

Hotel Revenue Management: Impact of Familiarity and Information on Customer's Perceptions of Fairness

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Abstract *Hotels theoretically can charge as many different rates or prices as they want, but if customers view the hotel's rate policies as unfair, they are unlikely to patronize the hotel in future as perception of price fairness play an important role in customer satisfaction and their behavior. Considering the importance of perceived fairness, it becomes essential to understand the major factors influencing customer's fairness perception of RM pricing. The purpose of this study is to determine customer perceptions of fairness concerning pricing policies charged by the hotel industry and to examine how familiarity and Information approach in pricing policies affect customer perceptions of fairness. The study was conducted in a Hospitality context (e.g. Booking and staying in five star hotel) in order to examine the effect of Familiarity and Information on customer perceptions of price fairness. A quantitative approach was used to measure respondents' level of knowledge and impact of information and the current study conducted a survey with scenario based situations. The research also used Qualitative primary research through structured open ended interviews to discuss in detail related to differential pricing strategies. The interviews were conducted with Revenue Managers/ General Managers from a spectrum of hotels in India. The research indicates that the high levels of transparency and information will accept rules of variable pricing, and the benefits and problems associated with the practice. This research will inform management the strategies that seek ever-finer price discrimination through the use of customer databases and individually targeted price offers. Some customer segments may be amenable to variable pricing and will happily play along with the company's "rules". Other groups may not understand such rules, and in these circumstances may distrust a company that practices variable pricing.*

Keywords: *Variable Pricing, Differential Pricing, Familiarity, Price, Non-Price Information, Revenue Management*

INTRODUCTION

Hotel leaders have always confronted the challenge of usage of pricing strategies to achieve both income and customer satisfaction. The purpose of this paper is to recognize current practices of price setting in upscale hotels of National Capital Region and approaches adopted by policy makers in price sensitive and aggressive competitive market. This evidence will enable us to analyze the opinions and price pressures that hotel leaders go through in driving value for customers through pricing strategies and to make references accordingly.

According to Kimes (2010a) Revenue management pricing is based on two dimensions that is price discrimination and demand based pricing. Revenue management (RM) pricing is special and exceptional due to unconstrained demand and the choice is left to hotel to select customers who are paying most or fulfilling the conditions. These conditions give you the seamless opportunity to increase occupancy as well as average room rate. Price discrimination allows hotels to charge multiple prices to different market segments which ultimately lead to improved revenue as compare to one single rate to all customers. This discrimination could be presented with conditions or fences in terms close to arrival or length of stay controls. Marriott Chain

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have applied multiple rates for each day of guest stay and customers have started understanding and accommodating these multiple rates than traditional single pricing (Kimes, 2010b). The hotels define these multiple prices in forms of physical fences like room view, floor etc, controlled inventory availability where lower rates are possible only through few channels like website, Customer characteristics like age, gender etc. transaction characteristics like advance bookings, distribution channel etc. and product line where levels of services are differentiated.

Aviv and Pazgal, (2005) noted that traditionally, uniform prices would be set in the summer and be applied for the next entire year in a hotel; for example, hotels set a price in August or September for the following year. Standard or Uniform pricing involves hotels to commit to prices upfront, so those hotels may not have the capability to respond to individual consumers. Thus, uniform pricing has been assessed as impractical since the hospitality business today is so dynamic that it needs to regulate the changes. Drozdenko and Jensen (2005) advocated that if a company fixes discounts, the products commercialized under a discounted price may be perceived as low quality. Though effective pricing decisions can increase revenue, hotel should also think about influence of RM pricing on customer satisfaction. The satisfaction is usually affected with the idea of perceived fairness of these prices. Many researchers, (Wirtz and Kimes, 2007, Choi and Matilla 2005 Kahneman et al 1986) have established that customers are unlikely to patronize those hotels who are executing unfair pricing practices.

Despite their perceived positive impacts on hotels' bottom line, RM techniques have received a huge amount of disapproval in terms of complaints and lack of functional benefits (Bitran & Caldentey, 2003; Koide & Ishii, 2005). This is especially valid for price discrimination and overbooking techniques. Customers feel cheated and belied if they find that they have paid higher price for the same room or if they have to be moved to another hotel. This can be an outcome of absence of incomplete information related to booking, cancellation and amendment terms. In generic, academic papers are primarily in the of perceived fairness of RM from the view point of the customer (e.g. Choi & Mattila, 2004, 2005; Beldona & Namasivayam, 2006; Hwang & Wen, 2009; Heo & Lee, 2011; Kimes, 2002; Kimes & Wirtz, 2003a). Kimes (2002, pp. 28-30) pinpoints the RM practices that customers consider acceptable or unacceptable. Hotels theoretically can charge as many different rates or prices as they want, but if customers view the hotel's rate policies as unfair, they are likely to patronize the hotel in future as perception of price fairness play an important role in customer satisfaction and their behavior.

Considering the importance of perceived fairness, it becomes essential to understand the major factors influencing customer's fairness perception of RM pricing. The purpose

of this study is to determine customer perceptions of fairness concerning pricing policies charged by the hotel industry and to examine how familiarity, communication, Price consciousness, demographics and customer centric approach in pricing policies affect customer perceptions of fairness in an Indian context.

The intent of the current research are:

- To analyze the effect of familiarity and price knowledge (whether accurate or not) on customer fairness perception of RM pricing.
- To analyze the effect of price and non-price information on customer fairness perception of RM pricing.

The conceptual framework is based on the combination of research studies by Kimes (1994) Information theory and Maxwell (1995) fairness theory and Sinha and Batra (1999) price conscious theory which has seldom being applied in combination to understand the customer sensitivity towards pricing. Following an Information Perspective, Price consciousness and social and economic variables like Age, Gender and Income are suggested as antecedents of Price fairness. In addition, familiarity and price knowledge are also included as a significant variable of price fairness on the basis of literature review. The above discussion leads to the following Non Directional Hypothesis for the present research.

- H1: perceived fairness towards RM pricing practices does get impacted when a consumer becomes more familiar and increases price knowledge.
- H2: Perceived fairness towards RM pricing does get impacted with in-depth price and non price information on customer fairness perception of RM pricing.

LITERATURE REVIEW

Revenue Management has been a great source of the profitability for the Hospitality sector. There are many researches that highlight the positive effects of applying revenue management strategies on organization's profitability. Cross (1997) proved that as compared to any other Information Management Systems, Revenue Management systems and strategies can increase your Return on Investment by 200%. Robert Crandall, then Head of American Airlines estimated that Yield Management techniques have made the marginal revenue of \$1.4 billion in last three years (Smith, Leimkuhler and Darrow, 1992). The discipline of Revenue management started with the airline industry and was adopted by hotels in late 1980s. The Marriott International was pioneer in adapting revenue management in hotels. They had managed to increase their incremental revenue by \$150 to 200 million. (Marriott and Cross, 2000). Revenue Management is defined as "an integrated, continuous and organized approach to maximise

room revenue through the manipulation of room rates in response to forecasted patterns of demand.” (Chiang et al, 2007) Revenue management is effective only with certain characteristics which are; the fixed capacity, segmented market according to similar characteristics, perishable inventory, fluctuating demand, high fixed cost and advance bookings. (Kimes and Wirtz, 2003). Schwartz (1998) argued in his research that only one condition is required and that is perishable inventory and rest characteristics may be or may not be present. To add further Kimes (2003) suggested elementary elements like ability to segment the markets according to consumer behaviour and its spending capacity, detailed information on historical demand and booking patterns, well defined policies on pricing and overbooking and robust information system to implement revenue management strategies effectively not only for rooms but total hotel revenue. As against airlines, hotels look for ancillary revenues from other revenue center departments as well like Restaurants, Function space and spas. Accurate forecasting and controlling inventory for those guests who gives you overall holistic maximum revenue rather than accepting reservation that is paying higher price only for one night can add significant profit to hotels. Revenue management, also called yield management or real-time pricing, is an indispensable tactical tool in the business world. “A business practice used for selling the right inventory units at the right time to the right customers for the right price” by Choi and Mattila, 2003. In its simplest form, revenue management in the hotel industry indicates that during low-demand period, inventory becomes accessible to all channels of distribution and customers approaching directly at a discounted rate; on the other hand, during peak period, rooms are available to only a certain segment of customers who are eager to conditions and pay a higher room rate. Furthermore Choi and Matilla (2003) highlighted the goal of revenue management is to maximize the profits for the firm by obtaining revenues from rooms that would otherwise be unsold.

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However, the developing industries encountered hindrances in attaining their objectives for generating additional revenues. Customers have acknowledged this concept in the airline industry, but they have not yet accepted it in lodging or other industries.

FEATURES THAT IMPACT PERCEIVED FAIRNESS

There are many features that may have straight impact on perceived fairness such as past historical prices, variant customer treatment, perceived cost, and guest knowledge.

a. Past Historical Prices and Perceived Fairness.

Various researches suggests that customers rely on past prices when judging the suitability of current prices and use them to estimate the future prices (Jacobson & Obermiller(1990), Briesch, Krishnamurthi, Mazumdar, & Raj, (1997)). Researchers also believe that guests do not recognize the effect of inflation so their estimations of its effects may be inclined (Bates & Gabor, 1986; Katona, 1975; Kemp, 1987, 1991). Therefore, many consumer behavior researchers believe that guests will actually undervalue rather than overvalue inflationary trends, which will prompt the perception of unfair pricing (Bolton et al., 2003). In Consumer Behavior academic research, researchers use the concept of a “reference transaction” when discussing perceived fairness. A “reference transaction” is how

customers think a transaction should be directed and how much a agreed service should cost (Kimes, 2002).

b. Differential customer treatment and perceived fairness

Seiders and Berry (1998) define fairness as “a customer’s perception of the degree of justice in a service firm’s behavior.” They distinguish three types of justice, procedural, distributive and interactional justice—a distinction that has become prevalent in service research (McCull-Kennedy & Sparks, 2003) and in organizational contexts (Cohen-Charash & Spector, 2001). Differential customer treatment mainly implies an unequal distribution of goods and services (Finkel, 2000); therefore, from the equality perspective, differential behavior can be considered unfair.

c. Perceived cost and perceived fairness

Aside from reference transactions, the perceived fairness of a price is likely to be influenced by the perceived cost of a good (Thaler, 1985, Bearden, Carlson, & Hardesty, 2003:). Bolton et al. (2003) conducted a chain of experiments to test the connection between perceived cost and perceived fairness. Their experiments showed that, although participants were not indifferent to the costs incurred by different types of sellers, estimated profits of sellers were quite high and estimated nonCost of Goods Sold were relatively low (Bolton et al., 2003). The results were dependable with Kahneman et al. (1986)’s study, which suggests that guests are sensitive to a price increase even if they noticed the change of costs.

METHODOLOGY

This study adopted a combination of both Quantitative and Qualitative methodology in line with the positivist and scientific realism paradigm (Hunt, 2002). More specifically, a self-administered questionnaire survey was used to measure latent variables and test hypotheses, and this method was chosen in order to address the limitations of previous studies and to seek generalizability. Monroe (2003) introduced four types of research methods for pricing research: surveys, experimentation, statistical methods and models, and panels. These methods have been independently used to best fit a

variety of research purposes and contexts. Surveys are a frequently used method of estimating price sensitivity and purchase intentions, are relatively easy to conduct, and are one of the least costly research methods (Monroe, 2003). In addition to pricing and, and more specifically, price fairness research, Weiner (2000) recommended three types of research methodologies for consumer behavior research based on attribution theory: surveys using real personal incidents, scenario based or role-playing methodologies, and laboratory experiments. He argued that each methodology has its unique strengths and weaknesses, and should be used in the right contexts, depending on the nature of study and the research question(s). Consequently, considering the advantages of each method and the nature of the study context, the current study conducted a survey with scenario based situations. The research has also used Qualitative primary research through structured open ended interviews to discuss in detail related to differential pricing strategies. The interviews were conducted with Revenue Managers or General Managers from a spectrum of hotels in India. The interviews will provide the understanding of the hotels towards differential pricing strategies and the overall aim achieved through Revenue Management. We also used qualitative interviews with open ended questions to ask Revenue Managers of the hotels about their opinions on Differential Pricing Strategies and its effect on customers.

This study was conducted in a Hospitality context (e.g. Booking and staying in five star hotel) in order to examine the effect of differential pricing strategies on customer perceptions of price fairness. The study has used Pricing and Customer grid to understand and define the problem area and the target market. Based on the matrix, Free Individual traveler or (FIT’s) are price sensitive, negotiate and wants to get the best deal, hence our sample population were FIT’s who usually stay in five star hotels. Through Matrix, we could identify that Free Individual Traveller are exposed to Differential pricing strategies and are price sensitive as they are bearing expenses from their own pockets.

		Customer	
		Insensitive	Sensitive
PRICING	Dynamic	Business Travellers	FIT’s (Corporate plus leisure) and Walk in
	Fixed	Corporate Contracted and Volume Rates	TRAVEL AGENTS contracted BOOKINGS IN SEASON TIME

Fig. 1.1: Adapted Matrix to Identify Sample Population

SAMPLE SIZE

The appropriate sample size for this study was determined to be 400 after overall examination of multiple guidelines in literature. The Delhi and Haryana Region recorded almost 30 million tourists in year 2014 (Ministry of Tourism, 2015). Krejcie and Morgan (1970) in their paper on determining sample size for research activities mentioned that as the population increases the sample size increases at a diminishing rate and remains relatively constant at slightly more than 380 cases. Based on the table provided by the above authors, the appropriate sample size was 380. The same result was provided by the Sample size calculator based on confidence level (95%), confidence interval (5%) and population size of 30 million (Calculator.net, 2015).

Participants were selected with the specific purpose of focusing on customers who have stayed in five star hotels, non probability sampling was applied. Among four different non-probability sampling techniques, convenience sampling was selected.

DESIGN

To measure the sensitivity of respondent on differential pricing strategies, the current study adapted the experimental design from Schindler (1998). In Experimental Design, written scenarios are commonly used in studies researching perceived fairness and perceived price policies (e.g., Bolton, Warlop, & Alba, 2003; Choi, Mattila, Park, & Kang, 2009; Kahneman, Knetsch, & Thaler, 1986; Noone & Mattila, 2009; Rohlf's & Kimes, 2007). This study presented two scenarios to evaluate how respondents react to role of Familiarity, Price and non price information in perceived fairness towards differential pricing strategy. In all scenarios, participants were told to imagine that they are booking a five star hotel room for leisure (business travelers were excluded since they are relatively insensitive to hotel rates) travel purposes (Tanford, Erdem, & Baloglu, 2011).

QUESTIONNAIRE

The questionnaire had several sections. The screening question was "In the past twelve months, have you stayed at a four/ five star hotel." All respondents selected to answer "no" were screened out of the survey. For those who met the screen criteria, the first section asked questions about demographics, common way of booking a hotel room and membership to any hotel loyalty programme. Dependent variable in this dissertation is customers' perceived fairness on differential pricing strategies. Perceived fairness was measured with different items and on seven-point Likert scale adapted from Choi & Mattila (2005)'s, Wirtz & Kimes

(2007)'s and Wayne & Kimes (2010). There were four between-subject independent variables tested in this study. The first independent variable was familiarity and price knowledge strategy. The second independent variable is price and non price information strategy. Table 3 shows the questions and scale items that will be used in the study.

The paper has used an in-depth semi structured interviews to understand the achievement of hotels in applying revenue Management successfully and strategies adopted by Revenue Managers in Price setting of hotels. The information was noted first hand to avoid any ambiguity for data analysis. We approached sixty properties out of which forty Revenue Managers/ General Managers were interviewed.

As in any study respondents had the choice of not answering any part of the survey. Accordingly, all completed surveys were received by the researcher for nonresponse issues. Where the respondent had left major portions of the survey incomplete, their surveys were discarded.

Of total 405 respondents, 57.3% were male, 42.7% female, 41.5% were in the age group of 26-35 years, which was the highest number of respondents. On the other hand the age group of 55-60 years (.5%) had the lowest number of responses. The most frequent income group was between 0 and 5 Lakhs (46.4%). Further, 45.4% had a post graduate degree, the most frequent. However, 5.9% respondents had Ph.D degree, which was the least frequent occurring. Interestingly, the preferred common source of reservation for both Business and Leisure were Website and CRS booking with 31.1% and 27.2% respectively.

Table 1.1: Frequencies for Gender

Statistics					
Gender					
N	Valid	405			
	Missing	0			
Mean	1.43				
Median	1.00				
Std. Deviation	.495				
Variance	.245				
Sum	578				
Gender					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Male	232	57.3	57.3	57.3
	Female	173	42.7	42.7	100.0
	Total	405	100.0	100.0	

Table 1.2: Frequencies for Age

Statistics					
Age					
N	Valid	405			
	Missing	0			
Mean	1.90				
Median	2.00				
Std. Deviation	.986				
Variance	.972				
Sum	769				
Age:					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	18-25	157	38.8	38.8	38.8
	26-35	168	41.5	41.5	80.2
	36-45	62	15.3	15.3	95.6
	46-55	8	2.0	2.0	97.5
	55-60	2	.5	.5	98.0
	60 or above	8	2.0	2.0	100.0
	Total	405	100.0	100.0	

Table 1.3 Frequencies for Annual Income

Statistics					
3.	Annual Income:				
N	Valid	405			
	Missing	0			
Mean	1.97				
Median	2.00				
Std. Deviation	1.125				
Variance	1.266				
Sum	796				
3.	Annual Income:				
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	0-5 Lakhs	188	46.4	46.4	46.4
	6-10 Lakhs	118	29.1	29.1	75.6
	11-15 Lakhs	24	5.9	5.9	81.5
	16 or more	75	18.5	18.5	100.0
	Total	405	100.0	100.0	

Table 1.4: Frequencies for Educational Background

Statistics					
4.	Highest level of education completed:				
N	Valid	405			
	Missing	0			
Mean	3.44				
Median	4.00				
Std. Deviation	1.200				
Variance	1.440				
Sum	1392				
Highest Level of Education Completed					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Class 12th	30	7.4	7.4	7.4
	Diploma	61	15.1	15.1	22.5
	Undergraduate	84	20.7	20.7	43.2
	Postgraduate	184	45.4	45.4	88.6
	PhD	24	5.9	5.9	94.6
	OTHER	22	5.4	5.4	100.0
	Total	405	100.0	100.0	

The hypotheses (H1 to H2) were tested using multiple regression method for which the following equation has been formed.

Regression Model:

$$Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \varepsilon$$

Where; Y is dependent variable (Consumer's sensitivity towards price fairness) while, the independent variables are; x_1 (Familiarity & Price Knowledge), x_2 (Price & Non-Price Information)

Table 1.5: Hypothesis (H1 to H2)

Descriptive Statistics			
	Mean	Std. Deviation	N
Price Sensitivity	3.5740	.57569	321
Familiarity & Price Knowledge	3.7032	.45660	321
Price & Non-Price Information	3.2656	.92900	321

Table 1.6: Model Interpretations

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.834 ^a	.696	.691	.32013	2.242
a. Predictors: (Constant) Price & Non-Price Information, Familiarity & Price Knowledge					

The above table shows the multiple linear regression model summary and overall fit statistics. The "R" column represents the value of R , the *multiple correlation coefficients*. R can be considered as one measure of the quality of the prediction of the dependent variable; in this case, Consumer's sensitivity towards price fairness. A value of 0.834 indicates a good level of prediction. We find that the adjusted R^2 of our model is 0.691 with the $R^2 = .696$ that means that the linear regression explains 69.6% of the variance in the data. The Durbin-Watson $d = 2.242$, which is between the two critical values of $1.5 < d < 2.5$ and therefore we can assume that there is no first order linear auto-correlation in our multiple linear regression data. Another table represents Anova table 4.10

Table 1.7: ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	73.772	5	14.754	143.965	.000 ^b
Residual	32.283	315	.102		
Total	106.055	320			
a. Dependent Variable: Price Sensitivity					
b. Predictors: (Constant), Price & Non-Price Information, Familiarity & Price Knowledge					

The *F*-ratio in the ANOVA table tests whether the overall regression model is a good fit for the data. The table shows that the independent variables statistically significantly predict the dependent variable, $F(5, 315) = 143.965$, $p <$

.0005 i.e., the regression model is a good fit of the data. The next table represents estimated model coefficients. The general form of equation of predict consumer' sensitivity towards price fairness from Price & Non-Price Information, Familiarity & Price Knowledge is:

Table 1.8: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
(Constant)	.081	.234		.345	.730	-.380	.541		
Familiarity & Price Knowledge	.230	.045	.182	5.080	.000	.141	.319	.750	1.334
Price & Non-Price Information	.480	.021	.774	23.163	.000	.439	.521	.865	1.156
a. Dependent Variable: Price Sensitivity									

The ANOVA table states unstandardized coefficients that indicate how much the dependent variable varies with an independent variable when all other independent variables are held constant. The unstandardized coefficient B_1 for Familiarity & Price Knowledge is equal to .230 (see Coefficients table). This means if the Familiarity & Price Knowledge increase by 1, then our model predicts that consumer' sensitivity towards price fairness increases by .230. *t* value states *t* statistics and and Sig.value states significant level.

These are the *t*-statistics and their associated 2-tailed *p*-values used in testing whether a given coefficient is significantly different from zero. Using an alpha or level of significance of 0.05, the coefficient for Familiarity & Price Knowledge (0.230) and Price & Non-Price Information (0.480) is significantly different from 0 because its *p*-value is 0.000, which is smaller than 0.05. Therefore, we find that price and non-price information and familiarity and Price Knowledge are significant predictors. Standardized coefficients state that price and non-price information has highest impact in predicting the value of dependent variable.

Views of Revenue Manager on Pricing Strategies

The overall aim that hotel seeks to achieve through pricing is to create a *right balance between positioning by having a threshold price and achieving optimum Revenue per available room.*

Hotels adopt a pricing strategy of a combination of *competitive and product line pricing or value based pricing.* The leaders like The Oberoi in the market dictated/ influenced the price to the rest of the market. They bundle the product or services to a very limited extent and the pricing most of the times are directly proportional to demand. In price setting process and to implement pricing strategy, the information that hotel revenue managers would be interested is a *combination of costs (which decides the threshold pricing), demand competition pricing, and guest value.* Segmentation of guests based on their price elasticity is also employed wherever possible specific *price strategies* need to be adopted by hotel keeping in view of price-sensitive and fierce competitive market.

Pricing is critical whether it be rooms/F&B or hotel health clubs and spas. Most hotels try to establish positioning and *retain customers through service, value proposition,*

competition differentiation, and recognition. Hotels follow a pricing strategy of combination of pricing methods depending upon demand, lead time, segment, and product type. When setting prices *apart from costs and competition, key elements that hotels always take into account is unconstrained and constrained demand, lead time, price elasticity, and on-the-books performance.* Most of the hotels are built with a long-term vision as building hotels is capital intensive and has a long gestation period in India. *Hence, sustainable pricing strategy would be customer value pricing and will precede over revenue management.*

CONCLUSION AND SUGGESTIONS

Differential pricing is a necessity in today's environment as rates are accessible directly by the clients and across a wider variety of distribution channels than ever before. While traditional revenue management was succeeded through inventory Management like length of stay restrictions, the innovative hotel organizations are moving headed for a revenue optimization approach centered around the optimal price point for each day in the future, per night, per channel and segment. Sophisticated technology will help further drive our approaches to dynamic pricing, with pricing by customer (segment of one), becoming a reality in the not too distant future. (Ms. Zara Singh, Director Revenue, South West Asia- IHG personal communication). The study conducts a logistic analysis to accomplish the study goal. The main model comparison reveals that more frequent users of hotels, online price and non-price information, younger hotel guests, and more qualified people tend to perceive hotels' RM pricing practices to be fair, compared to their counterparts.

In addition to the main observations and findings that are based on hypothesis testing, this study found some motivating and logical results. Except Gender, all the variables which were Familiarity and Price Knowledge, Price and Non Price Information, Price Consciousness, Bundling, Loyalty, Age and Income seems to play a significant role on fairness perception of Differential pricing

Familiarity and Price Knowledge

Our analysis has supported the role of Familiarity and Price knowledge in increasing the fairness towards Differential pricing Strategy. Perceived fairness is affected by market and community, and perceived fairness of a price presentation is referred relative to the norms set by them (Kahneman et al, 1986a, 1986b). This means that reference prices are not stationary but are frequently modified with market situations (Wirtz & Kimes, 2007). Kimes (1994) presented that RM pricing were reflected as more suitable for airlines than for hotels in 1994. Amusingly, in a follow-up research after 8 years, Kimes and Noone (2002) established that there were

no longer substantial differences amongst the acceptability of RM practices in both segments. They established that this was owing to the increased occurrence of RM in the hotel industry. As a market, hotels have become more accustomed with RM practices and the unfairness perceptions of RM pricing may weaken over time (Wirtz & Kimes, 2007). Through research, Author believes that perceptions of fairness are shifting and that RM practices are generally more acknowledged by the today's consumer. This is comparatively due to the expansion and growth of RM discipline into other service industries, so that a given consumer is more likely to be exposed to it and also due to growing transparency of pricing, which makes consumer more empowered to compare alternatives.

Price and Non-Price Information

Our data and findings have strongly supported the influence of price and non-price of information on fairness of differential pricing strategies. While the price transparency afforded by the Internet has been a key factor in the acceptance of price optimization models for hotel RM, the Internet's role as an information and booking source has transformed the way that consumers approach hotel choice and bookings. Customers have direct access to all related price and non-price information in the form of content presented by the hotel (for example, images and descriptions of facilities and professional pictures of the hotel) and user-generated content (UGC) (for example, blogs, experience in form of consumer reviews and collective consumer ratings) that can be used internally to understand the value propositions of competing properties. While emergent price optimization technologies unambiguously reflect the impact of competitors' prices can have on a hotel's demand, they do not comment or analyze the possible impact that consumers' price perceptions may have on hotel choice. Lots of research provides support for a remarkable effect of UGC on consumers' price and value perceptions, selection of hotel and hotel performance (Noone and McGuire, 2014; Xie et al, 2014; Book et al, 2015; Kim et al, 2015, Ye et al, 2011; Ögüt and Taş, 2012;). For example, Noone and McGuire (2013) found that, while price and non-price information including blogs, customer reviews, consumer ratings, Trip Advisor rankings and brand name were prime and substantial reason of online hotel choice. Signifying the impact of UGC on hotel performance, Anderson (2012) found that a 1 per cent rise in a hotel's online reputation score, it leads to an increase of up to 0.89 per cent in average daily rate, an increase of up to 0.54 per cent in occupancy and a 1.42 per cent increase in revenue per available room.

The perceived depth of information and interactivity of the messages at the web site are significant and important determinants (i.e., have higher beta weights) of price sensitivity, particularly the depth of the information at

the site. If customers perceive that a site offers in-depth and searchable information (i.e., interactive and dynamic messages), it decreases their price sensitivity on both the measures. Overall, our results suggest that multi-layered and rich web sites that facilitate interactivity reduce customers' tendency to use price as a decision criterion, and reduce the proclivity to do price search.

MANAGERIAL IMPLICATIONS

From a managerial perspective, firms that have lower prices than their competitors should try to enhance the factors that increase price importance and price search. On the other hand, firms that are higher priced, but higher quality products, should try to enhance factors that encourage non-price comparison, i.e., decrease the focus on price search. These strategies can be grouped into areas like web site design, and distribution and strategic alliances. Firms can reduce customer price sensitivity for their products at their web sites by:

- (1) providing a rich set of useful information through multiple web pages, in particular, on non-price attributes,
- (2) making the site highly interactive, whereby price becomes just one of the many attributes that interested shoppers can browse.
- (3) offering a wide range of product assortments and prices,
- (4) making it easier to search for non-price attributes relative to price.

Online customers are more inclined to search for better prices. But, if a firm offers rich and deep information, an interactive search process, and a wide product selection, customers may have the time to also search non-price attributes. Some ways to do this are by having strong editorial content, making available customer testimonials, and embedding special features (e.g., a map with locations of attractions near a hotel). For example, a hotel could provide expanded descriptions and information on each of its properties (particularly because "Location" is a key attribute with the highest average relative importance among all attributes in the online search).

In this way, whenever customers search for price information, they are also likely to be presented with considerable amount of non-price information, reducing their price sensitivity.

FUTURE RESEARCH

Our empirical study has several limitations that should be addressed by future research. We used situational measures of price sensitivity.

Future studies should test our hypotheses by tracking actual purchases online and offline and using behavioral measures

of price sensitivity, such as price elasticity. Our empirical analysis was also restricted to price sensitivity toward one product i.e. hotel rooms. Future studies should explore price sensitivity in other product categories with different characteristics.

Finally, an important research opportunity is to study how the actions and reactions of competitors using Internet marketing strategies influence the intensity of price competition by altering customers' price sensitivities.

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