection of demographic data such as age or gender.

In the first section of the questionnaire respondents are presented with two situations, which both describe usual booking situations. Specifically, the respondents are asked to imagine planning a weekend trip with a friend to Rome and finally booking a room in a specified hotel for a specified rate. The two situations presented in the survey share this initial setting. However, afterwards, in Situation I, the respondent is talking to a friend before the actual trip has taken place and in Situation II the respondent is talking to a friend after returning from the actual trip. In the conversation the respondent finds out that his/her friend (I) will be staying or (II) has been staying in Rome in the same hotel and the same room category. This distinction between the two situations represents Building

Block III, thus the dimensions of the pre-purchase and the post-purchase situation, respectively. Subsequently, the situations develop into several distinct scenarios. In these scenarios the respondent finds out under which circumstances the friend has booked the room and which price he/she has been offered. The circumstances described and the price offered varies. Different pricing practices are addressed in the scenarios, so that in the particular booking channel used, the booking date and the arrival date can be manipulated in separate scenarios as separate factors. Hence, in the scenarios in which the distribution channel is manipulated, the respondent is assumed to have booked with the hotel directly, whereas the friend has booked via the Internet booking agent, Expedia™, with all other factors being equal amongst the two individuals. Scenarios that address the booking date factor explicate that the friend has reserved the room six months before the respondent for the same arrival date and through the same distribution channel. Other scenarios assume that the friend has booked the same room on the same day for a distinct arrival date, one month before or after the respondent. Finally, one additional set of scenarios does not incorporate any manipulation, so that, except for the price, the booking circumstances for respondent and friend are the same. In some scenarios the friend is charged a higher price, in other scenarios the friend receives a lower rate than the respondent. Hence, the scenarios incorporate Building Block I of the constructed framework, as these reflect an inequality situation, one that is either advantaged or disadvantaged. As a consequence, each of the booking manipulations described, are presented in two scenarios; in one case the friend pays more, in the other, the friend pays less. Given four booking circumstances and two inequality situations, there are a total of eight scenarios per situation. This is the case for Situation I, the pre-purchase situation. However, for the post-purchase situation, two additional scenarios were added, and thus there are 10 scenarios for Situation II. The additional set of scenarios asks the respondent to imagine the friend has booked only two days before the arrival date. Due to the reason of time, this set of scenarios only makes sense in the post-purchase setting, where the friends meet after the trip. The initial price per room per night and the price difference the friend is charged are displayed as actual figures rather than as percentages or other forms of indicator to make it easier for the respondent to imagine the presented scenarios.

For each scenario, the respondents are asked to rate their subjective fairness assessment of the hotel's pricing policy on the five-point Likert scale, ranging from 1 = 'very unfair' to 5 = 'very fair'. With respect to content, the scenarios presented after both situations have occurred are the same, except for the two additional scenarios created for the post-

purchase situation. It was decided that the same scenarios be used in both pre-purchase and post-purchase situations in order to make them comparable if it was found to be the case that differences in perceived price fairness occurred when the respondents experienced the respective different settings. Consequently, after analysis of the responses in this particular section, the acquired results should lead to a deeper understanding of the various factors involved in the perception of price fairness. Firstly, the results should provide information on the overall tendencies towards fairness or unfairness perceptions of the pricing policies under inequality situations and different booking circumstances. Secondly, information on the existence or non-existence of distinct perceptions of fairness in a pre-purchase situation or a post-purchase situation should be gained.

In the consecution of the present research individual scenarios will be adressed for nearer analysis. The following grid in Figure 6 aims to provide a clear overview of all the scenarios illustrated. Each scenario is given a coding name for the identification of individual scenarios. These coding names are being applied in the subsequent Section 4 and Section 5, where the results of the conducted survey are examined. This should facilitate orientation and recollection. Coding names include inequality situation (adv=advantaged or dis=disadvantaged), booking channel (Hotel or Expedia), booking time (b\_early, b\_same, b\_after) and arrival date (a\_same or a\_after).

Figure 6

### Questionnaire Scenario Coding

Pre-Phase	Post-Phase	Adv	Dis	Hotel	Expedia	b_early	b_same	b_late	a_same	a_other	Name
Scenario 1	Scenario 1	x			x		x		x		adv/expedia/b_same/a_same
Scenario 2	Scenario 2		x		x		x		x		dis/expedia/b_same/a_same
Scenario 3	Scenario 3	x		x		x			x		adv/hotel/b_early/a_same
Scenario 4	Scenario 4		x	x		x			x		dis/hotel/b_early/a_same
Scenario 5	Scenario 7	x		x			x			x	adv/hotel/b_same/a_other
Scenario 6	Scenario 8		x	x			x			x	dis/hotel/b_same/a_other
Scenario 7	Scenario 9	x		x			x		x		adv/hotel/b_same/a_same
Scenario 8	Scenario 10		x	x			x		x		dis/hotel/b_same/a_same
	Scenario 5	x		x				x	x		adv/hotel/b_late/a_same
	Scenario 6		x	x				x	x		dis/hotel/b_late/a_same

The second section of the questionnaire aims to elaborate Building Block II of the presented model. The respondent's familiarity to Revenue Management in general as well as with specific components of the pricing practice such as dynamic pricing or inventory management is being measured. The respondents are asked to compare themselves to "the average person" when evaluating their familiarity. Again, a five-point scale is applied, ranging from 1 = "much more" to 2 = "much less", with 3 = "about the same" being the middle point of the scale. Responses of "much more" or "a little more" are considered to be an expression of familiarity. As already outlined in the literature review, individuals who are less familiar with Revenue Management practices have higher tendencies to perceive unfairness than more familiar individuals (2.3.9.). Hence, this study follows the assumption that when splitting the overall sample into two samples, one representing familiar respondents and the other representing unfamiliar respondents, the observation can be made that the familiar sample tends to perceive the pricing policies to be fair and, vice versa, the unfamiliar sample tends to perceive the pricing policies to be unfair.

The third section of the survey collects data on the demographics of the respondents, namely gender, age and professional experience in the hospitality and tourism industry. A higher level of professional experience is believed to be reflected in increased familiarity responses in the second section of the survey.

The survey was issued to students of the Bachelor of Business Administration programme for Tourism and Hospitality Management at Modul University, Vienna. Various rationales support the given composition of the polled sample for the specific topic of research. It is argued that students and future graduates constitute a representative sample for tourism and travel-related investigation because they are assumed to be likely to travel frequently in the future for personal or business purposes. Furthermore, by collecting data from just students, a sample of functionally equivalent respondents could be drawn. The total sample is composed of student cohorts in the second semester and sixth semester, and the proportion of each cohort is well-distributed. By adopting this particular approach to selecting the sample it was expected that a heterogeneous set of respondents in the context of the compounding factor of familiarity would be obtained. It was assumed that respondents belonging to the second cohort of the bachelor programme would not be much more aware of the existence of Revenue Management than the "average person" and that they would thus show a higher tendency of being unfamiliar with this pricing practice. On the other hand, students in their sixth semester, who in general should be much more knowledgeable about the tourism industry, were expected to display high

values in familiarity. Given that presumption, the systematic analysis of the survey attempts to detect whether differences in the perceptions of fairness in Revenue Management are determined by differences in the level of familiarity.

The self-administered questionnaires were handed out to the students at the beginning of various seminar classes. By using that procedure a high response rate could be ensured. A total of 101 completely filled out questionnaires were collected, allowing the deduction of statistically feasible results. The completed questionnaires were manually entered and examined using the statistical analysis program, SPSS. The testing of the hypotheses required the splitting of the overall sample into two independent samples to examine possible differences in perceived fairness of Revenue Management between familiar and unfamiliar participants as well as the evaluation of discrepancies between responses in the pre-purchase situation and the post-purchase situation. This precondition implicates the use of the Kruskal-Wallis test, also referred to as the H-test, a non-parametric significance test for one-way analysis. The test allows us to compare two, or if necessary more, independent samples of arbitrary sample sizes. Unlike other approaches of statistical significance testing such as one-way ANOVA, the Kruskal-Wallis test does not demand normal distribution. However, the specified test can only compute valid results for ordinal-scaled variables and for groups which are relatively equal in overall dispersion, but unequal in means. As the assumption is made that differences between the groups exist concerning their fairness evaluation, a one-way analysis such as this is required. The null hypothesis,  $H_0$ , therefore supposes equality amongst the different groups. A significant result with a p-value of .05 would reject the null hypothesis and confirm a difference amongst the observed groups (Corder et al, 2009). Besides the analysis of perceived fairness, other relevant measures were derived by the use of descriptive statistics. Where necessary, data editing has been performed.

## **4. Results**

---

The survey sample includes respondents who are, on average, 22 years of age (mean = 22.11). The majority of the questionnaires were completed by female respondents (65.4%) and the rest were completed by male respondents (34.6%). However, as gender

was not chosen as a determining factor in this study, male and female participation can be stated to be well distributed. With respect to professional experience in the hospitality and tourism industry, 17% of the participants indicated that they have no experience at all, 24% have worked in this industry for three to six months, 23% for six months to one year, 27% for one to three years and 9% for five years or longer. Again, the distribution of the sample along this variable appears to be appropriate for further statistical procedures.

Figure 7

**Sample Demographics**



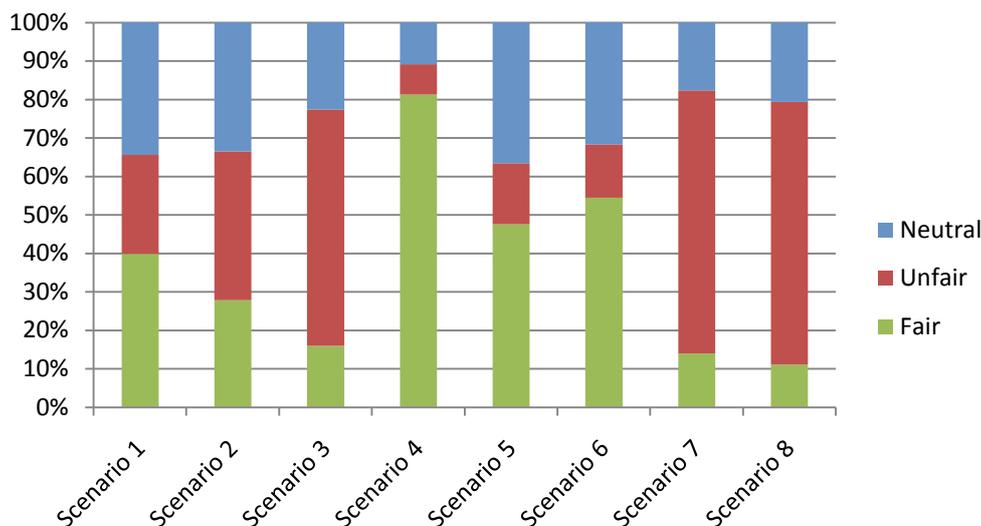
Overall fairness perceptions were examined initially by performing detailed analysis of the results produced by descriptive statistics. The outputs processed show a widespread distribution of answers along the specified fairness measurement scale, indicating

dispersed perceptions of the hotel's pricing policy within the total sample. However, a more accurate analysis of these outputs enabled the observation of general tendencies within the overall set of questions, as well as on an individual basis. Of a total of 18 scenarios directly related to the collection of perceived price fairness data, nine of these scenarios were judged to be fair by the majority of respondents, whereas the other nine scenarios produced a majority of responses indicating unfairness perceptions. In other words, 50% of the scenarios presented to the respondents were perceived to be fair and the other 50% were perceived as unfair. While some of the responses given for individual scenarios are almost equally distributed between fair and unfair, others show a very strong tendency towards fair or unfair. This is especially the case for Scenario 3 [adv/hotel/b\_early/a\_same] and Scenario 4 [dis/hotel/b\_early/a\_same] as well as for Scenario 7 [adv/hotel/b\_same/a\_same] and Scenario 8 [dis/hotel/b\_same/a\_same] of the pre-purchase situation and Scenario 3, Scenario 4, Scenario 9 and Scenario 10 of the post-purchase situation. The results for these scenarios show a minimum of 60% of total respondents choosing either fairness or unfairness responses on the rating scale.

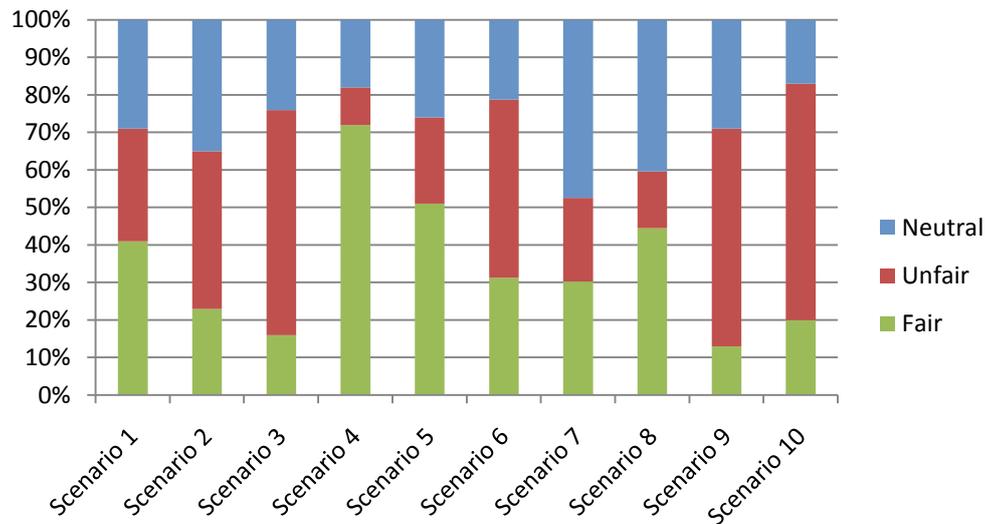
Figure 8

### Percentage Distribution of Fair/Unfair Ratings

#### Pre-Purchase Situation



## Post-Purchase Situation



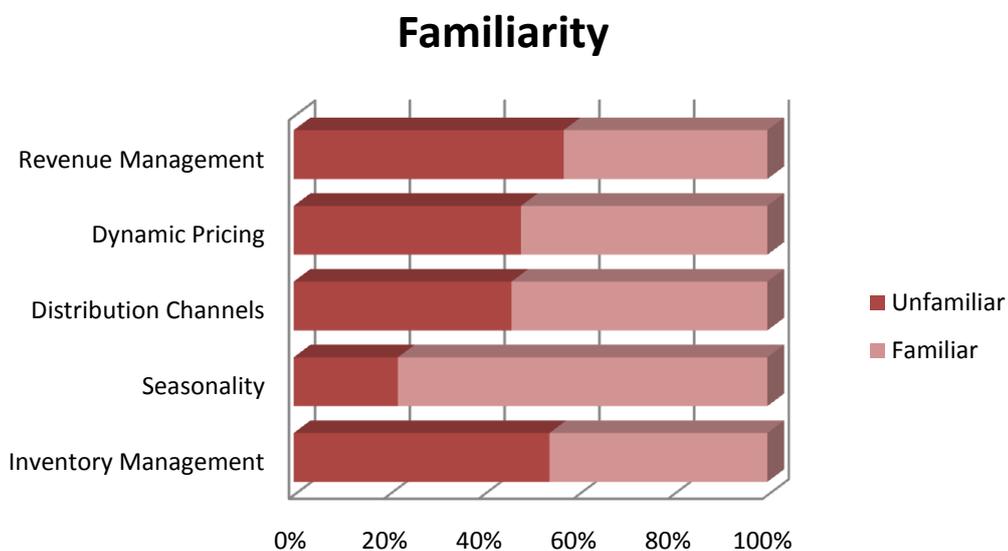
Considering Building Block III of the presented model, in both the pre-purchase situation and the post-purchase situation, no significant differences in the evaluation of fairness could be found. In both situations, the respondents were presented with similar scenarios which differed only slightly in terms of context. Collectively the answers indicate the same overall tendencies in both situations for all individual scenarios. Hence, the same scenarios which were rated in the pre-purchase situation as fair were also rated in the post-purchase situation as fair, and vice versa. In the current study no discrepancies in the perception of price fairness between the pre-purchase phase and post-purchase phase could be detected. The supposition made, that such differences might exist, has to be rejected based on the findings of this study. Accordingly, the presented dimension building block is not of relevance to the overall construct of perceived fairness of Revenue Management.

Measurements of Building Block II, the familiarity of respondents with Revenue Management indicate that a majority of individuals in the sample considered themselves to not be more familiar with the pricing practice than the “average person”. Initially, after being asked the first question: “Compared to the average person, how familiar do you think you are with the practices of Revenue Management?”, 57% of the participants stated that they were either “about the same” or “less familiar”, whereas 43% indicated that they were more familiar with the pricing practice. However, four additional questions were presented in the survey with the aim of detecting whether respondents are familiar

with individual layers of Revenue Management, such as managing distribution channels or inventory management. After the evaluation of the responses, a slight difference could be observed with 63% of the sample being identified as less familiar with Revenue Management and 37% as more familiar with the practice.

Figure 9

### Familiarity with Revenue Management



Overall, the outputs processed do not verify that there is a difference amongst respondents, whether or not they showed a high value of familiarity or a low value of familiarity in their evaluation of price fairness. However, individual scenarios, as well as specific scenario and familiarity question combinations do show such a distinction. The highest number of significant results at a p-value of .05 was retrieved by applying the familiarity groups generated by using the third familiarity question, which deals with managing distribution channels, as a grouping determinant. More precisely, three out of 18 scenarios were found to have significant differences in the values assigned to the two different groups. However, collectively not enough significant values were produced in order to demonstrate the phenomenon. There are no differences in the perception of price fairness between respondents who are familiar and those who are unfamiliar with Revenue Management in this study. Therefore, this study finds that perceptions of

fairness are not affected by differences in familiarity. The findings can not support the assumption that Building Block II of the presented model is fundamental to the creation of price fairness perceptions.

The hypotheses proposed in this study are based on the assumptions that, when making judgements on the perceived fairness of Revenue Management, there should be differences amongst individuals in a pre-purchase or post-purchase situation, and that there should be differences because of discrepancies between familiar and unfamiliar respondents. However, neither of these phenomena was observed in this study.

Therefore, hypotheses H1, H2, H3 and H4 are nullified.

Nevertheless, a closer examination of the overall survey leads to the deduction of other interesting results. Through the deconstruction of the total set of pricing scenarios into individual scenarios, followed by scenario-specific analysis, clear patterns for price fairness perceptions could be identified. The focus is put on the dimension illustrated by Building Block I, inequality. The results of the scenario-specific analysis presented in this section are arranged in the same consecutive order as in the questionnaire.

In the first set of pre-purchase scenarios as well as in the first set of post-purchase scenarios, namely in Scenario 1 [adv/expedia/b\_same/a\_same] and Scenario 2 [adv/expedia/b\_same/a\_same], respondents are faced with a price inequality situation, which is caused by the use of a different distribution channel for making the room booking. The respondent makes the reservation at the hotel directly, whereas the friend books via Expedia™. In the case of an advantaged inequality situation, where the respondent is paying less than the friend, the majority (39,8% and 41%, respectively for pre-purchase and post-purchase situation) rated the scenario as fair, whereas in the disadvantaged inequality situation a majority of unfairness perceptions could be observed. However, no significant asymmetries in the intensity of fairness perceptions between the advantaged and disadvantaged inequity situation could be observed for that particular sample.

The second set of scenarios, [adv/hotel/b\_early/a\_same] and [dis/hotel/b\_early/a\_same], relates to the date the booking is made. While the participant of the questionnaire is said to have made the reservation four weeks prior to arrival, the friend has already booked the room six months in advance. Again, the respondent is faced with an advantaged as well as a disadvantaged inequality situation. The majority of participants (62% and 60% ) perceive the pricing practice to be unfair if the friend has to pay more than them for the

same room. A greater majority (82% and 72%) of the respondents think it is fair if the friend receives a lower rate than them.

Scenario 5 [adv/hotel/b\_late/a\_same] and Scenario 6 [dis/hotel/b\_late/a\_same] presented in Situation II also address the factor of booking date, with the difference that the friend is making the reservation two days prior to arrival. In this case, respondents believe it is fair if the friend pays a higher rate and unfair if the friend pays less than them.

The next set of coinciding scenarios, [adv/hotel/b\_same/a\_other] and [dis/hotel/b\_same/a\_other], also aims to examine respondents' assessments of inequality situations that arise from a time-related factor. Unlike the above scenarios [adv/hotel/b\_late/a\_same] and [dis/hotel/b\_late/a\_same], it is not the booking date that is manipulated, but the arrival date. The respondent is asked to imagine that the friend is staying at the hotel on a different date, specifically either one month before or after the respondent. The majority of participants rated the scenarios to be fair, for both the advantaged and disadvantaged inequality situations. Only a moderate share of participants (<25%) judged the pricing practice to be unfair.

In the final set of scenarios, [adv/hotel/b\_same/a\_same] and [dis/hotel/b\_same/a\_other], in the questionnaire, booking manipulation is not applied, so that the overall reservation circumstances are the same for both respondent and friend. Only price inequalities are introduced. The answers given on the advantaged inequality situation and on the disadvantaged inequality situation show that a great majority of respondents rated these scenarios as unfair.

## **5. Discussion of the Results**

---

The statistical analysis conducted for this study indicates that perceptions of price fairness cannot be explained by either the different psychological state when in a pre-purchase or post-purchase situation, or by differences in the degree of familiarity with Revenue Management. Building Block II and Building Block III of the developed conceptual model do not determine perceived fairness of Revenue Management for the present sample, as supposed. However, the scenario-specific analysis led to the discovery of various

interesting findings which display clear patterns for price fairness perceptions. These findings are derived by a closer examination of the dimension of inequality, represented by Building Block I, in conjunction with different pricing practices. The patterns observed will be discussed in this section, following the order of the scenarios presented in the questionnaire and the preceding 'Results' section.

The results of the first set of scenarios ([adv/expedia/b\_same/a\_same] and [adv/expedia/b\_same/a\_same]) that incorporate booking channel manipulation indicate that the fairness evaluations are symmetrical to transaction utility. Transaction utility refers to satisfaction with the received deal (see section 2.3.8). Given the processed tendencies, it can be assumed that being satisfied with the price results in fairness perceptions, whereas dissatisfaction with the price leads to unfairness perceptions. Thus, responses for this particular set of scenarios coincide with those theories, suggesting that the self-interest of individuals plays a role in the creation of fairness perceptions.

The following scenarios all involve time manipulations of booking date or arrival date ([adv/hotel/b\_early/a\_same]; [dis/hotel/b\_early/a\_same]; [adv/hotel/b\_late/a\_same]; [dis/hotel/b\_late/a\_same]; [adv/hotel/b\_same/a\_other]; [dis/hotel/b\_same/a\_other]). Scenarios incorporating the time factor suggest the same behavioural intent. In strong contrast to the results of the first set of scenarios illustrated above, the fairness perception tendencies observed for these scenarios do not seem to be explained by self-interest and personal transaction value. To recapitulate the results from the scenario in which the friend has booked six months prior to arrival, the great majority of 82% perceive it to be fair if the friend receives a lower rate. Thus a disadvantaged inequality situation from the respondent's perspective is nonetheless clearly perceived to be fair. Hence, the assumption can be made that most respondents' perceptions of price fairness were guided by perceived procedural norms rather than by transaction value. As explicated, this pattern is similarly observed in the other scenarios incorporating time factor manipulations.

Again, collectively, the evaluation of those scenarios in which time factor manipulations for booking date and arrival date are conducted indicates equal tendencies amongst the participants of the survey when stating their perceived price fairness. In the given context, a respondent's satisfaction with the price does not necessarily translate into perceived fairness of the price. On the one hand, this aspect meets the objective of the questionnaire design, which aimed to guide participants in truly rating the scenarios based on their perceived fairness and not confusing this factor with satisfaction with the

deal. However, above all, this phenomenon represents a very interesting finding in that an advantaged inequality situation does not necessarily lead to perceived price fairness and, conversely, a disadvantaged inequality situation is not necessarily perceived to be unfair. These results might have occurred because such pricing practices are not perceived as standard. The phenomenon would then coincide with the theory of procedural justice presented earlier in section 2.3.5. The theory would suggest that if the way of setting a specific rate does not conform to perceived norms or a standard, the rate is judged to be unfair (Thibaut and Walker, 1975). Based on that assumption, various inferences about the respondents' perceived pricing norms can be established. Moreover, these inferences might also be generalized to other customers. Hence, customers might assume that a booking made a long time before actual arrival allows them to receive a 'good deal' from the service provider. Accordingly, customers might also believe that reservations concluded very shortly before arrival should result in higher rates being offered. Furthermore, the results of the survey show that the participants are aware that there are different rates for different seasons or other events. Hence, in this study, finding out that a friend has paid more or less, although the pricing context is not perceived to conform to procedural standards, leads individuals to judge the situation to be unfair.

The final set of scenarios ([adv/hotel/b\_same/a\_same] and [dis/hotel/b\_same/a\_other]) in the questionnaire measure perceived price fairness and illustrate a pricing practice which is certainly not a norm followed by Revenue Management under normal circumstances. In these scenarios the respondent's friend is charged a higher or lower price, although he/she has booked through the same distribution channel, on the same date, for the same period of stay. Collectively, the answers provided by the respondents indicate that both the advantaged inequality situation and the disadvantaged inequality situation are perceived by the majority (>58%) to be unfair. The respondents identified that this pricing practice is unreasonable under any circumstances. This assertion is made that, even when faced with an advantaged inequality situation and paying less than a friend, respondents will rate the scenario as unfair. Again, it can be observed that the answers given by the sample are not guided by price satisfaction and self-interest, but rather are based on rationality.

Hence, overall we can assume that procedural justice is a main determinant for perceptions of price fairness in the case of the sample investigated in this study. Especially, scenarios that are unreasonable under accurate Revenue Management are rated as unfair, even if they result in an advantage for the respondent. However,

considering the results of the first set of questions, it becomes evident that not everything that is an actual Revenue Management norm is necessarily accepted by customers as such. The procedure of offering different rates at different distribution channels might still appear to be inscrutable to the average customer. Hence, the majority of respondents tended to evaluate distinct prices at distinct distribution channels as fair or unfair merely based on their satisfaction or dissatisfaction with being in either an advantaged or disadvantaged situation. It might be reasonable to deduce that these responses were guided by transaction utility because, due to the lack of explicit presumed norms, the perceptions could not be based on procedural justice.

Furthermore, the results of the Kruskal-Wallis significance test, which was used to compare perceived fairness responses amongst the two familiarity groups, which were formed explicitly on the basis of familiarity question number three (measuring familiarity with managing distribution channels) needs to be mentioned in this context. Here, the largest number of significant results could be observed, in contrast to any other possible comparisons. The differences amongst familiar and unfamiliar respondents in evaluating the fairness of different prices caused by different distribution channels again enhances the argumentation above. Hence, it might be advisable for management to consider informing customers more about the procedure of offering different rates via different distribution channels. By using that approach, procedural norms and standards could be established in the minds of average customers. This would further ensure that people base their fairness evaluations on that specific aspect, rather than judging it as unfair in the first place.

While some Revenue Management procedures, such as early-bird discounts, appear to be quite accepted amongst the respondents, others are not. Management needs to be aware that those Revenue Management strategies that are implemented should conform to established societal norms in order to be perceived as fair. If the customer finds out that pricing practices that violate these assumptions have taken place, the hotel operation might be at risk of being perceived as unfair and thus it might lose customer goodwill. This is especially a challenge for establishing rates for last-minute customer requests.

Respondents appear to assume that the nearer the booking to the actual arrival date, the higher the rate charged. However, in practice we can often observe that hotel operations might proceed differently in such situations and even charge relatively low rates to counteract feared low occupancy figures. An encounter of a last-minute booker and an early bird traveller who has paid more would presumably result in at least one of the two

guests perceiving the hotel to be unfair. Hence, this aspect clearly has to be worked out and a solution must be found by management to this problematic issue in order to ensure the goodwill of its customers. In addition to this, an approach to solve the above illustrated issue of charging different rates via different distribution channels needs to be found. The development of solutions to these problems is of great importance to the hospitality industry, because due to the strong customer orientation, hotel businesses heavily depend on the satisfaction of their guests in order to stay profitable in the long run.

## **6. Limitations of the Study and Implications for Future Research**

---

Similar to any research, this study is not free from limitations. Some research questions could be analysed effectively in depth; however, other subjects of this study are still unresolved. It is most likely that this can be explained by several restrictions encountered by this study. The objective of the research was to investigate critically the conceptual model and the three specified building blocks of the perceived price fairness of Revenue Management presented in Section 1. These building blocks are inequality, purchase phase and familiarity. In order to measure these three dimensions, questionnaires were distributed which followed a scenario approach to detect fairness perceptions and differences amongst purchase phases and contained self-evaluation questions to collect familiarity data. The scenario approach has been used in various research studies that examine customer behaviour in the context of price perceptions (Kahneman et al., 1979; Taylor et. al., 2010; Xia et al., 2010). Although the application of scenarios is considered an appropriate approach for investigating customer behaviour-related issues, it has to be borne in mind that it is unclear whether the results can be directly equated to actual customer behaviour, even that of the respondents participating in the survey. The scenario approach measures customer attitudes and intentions rather than actual customer behaviour. Considering the definition provided by Ajzen (2002), amongst others, the co-founder of the Theory of Reasoned Action (1975, p. 980), states that behavioural intentions can be regarded not just as “an indication of an individual's readiness to perform a given behavior”, but as an “immediate antecedent of behavior”. Actual

behaviour subsequently is a “function of compatible intentions and perceptions of behavioral control”. Thus, intentions alone do not explain behaviour, because all possible factors which might affect the perceived ease of actually transforming intention into action have to be considered as well. Based on the given argumentation it could be stated that the results provided by the scenario approach can be used as a sound predictor for customer behaviour, but they do not constitute a perfect prediction. In order to be able to do so, other research methods which directly measure customer behaviour need to be applied.

Within the framework of an experiment, expressiveness about actual behaviour could be enhanced. Above all, the reactions of respondents who face disadvantaged inequality situations could be observed more credibly. It might be assumed that imagining being in a disadvantaged inequality situation does not create the same intensity of feelings as the actual experience of being in a disadvantaged inequality situation would. An experimental setting for the study would have probably also generated better insights into Building Block III, the dimensions of the pre-purchase and post-purchase phases in the given context. The effects of the pre-purchase and post-purchase phase on the perceived fairness of Revenue Management could not be detected sufficiently in this research and thus no conclusions could be drawn in this respect. It is questionable if such a distinction in behavioural responses can actually be measured by just asking respondents; the answers given might not truly reflect the different psychological states in which customers find themselves before or after a transaction because it appears to be difficult to simulate such a state while responding to a survey. However, because hardly any research can be found relating to the effects of the pre and post-purchase phase on perceived price fairness, it would constitute a very interesting subject for future research.

Furthermore, future research needs to address the topic of familiarity more precisely. As already outlined in section 2.3.9, various studies have made the supposition that familiarity is a determining factor for perceived fairness of Revenue Management. These findings reasoned the incorporation of this dimension into the conceptual model of perceived fairness of Revenue Management as Building Block II. However, the results of this research study suggest that perceptions of price fairness cannot be explained by the factor of familiarity. These varying results might be caused amongst other things by distinct interpretations of the term ‘familiarity’ itself. This particular aspect of defining familiarity was a main challenge for this study. A critical and in-depth analysis of this dimension found that no clear or commonly used definition of the term ‘familiarity’ exists.

Consequently, this lack created a fundamental problem when trying to investigate this particular concept. While reading through research addressing this concept it became necessary to 'read between the lines' in order to find out what the authors had actually investigated. After analysing various studies, various interpretations were found, from those which state that familiarity equates to being informed and knowledgeable to those which describe it as merely having been exposed to something in the past. This clearly shows that there is a strong need for a common definition of the dimension of familiarity, in order that it can be appropriately investigated in future research and to make results comparable to each other. Another difficulty persists generally in the measuring of individual familiarity with Revenue Management. This study assumed that the most appropriate way to do this was by letting respondents conduct a self-assessment. However, despite the anonymity of participation, a lack of objectivity and thus over- and underestimations cannot be fully excluded.

As discussed in Section 5, future research should more closely investigate the relationship between Building Block I, price inequalities, amongst various distribution channels and the perceived fairness of this practice. Dissenting opinions regarding advantaged and disadvantaged inequality situations could be observed amongst the respondents. In this context, when receiving a disadvantaged price there is a very high potential that it will be perceived as unfair. This potential needs to be minimized. In order to achieve this, further research is required upon which managerial implications can be built.

The questionnaire used for collecting the data was distributed by applying convenience sampling. This creates a restriction because generalization of the results to overall population might be limited.

Various aspects requiring further research could be identified in this study. In order to analyse the illustrated subjects, an approach that directly measures customer behaviour rather than intention, such as through the conduct of experiments, might be more suitable. Through using this procedure other research findings could enhance the external validity of the results. However, it might be a difficult challenge to acquire the permission of a hotel to set up a true experiment in their respective property. Thus this study has been conducted by the best possible means available and hopefully arouses interest in undertaking addition research on the dimension specified.

## 7. Conclusion

---

The overall objective of the present study was to identify which factors influence the fairness perceptions of Revenue Management in the hospitality industry. For that purpose a conceptual model of perceived fairness of Revenue Management has been developed. The assumption is made that the overall construct of perceived fairness of Revenue Management is edified on three building blocks. These building blocks are inequality, familiarity and purchase phase. The survey conducted seeks to examine differences in fairness perceptions for Revenue management practices amongst different inequality situations, familiarity groups and purchase phase for different pricing scenarios. Detecting those factors influencing perceived fairness is of high relevance to the industries applying Revenue Management practices as inequities are produced. Perceptions of unfairness can lead to the denial of entering an exchange relationship and result in the loss of actual and probable customers. However, Revenue Management strategies are increasingly applied, as it is believed to maximize revenues and thus profit. Due to the high customer focus and service orientation, the hospitality businesses would put their profitability at risk if being perceived as unfair. Strategies need to be implemented addressing influential factors in order to avoid unfairness perceptions.

In order to evaluate whether price fairness perceptions can be explained by the three building blocks specific, a survey has been conducted amongst 101 students of the Modul University Vienna. Responses have been processed using statistical analysis software SPSS.

The results indicate that there are no differences in the evaluation of fairness of Revenue Management, between familiar and unfamiliar respondents and between pre-purchase situation and post-purchase situation. Consequently judgements on price fairness are not significantly influenced by prior exposures to Revenue Management practices, for the present sample. Furthermore no difference in the perception of fairness when finding out about the inequality situation before or after the transaction could be measured amongst the responses of the survey. Collectively this implies that all hypotheses are nullified, as they are based on the assumption that such differences exist. H1a, H1b, H2a, H2b, H3a, H3b, H4a and H4b are rejected within the framework of the present study. As a direct consequence Building Block II and Building Block III of the conceptual model appear to be

irrelevant for the perceived fairness of Revenue Management, within the framework of the present study.

However, interesting patterns in the evaluation of fairness amongst the different pricing practices with regards to Building Block I, inequality, could be detected. Interpretation of the results found for the scenarios in which booking date or arrival date have been manipulated, show an overall tendency of basing judgements about fairness on perceived procedural standards. Practices coinciding with perceived norms are perceived to be fair, whereas practices conflicting with those standards are perceived to be unfair. Different to this, scenarios dealing with unequal prices amongst distinct distribution channels, show fairness judgements to be induced by transaction utility of the respondent. It is assumed that this might be due to non-established perceived norms amongst average customers. Following this assumption, actions should be implemented in order to prevent individuals, who find themselves in a disadvantaged situation caused by booking at a different channel, to judge the hotels pricing policy to be unfair at first place. Managing distribution channels in the context of perceived price fairness should be nearer investigated in future research.

The results obtained are valid for the given sample and survey context. It is hoped that the findings and discussions presented in the current research, will continue to be analysed in future research and managerial solutions are found. Future research is recommended to investigate the given framework in an experimental setting, in order to capture customer behaviour more reliable and enhance external validity.

## References

Adams, J.S., 1965. Inequity in social exchange. In: Berkowitz, L., *Advances in Experimental Social Psychology*. Academic press, New York, pp. 267-299.

Ajzen, I. 2002. Perceived behavioral control, self-efficacy, locus of control, and the theory of planned behavior. *Journal of Applied Social Psychology*, Vol. 32, pp. 665-683.

Baker Walter L., Marn Michael V., Zawada Craig C., 2010. *The Price Advantage*. John Wiley and Sons.

Bolton, L.E, Warlop, L., Alba, J.W., 2003. Consumer perception of price (un)fairness. *Journal of Consumer Research* Vol. 29 No. 4, pp. 474-491.

Burke, P.J., 2006. *Contemporary social psychological theories*. Stanford University Press.

Campbell M. C., 1999. Perception of price unfairness: antecedents and consequences. *Journal of Marketing research* Vol. 36 No.2, pp. 187-199.

Choi Sunmee, Mattila Anna S., 2004. Hotel revenue management and its impact on customers' perceptions of fairness. *Journal of Revenue and Pricing Management* Vol. 2 No. 4, pp. 303-314.

Corder, G.W., Foreman, D.I., 2009. *Nonparametric Statistics for Non-Statisticians. A Step-by-Step approach*. Wiley.

Cox, J.L., 2001. Can differential prices be fair? *Journal of Product & Brand Management*, Vol. 10 No. 5, pp. 264-275.

Cross, Robert G., 1997. *Revenue Management: Hard-Core Tactics for Market Domination*-Broadway Books. New York.

Eiglier, P., and Langeard, E., 1977. A new approach to service marketing. In Eiglier, P.,

Langeard, E. (Eds.), *Marketing Consumer Services: New Insights*, pp. 31-58. Cambridge:

Marketing Science Institute.

Erickson, G.M., Johansson, J.K., 1985. The role of price in multi-attribute product evaluations. *Journal of Consumer Research*, Vol. 12 (November), pp. 195-199.

Gabor, A., Granger, C.W.J., 1961. On the price consciousness of consumers. *Applied Statistics*, Vol.10 (November), pp. 170-188.

Grewal, Dhruv, Monroe, K.B., Krishnan, R., 1998. The effects of price-comparison advertising on buyers' perceptions of acquisition value, transaction value, and behavioral intentions. *Journal of marketing*, Vol. 62, pp. 46-59.

Guseman, D. S., 1981. Risk Perception and Risk Reduction in Consumer Services. American Marketing Association.

Haws, K.L., Bearden, W.O., 2006. Dynamic pricing and consumer fairness perceptions. *Journal of Consumer Research*, Vol. 33 (December).

Harlow, I.M., MacKenzie, G., Donaldson, D.I., 2010. Familiarity for associations? A test of the domain dichotomy theory. *Journal of Experimental Psychology: Learning, Memory, and Cognition*, Vol 36 No.6, pp. 1381-1388.

Helson, H., 1964. *Adaption-level theory*. New York, NY: Harper & Row.

Heo, C.Y., Lee, S., 2010. Influences of consumer characteristics on fairness perceptions of revenue management pricing in the hotel industry. *International Journal of Hospitality Management*.

Homans, G.C., 1961. *Social behavior: Its Elementary Forms*. New York: Harcourt, Brace & World.

Jacoby, Jacob 1976. Consumer and industrial psychology: Prospects for theory corroboration and mutual contribution. *Handbook of Industrial and Organizational psychology*, pp. 1031-1061. Rand McNally.

Jacoby, J., and Kaplan, L., 1972. The components of perceived risk. Paper presented at the Proceedings 3rd Annual Conference Association for Consumer Research, Chicago, IL.

Jasso, G., 2006. The theory of comparison process. In P.J. Burke (Ed.), Contemporary social psychological theories, pp. 165-193. Stanford University Press.

Johnston, R., Clark, G., 2008. Service operations management: improving service delivery. Third Edition. Pearson Education Limited.

Kahneman, Tversky, 1979. Prospect Theory: An analysis of decision under risk. Econometrica, Vol. 47 No. 2.

Kahneman Daniel, Knetsch Jack L., Thaler Richard H., 1986. Fairness as a constraint on profit seeking: entitlements in the market. The American Economic review Vol.76 No. 4, pp. 728-741.

Kimes Sheryl E., 1989. The basics of yield management. The Cornell Hotel and Restaurant Administration Quarterly. Vol. 30 No.3, pp. 14-19.

Kimes Sheryl E., 1994. Perceived fairness of yield management. The Cornell Hotel and Restaurant Administration Quarterly. Vol. 35 No.1, pp. 22-29.

Kimes Sheryl E., Chase Richard B., 1998. The strategic levers of yield management. Journal of Service Research. Vol. 1 No. 2, pp. 156-166.

Kimes Sheryl E., Noone Breffini M., 2002. Perceived fairness of yield management: An Update. Cornell Hotel and Restaurant Administration Quarterly, Vol.43 No.1, pp.28-29.

Kimes Sheryl E., Wirtz Jochen, 2003. Has revenue management become acceptable? Findings from an international study on the perceived fairness of rate fences. Journal of Service research Vol. 6 No. 2, pp. 125-135.

Kotler , P., Armstrong ,G., Wong, V., Saunders, J., 2008. Principles of Marketing. Fifth European Edition. Prentice Hall.

Lind, E.A. and Tyler, T.R., 1988. The social psychology of procedural justice. New York, NY: Plenum Press.

Lovelock, C., Wirtz, J., 2007. Services Marketing: People, Technology, Strategy, 6<sup>th</sup> ed. Upper Saddle River, New Jersey. Prentice Hall.

Major, B., 1994. From social inequality to personal entitlement: The role of social comparisons, legitimacy appraisals, and group membership. In Mark P. Zanna (Ed.).

Advances in experimental social psychology, Vol. 26, pp. 293-355. New York: Academic Press.

Mitchell, V.W., and Greator, M., 1993. Risk perception and reduction in the purchase of consumer services. The Service Industries Journal, Vol. 13 No.4, pp. 179-200.

Mitchell, V.W., McGoldrick, P. J., 1996. Consumer's risk-reduction strategies: a review and synthesis. The International Review of Retail, Distribution and Consumer Research, Vol.6 No.1, pp. 1-33.

Monroe, K.B., 1973. Buyers' subjective perceptions price. Journal of Marketing Research, Vol. 10 (February), pp. 70-80.

Monroe K. B., Lee, A.Y., 1999. Remembering versus knowing: Issues in buyers' processing of price information. Journal of the Academy of Marketing Science, Vol. 27 No. 2, pp. 207-225.

Monroe, K.B. 2003. Pricing: Making profitable decisions (third ed.). Burr Ridge, IL: Mc. Graw-Hill/Irwin.

Murray, K. B., 1991. The test of services marketing theory: information acquisition activities. Journal of Marketing, Vol.23 (January), pp. 263-278.

Murray, K. B., and Schacter, J., 1990. The impact of services versus goods on consumers' assessments of perceived risk and variability. Journal of the Academy of Marketing Science, Vol.18 No.1, pp.51-65.

Noone, B.M., Mattila, A.S., 2009. Hotel revenue management and the internet: the effect of price presentation strategies on customers' willingness to book. *International Journal of Hospitality Management*, Vol. 28, pp. 272-279.

Oh, H., 2003. Price fairness and its asymmetric effects on overall price, quality, and value judgments: the case of an upscale hotel. *Tourism Management*, Vol. 24, p. 387-399.

Oliver R. L, 1977. Effect of expectation and disconfirmation on postexposure product evaluations - an alternative interpretation. *Journal of Applied Psychology*, Vol. 62 No. 4, pp. 480.

Oliver, R.L. and Swan, J.E., 1989. Consumer Perceptions of Interpersonal Equity and Satisfaction in Transactions: A Field Survey Approach. *Journal of Marketing*, Vol. 53, pp. 21-35.

Oliver, R.L., Shor, M., Todd, S.T., 2004. Induced over-benefiting and under-benefiting on the web: inequity effects on feelings and motivations with implications for consumption behavior. *Motivation and Emotion*, Vol. 28, pp. 85-106.

Ordonez, L.D., Connolly, T. and Coughlan, R., 2000. Multiple Reference Points in Satisfaction and Fairness Assessment. *Journal of Behavioral Decision Making*, Vol.13 No. 3, pp. 329-344.

Pascale, G. Q., Margaret A. M., 2005. Perceived Risk And Servicescape: The Importance Of Managing The Physical Evidence In Services Marketing. ANZMAC 2005 Conference: Services Marketing.

Rao, A. R. and Monroe, K. B. (1988), "The moderating effect of prior knowledge on cue utilization in product evaluations," *Journal of Consumer Research*, Vol. 15 (September), pp. 253-264.

Richter, M. 2005. *Dynamik von Kundenerwartungen im Dienstleistungsprozess*. Verlag Gabler. Auflage 1. 14.

Rohlf, K.V., Kimes, S.E., 2005. Best-available-rate pricing at hotels: a study of customer perceptions and reactions. Cornell Hospitality Report, Vol. 5, No. 7.

Santos, J., Boote, J., 2003. A theoretical exploration and model of consumer expectations, post-purchase affective states and affective behavior. Journal of Consumer Behavior. Wiley Online Library.

Sherif, C.W., 1963. Social categorization as a function of latitude of acceptance and series of range. Journal of Abnormal Psychology, Vol. 67 (August), pp. 148-156.

Sparks, B.A., McColl-Kennedy, J.R., 2001. Justice service options for increased consumer satisfaction in a services recovery setting. Journal of Business Research, Vol. 54 No. 3, pp. 209-218.

Spreng, R. A., MacKenzie, S.B., Olshavsky, R.W., 1996. A reexamination of the determinants of consumer satisfaction. Journal of Marketing, Vol. 60 No. 3, p. 15.

Taylor Wayne J., Kimes Sheryl E., 2010. How Hotel Guests Perceive the Fairness of Differential Room pricing. Cornell Hospitality Report Vol. 10 No. 2.

Thaler, R.F., 1980. Toward a positive theory of consumer choice. Journal of Economic Behaviour and Organization. Vol. 1 (March), pp. 39-60.

Thaler, R.F., 1985. Mental Accounting and Consumer Choice. Marketing Science Vol. 4 No. 3, pp. 199-214.

Thibaut, J. and Walker, L., 1975. Procedural justice: A psychological analysis. Hillsdale, NJ: Lawrence Erlbaum Associates.

Urbany, J.E., Madden, T.J., Dickson, P.R., 1989. All's not fair in pricing: an initial look at the dual entitlement principle. Mark Lett, Vol. 1, pp. 17-25.

Vaidyanathan, R. and Aggarwal, P., 2003. Who is the fairest of them all? An attributional approach to price fairness perceptions. Journal of Business Research, Vol. 56, pp. 453-463.

Van den Bos, K., Lind, E.A., Vermunt, R. and Wilke, H.A.M., 1997. How do I judge my outcome when I do not know the outcome of other? Psychology of the Fair Process Effect. *Journal of Personality and Social Psychology*, Vol. 72 No. 5, pp. 1034-1046.

Winer, R., 1986. A reference price model of brand choice for frequently purchased products. *Journal of consumer research*, Vol. 13, pp. 250-256.

Wirtz Jochen, Kimes Sheryl E., 2007. The moderating role of familiarity in fairness perceptions of revenue management pricing. *Journal of Service Research*, Vol. 9 No. 3, pp. 229-240.

Xia, L., Monroe, K.B., Cox, J.L., 2004. The price is unfair! Conceptual framework of price fairness perceptions. *Journal of marketing*, Vol. 68 No. 4, pp. 1-16.

Xia, L., Monroe, K.B., 2010. Is a good deal always fair? Examining the concepts of transaction value and price fairness. *Journal of Economic Psychology*.

Zeithaml, V., 1981. How consumer evaluation processes differ between goods and services. In J. H. Donnelly and W. R. George (Eds.), *Marketing for Services*, pp. 186-190. American Marketing Association.

Zeithaml, V., and Bitner, M. J. (2003). *Services Marketing Integrating Customer Focus Across the Firm* (3rd ed.). McGraw-Hill Irwin.

## Appendix A: Thesis Questionnaire

### Situation I

You are planning a weekend away with a friend in Rome for the middle of April, which is in four weeks time. You looked for hotels online and decided for the Courtyard by Marriott Rome. In order to get the best possible deal you inform yourself about room rates at multiple online channels (Expedia, Checkfelix) and talk to a travel agent. Finally you decided to book directly with the hotel. For a two-night stay (Fri-Sun) you are charged €100 per room per night.

The following day you are meeting friends and tell them about your planned trip. One of them tells you that he/she is also going to Rome on the same weekend and has booked the same room category in the same hotel as you have.

**Based on the scenarios below, how fair do you think the hotels pricing policy is?**

(Place a tick in the appropriate box.)

<p>Your friend tells you he/she has booked the room through Expedia at the same time as you have, at a rate of 110€ per room per night.</p>	<p><b>Very Unfair</b> <span style="float: right;"><b>Very Fair</b></span></p> <p style="text-align: center;"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </p>
<p>Your friend tells you he/she has booked the room through Expedia at the same time as you have, at a rate of 90€ per room per night.</p>	<p><b>Very Unfair</b> <span style="float: right;"><b>Very Fair</b></span></p> <p style="text-align: center;"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </p>
<p>Your friend tells you he/she has also booked the room with the hotel directly, but already 6 months ago and received a rate of €110 per room per night.</p>	<p><b>Very Unfair</b> <span style="float: right;"><b>Very Fair</b></span></p> <p style="text-align: center;"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </p>
<p>Your friend tells you he/she has also booked the room with the hotel directly, but already 6 months ago and received a rate of €90 per room per night.</p>	<p><b>Very Unfair</b> <span style="float: right;"><b>Very Fair</b></span></p> <p style="text-align: center;"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </p>

<p>Your friend tells you he/she is going to visit Rome <u>at a different date</u> in May and pays a rate of €110 per room per night.</p>	<p>Very Unfair <span style="float: right;">Very Fair</span></p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>
<p>Your friend tells you he/she is going to visit Rome <u>at a different date</u> in May and pays a rate of €90 per room per night.</p>	<p>Very Unfair <span style="float: right;">Very Fair</span></p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>
<p>Your friend tells you he/she has booked the same room category for the same date also directly with the hotel at a rate of €110 per room per night.</p>	<p>Very Unfair <span style="float: right;">Very Fair</span></p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>
<p>Your friend tells you he/she has booked the same room category for the same date also directly with the hotel at a rate of €90 per room per night.</p>	<p>Very Unfair <span style="float: right;">Very Fair</span></p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>

## Situation II

You are planning a weekend away with a friend in Rome for the middle of April, which is in four weeks time. You looked for hotels online and decided for the Courtyard by Marriott Rome. In order to get the best possible deal you inform yourself about room rates at multiple online channels (Expedia, Checkfelix) and talk to a travel agent. Finally you decided to book directly with the hotel. For a two-night stay (Fri-Sun) you are charged €100 per room per night.

After your trip you are meeting friends and tell them about your trip. One of them tells you that he/she also stayed at the same hotel on the same weekend and had the same room category.

**Based on the scenarios below, how fair do you think the hotels pricing policy is?**

(Place a tick in the appropriate box.)

Your friend tells you he/she had booked the room through Expedia at the same time as you have, at a rate of €110 per room per night.

<p>Very Unfair <span style="float: right;">Very Fair</span></p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>
---

<p>Your friend tells you he/she had booked the room through Expedia at the same time as you have, at a rate of €110 per room per night.</p>	<p>Very Unfair <span style="float: right;">Very Fair</span></p> <p style="text-align: center;"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </p>
<p>Your friend tells you he/she had also booked the room with the hotel directly, but already 6 months ago and received a rate of €110 per room per night.</p>	<p>Very Unfair <span style="float: right;">Very Fair</span></p> <p style="text-align: center;"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </p>
<p>Your friend tells you he/she had also booked the room with the hotel directly, but already 6 months ago and received a rate of €90 per room per night.</p>	<p>Very Unfair <span style="float: right;">Very Fair</span></p> <p style="text-align: center;"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </p>
<p>Your friend tells you he/she had booked the same room category directly with the hotel just 2 days prior to arrival at a rate of €110 per room per night.</p>	<p>Very Unfair <span style="float: right;">Very Fair</span></p> <p style="text-align: center;"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </p>
<p>Your friend tells you he/she had booked the same room category directly with the hotel just 2 days prior to arrival at a rate of €90 per room per night.</p>	<p>Very Unfair <span style="float: right;">Very Fair</span></p> <p style="text-align: center;"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </p>
<p>Your friend tells you he/she had visited Rome <u>earlier this year, in March</u>, and stayed at the same hotel. Booking directly with the hotel, he/she paid a rate of €110 per room per night.</p>	<p>Very Unfair <span style="float: right;">Very Fair</span></p> <p style="text-align: center;"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </p>
<p>Your friend tells you he/she had visited Rome <u>earlier this year, in March</u>, and stayed at the same hotel. Booking directly with the hotel, he/she paid a rate of €90 per room per night.</p>	<p>Very Unfair <span style="float: right;">Very Fair</span></p> <p style="text-align: center;"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </p>
<p>Your friend tells you he/she had booked the same room category for the same date also directly with the hotel at a rate of €110 per room per night.</p>	<p>Very Unfair <span style="float: right;">Very Fair</span></p> <p style="text-align: center;"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </p>
<p>Your friend tells you he/she had booked the same room category for the same date also directly with the hotel at a rate of €90 per room per night.</p>	<p>Very Unfair <span style="float: right;">Very Fair</span></p> <p style="text-align: center;"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </p>

## Familiarity

---

(Tick or circle your answer.)

Overall, how familiar do you think you are with the practices of revenue management compared to the average person?

**Much more – much less**

How familiar do you think you are with the concept of dynamic pricing compared to the average person?

**Much more – much less**

How familiar do you think you are with the practices of managing distribution channels compared to the average person?

**Much more – much less**

How familiar do you think you are with the concept of seasonality compared to the average person?

**Much more – much less**

How familiar do you think you are with the concept of inventory management compared to the average person?

**Much more – much less**

## Demographics

---

**Gender: Male - Female**

**Age: \_\_\_\_\_**

**Professional experience in Hospitality/Tourism Industry:**

**None - 3-6 months - 6months to 1 year - 1-3 years - 3-5 years - 5 years and longer**