

Behavioral Intentions – An Important Aspect of Pricing and Revenue Management

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Abstract

This study explores the impact of revenue management pricing practices on the behavioral intentions of three customer groups: those who accept a reservation offer, those who decline a reservation offer, and those who are denied a reservation request. A single case study method was adopted to conduct qualitative and quantitative research in a hotel company and its customers. In depth data was collected through semi-structured interviews, observations, documentation, and most importantly a survey administered on the chain's website with respondents in the process of making a booking. The findings indicate that the price paid for a room has a direct and positive effect on behavioral intentions of customers who have successfully made a booking. However, customers who declined a reservation offer or were denied a reservation request because of the quoted price, displayed negative behavioral intentions.

Keywords Revenue Management; Budget Hotels; Dynamic Pricing; Loyalty; Recommend; Repurchase Intentions.

Paper type Research paper

The concept of Revenue Management (RM) has been regarded as one of the most researched areas in hospitality operations management study (Shoemaker and Gorin, 2008). RM is the practice of dynamically pricing a perishable product and selectively allocating scarce capacity across segmented demand and distribution channels, while taking into account customers' profitability and value, in an effort to maximize gross total revenue and therefore improve profitability (Cross, 1997; Kimes, 2004). In other words, RM is an important tool for matching supply and demand by segmenting customers into different segments based on their willingness-to-pay and allocating scarce capacity to the different segments in a way that maximizes company's revenues. In light of preceding advantages of conducting RM, a hotel company may benefit financially from such practice by maximizing revenue from selling its fixed capacity, but, on the other hand, it may alienate its customers (Kimes, 1994). Indeed, RM's outcome results in differences, between customers and across customer stays, in the room rates quoted for the same room type at the same hotel. As a result, Kahneman et al (1986), Kimes (1994), and Wirtz et al (2003) argue that such practices might be perceived by customers as unfair, thus lead to decreased customer satisfaction and goodwill, and ultimately to business loss from these customers. Thus, high yield from fixed resources should not be considered as a successful financial performance for the company, without investigating the price that has been paid in terms of customer relationships. Indeed, in the hotel industry context, there is no reported empirical research that examines the customers' reactions to RM practices. Furthermore Wirtz et al. (2003:217) argue that *customers seem to have been forgotten in this stream of research.*

The research study reported here aims to investigate the relationship between short term decisions about accepting, denying, or declining a reservation and the implications of this on long term customer attitudes and behaviors. In order to address this, the article will therefore provide a background to RM and customers' perceptions. It then goes on to explain the approach adopted for this study, which was undertaken in a leading UK-based hotel chain. The findings are presented and the conclusions discussed.

LITERATURE REVIEW

Revenue Management

RM techniques assist an organization in finding the optimal inventory allocation and price setting for various services in a profitable way. The idea is to maximize an organization's effective use of its resources by moving away from mass pricing and mass marketing, to the management of the micro market. RM applies to almost all businesses with perishable inventory; ranging from merely adopting the revenue management attitude with an emphasis on supply, demand, and price management to using high-powered algorithmic tools (Cross, 1997).

The practice of RM has a very rich history and body of knowledge in terms of academic and practitioner research. In fact, several publications have provided an overview of research on RM (Cullen and Helsel, 2006; Talluri and van Ryzin, 2004; Elmaghraby and Keskinocak, 2003; Boyd and Beligan, 2003; Kimes, 2003; Bitran and Caldentey, 2003; Pak and Piersma, 2002; Ingold et al., 2000; McGill and van Ryzin, 1999; Cross, 1997; Weatherford and Bodily, 1992). These publications reflect the growing attention and literature on RM in the airline and hotel sector, and reveal the necessity to provide a concise definition of the concept and its key drivers. A multitude of definitions has been proposed; however, these varying definitions on RM share a fairly similar and broader framework so that a fair amount of overlap is found between them. Most of the RM definitions are functionally based i.e. some definitions emphasize the application of RM, whereas others look at it from an operational or marketing perspective. Thus, the following generic "best fit" definition of revenue management has been developed. RM is the practice of dynamically pricing a perishable product and selectively allocating scarce capacity across segmented demand and distribution channels, while taking into account customers' profitability and value, in an effort to maximize gross total revenue and, therefore, improve profitability.

Dynamic Pricing

RM, the most mature area of dynamic pricing, is concerned with pricing a perishable product in accordance with demand from multiple customer segments so as to maximize revenue or profit. Thus, prices are adjusted dynamically as a function of inventory level and time left in the selling period (Fleischmann, Hall and Pyke, 2004). Furthermore, price is one of the most effective variables that managers can manipulate to encourage or discourage demand at a certain point in time (Bitran and

Caldentey, 2002). Where static pricing sets a single rate across all markets, dynamic pricing is a more flexible model where prices fluctuate based on individual market demand at a particular time. For instance, hotels use dynamic pricing, discounting prices heavily on the weekend and boosting them sharply on the busiest days of the week (Bitran and Mondschein, 1995; Bitran and Gilbert, 1996; Garrow et al., 2006). It is in the last decade that pricing policies really became an active component of RM literature (Gallego and van Ryzin, 1994; Feng and Gallego, 1995, 2000). Dynamic pricing is defined as a business strategy in which prices are varied frequently by channel, product, customer and time (Gallego and Van Ryzin, 1994; Bitran and Mondschein, 1997; Feng and Gallego, 1995, 2000; Zhao and Zheng, 2000). It represents a flexible system that changes prices not only from product to product, but also from customer to customer and transaction to transaction (Kasavana and Singh, 2002). Therefore, the value of the product/service being sold is not inherent in the product/service, but is determined by the buyers' willingness to pay. Quantity and volume discounts, consumer segmentation and sales promotions are examples of dynamic pricing. The empirical study conducted by Bitran and Caldentey (2003) focuses on dynamic pricing policies and their relation to RM for fixed and perishable capacity. The study illustrates that the optimal revenue is monotonically increasing in the selling season reflecting the fact that as the selling horizon increases, the seller faces a larger population of potential buyers and therefore, the seller can target the available capacity to those customers willing to pay the high price for the product. Furthermore, a number of studies were undertaken to investigate the benefit of using price to influence demand levels when production of constrained and capacity slots become filled (Fleischmann, Hall and Pyke, 2004). Much of the research on the dynamic pricing problem has assumed a static view of prices, where the main decision is whether to accept or reject a customer's request as a function of time, available inventory, and the corresponding fixed price attached to the request.

Customers' Perceptions, Attitudes and Behaviors

An interesting field of research that incorporates the behavior and attitudes of customers in terms of how should the seller set the prices if customers act strategically (i.e. a strategic customer takes into account the future path of prices when making purchasing decisions), has not yet been studied and is largely missing both in the academic literature and price optimization software (Bitran and Caldentey,

2003; Elmaghaby and Keskinocak, 2003). Little work has been done to examine the potential conflicts that arise from trying to integrate customer and RM orientation; the way customer perceive RM strategies; and how these conflicts can be minimized or resolved. Consumers seem to accept the application of RM in the airline industry but little is known about their acceptance of such practice in the hospitality industry (Kimes and Chase, 1998). In fact, Kuhlmann (2003) argues that RM should be seen as one area of overall customer management, emphasizing that the relationship with the customers is more important than mainly focusing on price as a revenue booster. Few studies that dealt with the topic of price fairness¹ of RM (Kimes, 2002) have found that although customers demonstrate some behavior of habituation, price discrimination (e.g. dynamic pricing) still leads to perceptions of unfairness among customers. As a matter of fact, Kimes (2002:21) states that *a customer who pays more for a similar service and cannot perceive a difference in the service may view this situation as unfair*. From a customer's perspective, the dynamic non-linear pricing strategy enhances the complexity, as the customer is unable to understand when, how and why prices change. Two courses of literature have been traced to price fairness, both proposed by Kahneman et al. (1986a); the first is connected to the dual entitlement principle whereby "firms are entitled to a profit, and customers are also entitled to a fair price" (Bolton and Alba, 2006:258). The second is related to the concept of reference transaction and reference price², both based on customers' expectations. A number of studies have shown that the pricing strategies employed by RM could have negative effects on customers. Dynamic pricing may change the reference price and reference transaction and cause customers to view the current transactions as unfair. Besides, if pricing policies are inconsistent and constantly changing, this leads to confusing guests, chaos and dissatisfaction. Consequently, these effects would harmfully reduce customer goodwill (Kimes and Writz, 2002; Wirtz et al., 2003). Hence, fair behavior, on the part of hotel operators, is instrumental to the maximization of their long-

¹ Fairness is defined as the conviction of the integrity, honesty and justice of an outcome (Martin et al., 2009; Martin-Consuegra et al., 2007; Xia et al., 2004; Bolton et al., 2003). Price fairness is the judgment of, and comparison between the buyer's perceived price fairness (i.e. reference price) and the seller's actual prices (Martin-Consuegra et al., 2007; Haws and Bearden, 2006; Homburg et al., 2005; Xia et al., 2004), to identify how just the price is.

² Kahneman et al. (1986a) conceptualize a reference transaction as the customers' perception of the way that the transaction should be conducted. This perception is said to be based on past experiences with similar situations. Wirtz et al. (2003:219) define a reference price as "how much customers think a product or service should cost." Prices available on the market including competitors' prices and previous transactions with an organization (Wirtz et al., 2003; Bolton et al., 2003) serve as reference prices.

term profits and sustainable revenue growth (Writz et al. 2003). Moreover, a hotel can choose to give customers a benefit (for instance 20 percent rate reduction for next stays), and in return for that benefit, it may apply restrictions (for instance, a charge of 50 percent for cancellation); customers view the receipt of a benefit in return for the restriction as moderately acceptable. Likewise, studies have shown that offering customers information on a hotel's pricing practices can enhance their perception of fairness. The negative/positive customer responses resulting from price fairness perceptions are translated into attitudinal and behavioral responses. Ajzen and Fishbein (1978) define behavioral intentions as people's beliefs about what they intend to do in a certain situation. According to Zeithaml et al. (1996), behavioral intentions indicate whether customers will remain with or leave the company. The literature (such as Zeithaml et al., 1996; Campbell, 1999; Namkung and Jang, 2009) has identified certain behaviors pointing that customers are tying with a company including saying positive things about the company to others, recommending the company to others, intending to repurchase the company's products/services, and remaining loyal to the company. Customers may be influenced not only by the price of a product/service at the time of choice, but also by what they have learnt about prices from previous experiences (i.e. reference price) (Kahneman et al., 1986a). Mathies and Gudergan (2007) studied the impact of customers' exposure to a wide range of prices for the same product. They found that past and present prices affect customers' choices in two ways: 1) memory of past prices and detection of current prices reflect that past and present prices affect reference prices information; 2) customers examine patterns in the conditions attached to past and present prices, and develop reference points regarding prices and restrictions attached to them. Moreover, as customers become more familiar with RM practices, their price expectations are altered and the unfairness perceptions of those practices lessen with time (Writz and Kimes, 2007).

From a review of the studies above, the following set of research questions were established:

1. What are the impacts of applying short term revenue management decision criteria on demand in the long term?
2. How do short term revenue management decision criteria influence customers' attitudes and behaviors in the long term?
3. How might these attitudes and behaviors vary from one market segment to another?

These questions form the basis of the enquiry, the research design of which is explained below.

RESEARCH DESIGN

The single case study of the UK's largest budget hotel chain (Unidom Hotels) was identified as suitable since it allows the development and generation of theoretical insights into, and a better understanding of, RM practices and their impact on customers in a real life context (Eisenhardt, 1991). Thus, the researchers gained and maintained a high level of access with the leading UK budget hotel chain which provided them with the opportunity to attend several meetings and workshops; collect a myriad of documents; discuss informally and formally with several executives at head office and hotel general managers; and have access to Unidom Hotels' customers. The findings of the data were collected from the survey conducted on the chain's website, the subsequent follow-up telephone interviews carried out with customers, observations and document studies. A total of 1,137 respondents completed the web-based survey. Data was analyzed using the Statistical Package for the Social Sciences (SPSS 14.0). Suitable statistical techniques were used, including descriptive analysis, T-test, ANOVA test, chi-square cross tabulation and correlation analysis to explore relationships between hotel RM practices and customers' behavioral intentions. Moreover, 16 respondents were willing to take part in the follow-up telephone interview study, yielding a response rate of 23%. The customers selected for the telephone interview follow-up study are those who have declined a reservation offer and/or were denied a booking request. Based on the empirical evidence cited earlier, behavioral intentions represent an outcome of customers' price expectation and price fairness perceptions (Hwang and Wen, 2009; Noone and Mount, 2009; Martin et al., 2009; Rohlf's and Kimes, 2007; Miao and Mattila, 2007; Writz and Kimes, 2007; Choi and Mattila, 2006; Haws and Bearden, 2006 among others), leading to these hypotheses:

H1: Price expectation is related to perceived price fairness.

H2: Price expectation is related to behavioral intentions.

H3: Price fairness is related to behavioral intentions

This is modeled in Figure 1. Of central importance to this study, is whether or not RM modifies the basic model shown in Figure 1, so that the relationship between variables is different between

respondents that accepted the reservation, those that were denied, and those that chose to decline a booking.

FINDINGS

Three items were used to measure behavioral intention – intention to return, intention to recommend, and intention to say positive things. These were tested to establish if they could be summated into a single scale by testing their Alpha coefficient. This was 0.922 so a single measure of behavioral intention was used in the subsequent correlation analyses. The use of a summated scale is desirable since the summation results in a portion of the random error cancelling out across items. The correlation coefficients give an overall sense of the significance, direction and strength of the relationship between the independent and dependent variables within the study. Table 1 presents the correlation matrix results testing the relationship between behavioral intentions and price perception variables for the respondent group who have made a booking. Price expectations and price fairness represent the independent variables, and three behavioral intentions dimensions correspond to the dependent variables. The latter were summated as mentioned earlier to represent only one dimension. As Table 1 portrays, there are strong significant relationships between price fairness and behavioral intentions dimensions with coefficient r equivalent to 0.526. However, the correlation between price expectations and behavioral intentions dimensions is very weak, almost insignificant ($r=-0.165$). The poor correlations for price expectations support the fact that items designed to represent the price fairness perceptions scale are treated as single-item measures rather than summary constructs. Hence, future research should attempt to capture price perceptions using multi-items measures. Price expectations seem to be a statistically poorly predictor of the summated dimension of behavioral intentions, as the scales of that item need to be inversed. For instance, if a respondent thought that the price paid for the room on this booking was much higher than his/her expectations (scale 5), s/he is likely to consider the price to be unfair (scale 1). Therefore, it appears that responses are not held in the same direction and the result of this correlation should be positive. Since customers might use the price they expect to pay for a product or service as a reference in forming price judgment, it appears that reference price as an item of price perceptions has also resulted in a weak relationship with behavioral intentions ($r=0.163$) and therefore support the result of price expectations. Similar to the

conclusions of previous empirical researches, these findings imply no strong impact of the price customers are willing to pay on their behavioral intentions towards the chain. Moreover, as the budget hotel sector represents the scope of this study, uncertain price expectations might not vary largely to offset the loyalty of respondents. Thus, price expectations might be a subset of price fairness and future research might address the relevance and importance of this variable towards behavioral intentions in other sectors. We can conclude that price fairness achieved the strongest correlation with the summated behavioral intentions dimensions. Hence, this result supports the argument made in the research model discussion, and confirms the hypothesis that price fairness has a stronger and more important positive impact on behavioral intentions than price expectations. The descriptive analyses aim to assess respondents' perceptions and evaluations of variables investigated in the study by presenting the mean (M) and standard deviation (SD) values, and the frequency and percent for the constructs. These values will be presented by dividing the sample into regular and first user respondents as each may have perceived the impact of RM practices on their behavioral intentions in different ways. Moreover, the sample of respondents will also be separated into three groups based on respondents' behavior: who accepted, declined and have been denied a reservation offer. Hence, six groups of respondents will result as such: first user accept, decline, deny, and regular user accept, decline, and deny. Results are shown Tables 2 and 3. One way between-groups ANOVA was conducted to explore whether the different respondents groups (group 1: accept, group 2: deny and group 3: decline) had an impact on behavioral intentions. Table 4 presents the results of ANOVA tests. From Table 4, there were significant statistical differences in behavioral intentions scores ($p < 0.05$) among the three groups: Intention to Repurchase ($F(2,1135)=42$; $p=0.00$); Intention to Recommend ($F(2,1135)=25.87$; $p=0.00$); Intention to Say Positive Things ($F(2,1135)=22.55$; $p=0.00$). The intention to repurchase item shows the highest F-ratio (42), which indicates the widest gap among the different groups with regards to this item. Overall, these results indicate respondent groups have an impact on behavioral intentions; the customers who have accepted the reservation offer (mean result ranging from 3.94 and 4.23) scored the highest, followed by those who were denied (a mean from 3.8 and 3.98), and finally those customers who declined (mean with a range from 3.56 and 3.72).

DISCUSSIONS

The majority of customers indicated through the telephone interview that their price perception and judgment is influenced by the pricing information provided to them. Indeed, customers who received no information about RM practices generally thought the process was unfair. Respondents of the follow up study stated that they prefer to be given an explanation as to why rates are different across different nights and/or stays: “*we find it very hard to identify the trends and fluctuations in room prices*”, “*why do I have to pay £20, £40 or £50 to stay in the same room; I don’t have a clue why this is happening*”. These findings support the notion that pricing information presented in a highly transparent form can carry more persuasive power (Miao and Mattila, 2007; Mathies and Gudergan, 2007; Rohlfis and Kimes, 2007). The implication of this finding is that the hotel chain needs to justify the factors leading to the price increase to boost customer acceptability (Vaidyanathan and Aggarwal, 2003; Homburg et al., 2005). The study of internal reference prices support the notion that people make judgments based on the comparison of a product/service to an internal reference price (see for example, Kahneman et al., 1986; Keaveney, 1995; Bolton and Lemon, 1999; Oh, 2003). The results here indicate that the primary reason for customers to decline a reservation offer is price (first users: 59.7% and regular users: 41.9%). These findings indicate that customers viewed Unidom Hotels as more expensive than its competitors, which was overlooked by managers who assumed that price perceptions would not be an issue when practicing variable pricing strategies. When asked to compare the current quoted price with previous stays at Unidom Hotels, regular users of the hotel chain, who successfully made a booking, perceived the price to be “slightly expensive/about the same” ($M=2.84$) they are willing to pay. Moreover, they were asked to evaluate the price they have paid for the room, and their responses were rather moderate ($M=3.15$) and believed the price was up to their expectations. This indicates that customers are accustomed with either the chain’s pricing structure or the “upper-tier” budget hotels’ pricing strategies, which has led to the establishment of their reference price. The follow-up interviews showed that few customers compare the quoted price with reference points such as past prices of Unidom Hotels and its competitors’ prices, supporting the findings of Bolton et al (2003) who found that customer’s knowledge of past and competitors’ prices contributes to perceptions of price fairness or unfairness. Indeed, a customer noted that “*historically, Unidom Hotels is more expensive for offering something similar to their competitors*”, and emphasized that the

price discrepancy between the hotel chain and its competitors is not due to the current recession the market is witnessing, which leads hotels to decrease/discount their rates to boost demand. First users of Unidom Hotels, who successfully made a booking, thought that the price quoted was slightly higher than what they expected to pay ($M=2.85$). The literature (Boulding et al., 1993) denotes that in the absence of prior transactions with an organization, the expectations of customers about the price emerges from various information sources such as external communication of the hotel chain, prior exposure to competitive services, publicity and so on. The wide geographical spread, the intensive communication, and its market positioning as the leading UK budget hotel chain are factors that assist customers in evaluating and judging the price fairness perceptions of Unidom Hotels. These findings strengthen the belief that if the hotel chain wants to positively influence customer perceptions of the fairness of a price change, it needs to highlight the causes behind the variation (Choi and Mattila, 2005; Shehryar and Hunt, 2005). This will minimize the risk of customers switching to another provider should RM practices reveal inconvenient to their reservation booking process. There are mixed responses concerning the fairness perceptions of price on customers' relations with the hotel chain. On the one hand, some respondents of the follow up study believe that when the participant hotel chain has increased prices to take advantage of an increase in demand or a scarcity of supply, without a corresponding increase in costs (e.g. refurbishments), they perceived the new higher prices as unfair. Indeed, a respondent stated: "*I felt frustrated*". Moreover, customers refuted the notion that they have to pay an event price premium when they are not concerned with the event taking place in the area/destination where they wish to stay. They perceived such a practice as unfair and refrained from completing a booking. This finding contradicts the results of Vaidyanathan and Aggarwal (2003) who observed that a price increase triggered by causes external to the seller would be perceived fairer than when the price increase is not related to any cause. However, these results are consistent with the findings of Kahneman et al. (1986a/b), Kimes (1994), McMahon-Beattie et al. (2002), and Wirtz et al. (2003). On the other hand, the web-based survey respondents reflected a positive evaluation and perception towards the fairness of the room price on the booking they have made ($M=3.52$ for regular users and $M=3.40$ for first users). Customers believed that a price increase caused by factors external to the hotel chain (i.e. conference in town, increase in demand by location and days of the week, all

leading to the application of event pricing) would be perceived fairer than when the price increase cannot be associated to any cause. These findings are consistent with the studies of Choi and Mattila (2004, 2006), and Rohlf's and Kimes (2007) who denote that explaining rate policies and their restrictions to customers, and the motivation behind them, allows customers to see those policies as acceptable, reasonable and fair, thereby exerting some control over customers' reference point formation. It was found that a number of respondents who were familiar with RM practices were not significantly affected by restriction controls or pricing conditions and did not perceive the practice to be unfair. The continuous fluctuations of rates, availability, and restrictions, which are inherent in RM, have led to fairly educated customers who identify patterns in hotel offers as they have become more exposed to the practice of RM. Overall, 79.5% of customers (N=1137) are likely to repurchase, 69.5% are likely to recommend, and 67% are likely to say positive things about the hotel chain. These results indicate that customers regard Unidom Hotels highly; however they are prone to switch to the competition when they perceive RM practices at Unidom Hotels as unfair. A correlation analysis was performed to test the hypothesis H1 on customers who have successfully made a booking, and resulted in strong and positive relationships between price fairness and behavioral intentions ($r=0.526$). This finding supports the conclusion of Bolton and Lemon (1999) who deduced that favorable price fairness perceptions positively moderate customers' intention to return. Almost no association was noted between price expectations and behavioral intentions ($r=0.165$). This result might be related to the notion that customers have engaged in prior transactions with the participant hotel chain and have established reference transaction and reference price, thus being exposed to its pricing structure. Moreover, as the budget hotel sector represents the scope of this study, its pricing variation might not change largely (unless in city centers) and provoke different price expectations, to offset the behavioral intentions of customers. These results confirm the hypothesis H1 that price fairness has a stronger and more important positive impact on behavioral intentions than price expectations. Moreover, a Chi-square cross-tabulation test was carried out to test the hypothesis H2 which entails investigating the pattern of two customer groups: decline and deny customer statuses, in terms of RM pricing practices and behavioral intentions. The findings indicate that decline and deny customer groups display negative and unfavorable behavioral intentions towards Unidom Hotels as

they perceive the actual price quoted to be unfair. The results indicate that customers who declined a reservation offer because of price are extremely unlikely to repurchase (72%), recommend (73.3%) or say positive things (75%) about Unidom Hotels. In line with that, customers who have been denied a reservation request and declined the alternative hotel that was suggested because of price are unlikely to repurchase (50%), recommend (33.3%) or say positive things (33.3%) about Unidom Hotels. These results are in line with prior research which showed that unfair price perceptions influence purchase intentions, complaints, negative word-of-mouth and customer satisfaction (Noone and Mount, 2008; Campbell, 1999; Huppertz et al., 1978), and that price perceptions have direct negative effect on overall customer satisfaction and behavioral intentions (Varki and Colgate, 2001). The review of the literature reveals that price information presented to customers, impacts positively their perceptions of fairness and willingness to pay (Miao and Mattila, 2007; Choi and Mattila, 2005, 2004; Kimes, 1994). Few respondents of the follow-up study stated that when the participant hotel chain has increased prices to take advantage of an increase in demand or a scarcity of supply, they perceived the new higher prices as unfair. Consequently, concerns on negative fairness price perceptions might arise, affecting negatively behavioral intentions. This finding supports Choi and Mattila's (2005) results about customers, unfamiliar with variable pricing, may assume that the hotel behaved unfairly or even opportunistically in their behalf to gain additional profits. This is also in line with the dual entitlement theory of fairness perceptions (Kahneman et al., 1986a) whereby customers recognize an inequality in the transaction with the organization, as both should be entitled to a reasonable price and profit.

CONCLUSION

The introduction of RM was announced as one of the most revolutionary innovations to impact the hotel industry, transforming the way hoteliers optimized revenues and required them to rethink their managerial methods. Despite the accrued literature, a large number of the existing publications on RM are still fragmented and repetitive. Furthermore, RM literature remains mostly concentrated on forecasting, decision-making and mathematical modeling issues. Moreover, the review of the literature revealed that related research into customers' perceptions of price and behavioral intentions towards RM is inadequate and incomplete. In addition, the research designs tend to rely on scenario-

based surveys and experiments and data is collected from undergraduate students. These studies fail to address the realistic challenges and dynamism of real service environments, the conditions of higher involvement, and the behaviors and reactions of real hotel customers. Hence, this study aims at investigating the impact of RM pricing practices on customers' behavioral intentions. This empirical study confirms the long-held assumption that RM impacts customers' behavioral intentions. The findings suggest that since managers adopt short-term transactional approach to sell the hotel inventory on a daily basis, negative impacts on customers' behavioral intentions towards the chain are often caused.

TABLES AND FIGURES

Figure 1: Relationship between Variables

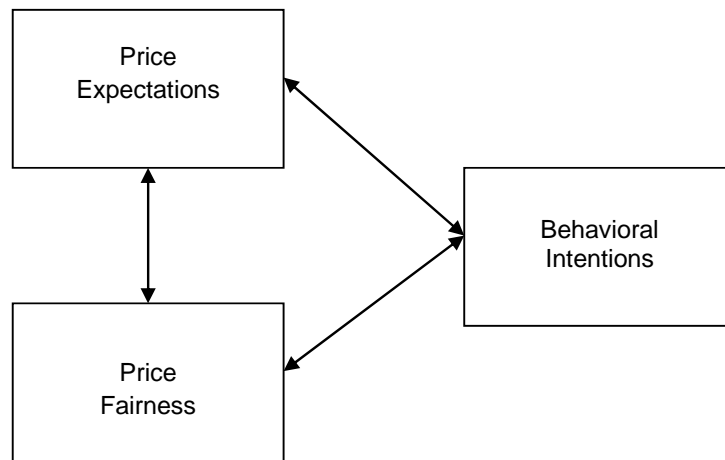


Table 1: Correlation Matrix for Variables of Accept Respondent Group

Variables		Price Expectations	Price Fairness	Behavioral Intentions
Price Expectations	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	626		
Price Fairness	Pearson Correlation	-0.444**	1	
	Sig. (2-tailed)	0.000		
	N	626	626	
Behavioral Intentions	Pearson Correlation	-0.165**	0.526**	1
	Sig. (2-tailed)	0.000	0.000	
	N	626	626	1137

** Pearson correlation coefficients significant at the 0.01 level (2-tailed).

Table 2: First Time Users Behavioral Intentions

	Accepted (n=85)		Denied (n=22)		Declined (n=119)	
	Mean	SD	Mean	SD	Mean	SD
Will you book at Unidom in the future?	3.69	0.86	3.45	0.67	3.24	0.94
Will your recommend Unidom to others?	3.61	0.82	3.27	0.83	3.05	0.88
Will you say positive things about Unidom to others?	3.62	0.80	3.41	0.91	3.07	0.85

Table 3: Repeat Users Behavioral Intentions

	Accepted (n=541)		Denied (n=88)		Declined (n=282)	
	Mean	SD	Mean	SD	Mean	SD
Will you book at Unidom in the future?	4.31	0.68	4.12	0.85	3.93	0.99
Will your recommend Unidom to others?	4.01	0.74	3.94	0.86	3.78	0.95
Will you say positive things about Unidom to others?	3.99	0.72	3.91	0.91	3.80	0.94

Table 4: ANOVA Results: Respondent Groups and Behavioral Intentions

Behavioral Intentions		Sum of Square	df	Mean Square	F	Sig.
Intention to Repurchase	Between Groups	62.36	2	31.18	42.00	0.00
	Within Groups	842.74	1135	0.74		
	Total	905.10	1137			
Intention to Recommend	Between Groups	38.44	2	19.22	25.87	0.00
	Within Groups	843.47	1135	0.74		
	Total	881.91	1137			
Intention to Say Positive Things	Between Groups	32.52	2	16.26	22.55	0.00
	Within Groups	818.60	1135	0.72		
	Total	851.12	1137			

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Behavioral Intentions – An Important Aspect of Pricing and Revenue Management

Abstract

This study explores the impact of revenue management pricing practices on the behavioral intentions of three customer groups: those who accept a reservation offer, those who decline a reservation offer, and those who are denied a reservation request. A single case study method was adopted to conduct qualitative and quantitative research in a hotel company and its customers. In depth data was collected through semi-structured interviews, observations, documentation, and most importantly a survey administered on the chain's website with respondents in the process of making a booking. The findings indicate that the price paid for a room has a direct and positive effect on behavioral intentions of customers who have successfully made a booking. However, customers who declined a reservation offer or were denied a reservation request because of the quoted price, displayed negative behavioral intentions.

Keywords Revenue Management; Budget Hotels; Dynamic Pricing; Loyalty; Recommend; Repurchase Intentions.

Paper type Research paper

The concept of Revenue Management (RM) has been regarded as one of the most researched areas in hospitality operations management study (Shoemaker and Gorin, 2008). RM is the practice of dynamically pricing a perishable product and selectively allocating scarce capacity across segmented demand and distribution channels, while taking into account customers' profitability and value, in an effort to maximize gross total revenue and therefore improve profitability (Cross, 1997; Kimes, 2004). In other words, RM is an important tool for matching supply and demand by segmenting customers into different segments based on their willingness-to-pay and allocating scarce capacity to the different segments in a way that maximizes company's revenues. In light of preceding advantages of conducting RM, a hotel company may benefit financially from such practice by maximizing revenue from selling its fixed capacity, but, on the other hand, it may alienate its customers (Kimes, 1994). Indeed, RM's outcome results in differences, between customers and across customer stays, in the room rates quoted for the same room type at the same hotel. As a result, Kahneman et al (1986), Kimes (1994), and Wirtz et al (2003) argue that such practices might be perceived by customers as unfair, thus lead to decreased customer satisfaction and goodwill, and ultimately to business loss from these customers. Thus, high yield from fixed resources should not be considered as a successful financial performance for the company, without investigating the price that has been paid in terms of customer relationships. Indeed, in the hotel industry context, there is no reported empirical research that examines the customers' reactions to RM practices. Furthermore Wirtz et al. (2003:217) argue that *customers seem to have been forgotten in this stream of research*.

The research study reported here aims to investigate the relationship between short term decisions about a customer accepting a reservation offer, a customer declining a reservation offer, or a customer having a reservation request denied by the hotel company, and the implications of this on long term customer attitudes and behaviors. In order to address this, the article will therefore provide a background to RM and customers' perceptions. It then goes on to explain the approach adopted for this study, which was undertaken in a leading UK-based hotel chain. The findings are presented and the conclusions discussed.

LITERATURE REVIEW

Revenue Management

RM techniques assist an organization in finding the optimal inventory allocation and price setting for various services in a profitable way. The idea is to maximize an organization's effective use of its resources by moving away from mass pricing and mass marketing, to the management of the micro market. RM applies to almost all businesses with perishable inventory; ranging from merely adopting the revenue management attitude with an emphasis on supply, demand, and price management to using high-powered algorithmic tools (Cross, 1997).

The practice of RM has a very rich history and body of knowledge in terms of academic and practitioner research. In fact, several publications have provided an overview of research on RM (Cullen and Helsel, 2006; Talluri and van Ryzin, 2004; Elmaghraby and Keskinocak, 2003; Boyd and Beligan, 2003; Kimes, 2003; Bitran and Caldentey, 2003; Pak and Piersma, 2002; Ingold et al., 2000; McGill and van Ryzin, 1999; Cross, 1997; Weatherford and Bodily, 1992). These publications reflect the growing attention and literature on RM in the airline and hotel sector, and reveal the necessity to provide a concise definition of the concept and its key drivers. A multitude of definitions has been proposed; however, these varying definitions on RM share a fairly similar and broader framework so that a fair amount of overlap is found between them. Most of the RM definitions are functionally based i.e. some definitions emphasize the application of RM, whereas others look at it from an operational or marketing perspective. Thus, the following generic "best fit" definition of revenue management has been developed. RM is the practice of dynamically pricing a perishable product and selectively allocating scarce capacity across segmented demand and distribution channels, while taking into account customers' profitability and value, in an effort to maximize gross total revenue and, therefore, improve profitability.

Dynamic Pricing

RM, the most mature area of dynamic pricing, is concerned with pricing a perishable product in accordance with demand from multiple customer segments so as to maximize revenue or profit. Thus, prices are adjusted dynamically as a function of inventory level and time left in the selling period

(Fleischmann, Hall and Pyke, 2004). Furthermore, price is one of the most effective variables that managers can manipulate to encourage or discourage demand at a certain point in time (Bitran and Caldentey, 2002). Where static pricing sets a single rate across all markets, dynamic pricing is a more flexible model where prices fluctuate based on individual market demand at a particular time. For instance, hotels use dynamic pricing, discounting prices heavily on the weekend and boosting them sharply on the busiest days of the week (Bitran and Mondschein, 1995; Bitran and Gilbert, 1996; Garrow et al., 2006). It is in the last decade that pricing policies really became an active component of RM literature (Gallego and van Ryzin, 1994; Feng and Gallego, 1995, 2000). Dynamic pricing is defined as a business strategy in which prices are varied frequently by channel, product, customer and time (Gallego and Van Ryzin, 1994; Bitran and Mondschein, 1997; Feng and Gallego, 1995, 2000; Zhao and Zheng, 2000). It represents a flexible system that changes prices not only from product to product, but also from customer to customer and transaction to transaction (Kasavana and Singh, 2002). Therefore, the value of the product/service being sold is not inherent in the product/service, but is determined by the buyers' willingness to pay. Quantity and volume discounts, consumer segmentation and sales promotions are examples of dynamic pricing. The empirical study conducted by Bitran and Caldentey (2003) focuses on dynamic pricing policies and their relation to RM for fixed and perishable capacity. The study illustrates that the optimal revenue is monotonically increasing in the selling season reflecting the fact that as the selling horizon increases, the seller faces a larger population of potential buyers and therefore, the seller can target the available capacity to those customers willing to pay the high price for the product. Furthermore, a number of studies were undertaken to investigate the benefit of using price to influence demand levels when production of constrained and capacity slots become filled (Fleischmann, Hall and Pyke, 2004). Much of the research on the dynamic pricing problem has assumed a static view of prices, where the main decision is whether to accept or reject a customer's request as a function of time, available inventory, and the corresponding fixed price attached to the request.

Customers' Perceptions, Attitudes and Behaviors

An interesting field of research that incorporates the behavior and attitudes of customers in terms of how should the seller set the prices if customers act strategically (i.e. a strategic customer takes into account the future path of prices when making purchasing decisions), has not yet been studied and is largely missing both in the academic literature and price optimization software (Britan and Caldentey, 2003; Elmaghaby and Keskinocak, 2003). Little work has been done to examine the potential conflicts that arise from trying to integrate customer and RM orientation; the way customer perceive RM strategies; and how these conflicts can be minimized or resolved. Consumers seem to accept the application of RM in the airline industry but little is known about their acceptance of such practice in the hospitality industry (Kimes and Chase, 1998). In fact, Kuhlmann (2003) argues that RM should be seen as one area of overall customer management, emphasizing that the relationship with the customers is more important than mainly focusing on price as a revenue booster. Few studies that dealt with the topic of price fairness¹ of RM (Kimes, 2002) have found that although customers demonstrate some behavior of habituation, price discrimination (e.g. dynamic pricing) still leads to perceptions of unfairness among customers. As a matter of fact, Kimes (2002:21) states that *a customer who pays more for a similar service and cannot perceive a difference in the service may view this situation as unfair*. From a customer's perspective, the dynamic non-linear pricing strategy enhances the complexity, as the customer is unable to understand when, how and why prices change. Two courses of literature have been traced to price fairness, both proposed by Kahneman et al. (1986a); the first is connected to the dual entitlement principle whereby "firms are entitled to a profit, and customers are also entitled to a fair price" (Bolton and Alba, 2006:258). The second is related to the concept of reference transaction and reference price², both based on

¹ Fairness is defined as the conviction of the integrity, honesty and justice of an outcome (Martin et al., 2009; Martin-Consuegra et al., 2007; Xia et al., 2004; Bolton et al., 2003). Price fairness is the judgment of, and comparison between the buyer's perceived price fairness (i.e. reference price) and the seller's actual prices (Martin-Consuegra et al., 2007; Haws and Bearden, 2006; Homburg et al., 2005; Xia et al., 2004), to identify how just the price is.

² Kahneman et al. (1986a) conceptualize a reference transaction as the customers' perception of the way that the transaction should be conducted. This perception is said to be based on past experiences with similar situations. Wirtz et al. (2003:219) define a reference price as "how much customers think a product or service should cost." Prices available on the market including competitors' prices and previous transactions with an organization (Wirtz et al., 2003; Bolton et al., 2003) serve as reference prices.

customers' expectations. A number of studies have shown that the pricing strategies employed by RM could have negative effects on customers. Dynamic pricing may change the reference price and reference transaction and cause customers to view the current transactions as unfair. Besides, if pricing policies are inconsistent and constantly changing, this leads to confusing guests, chaos and dissatisfaction. Consequently, these effects would harmfully reduce customer goodwill (Kimes and Writz, 2002; Wirtz et al., 2003). Hence, fair behavior, on the part of hotel operators, is instrumental to the maximization of their long-term profits and sustainable revenue growth (Writz et al. 2003). Moreover, a hotel can choose to give customers a benefit (for instance 20 percent rate reduction for next stays), and in return for that benefit, it may apply restrictions (for instance, a charge of 50 percent for cancellation); customers view the receipt of a benefit in return for the restriction as moderately acceptable. Likewise, studies have shown that offering customers information on a hotel's pricing practices can enhance their perception of fairness. The negative/positive customer responses resulting from price fairness perceptions are translated into attitudinal and behavioral responses. Ajzen and Fishbein (1978) define behavioral intentions as people's beliefs about what they intend to do in a certain situation. According to Zeithaml et al. (1996), behavioral intentions indicate whether customers will remain with or leave the company. The literature (such as Zeithaml et al., 1996; Campbell, 1999; Namkung and Jang, 2009) has identified certain behaviors pointing that customers are tying with a company including saying positive things about the company to others, recommending the company to others, intending to repurchase the company's products/services, and remaining loyal to the company. Customers may be influenced not only by the price of a product/service at the time of choice, but also by what they have learnt about prices from previous experiences (i.e. reference price) (Kahneman et al., 1986a). Mathies and Gudergan (2007) studied the impact of customers' exposure to a wide range of prices for the same product. They found that past and present prices affect customers' choices in two ways: 1) memory of past prices and detection of current prices reflect that past and present prices affect reference prices information; 2) customers examine patterns in the conditions attached to past and present prices, and develop reference points regarding prices and restrictions attached to them. Moreover, as customers become more familiar with

RM practices, their price expectations are altered and the unfairness perceptions of those practices lessen with time (Writz and Kimes, 2007).

From a review of the studies above, the following set of research questions were established:

1. What are the impacts of applying short term revenue management decision criteria on demand in the long term?
2. How do short term revenue management decision criteria influence customers' attitudes and behaviors in the long term?
3. How might these attitudes and behaviors vary from one market segment to another?

These questions form the basis of the enquiry, the research design of which is explained below.

RESEARCH DESIGN

To preserve anonymity, the authentic name of the case study hotel chain will remain anonymous; therefore it will be referred to as Unidom Hotels. The participant hotel group is a publicly quoted organisation and its head office is based in the UK, with several hotels around the country (over 500 hotels in the UK). Unidom Hotels owns hotels and undertakes franchise agreements. Recently, the conglomerate group has also announced the launch of the Unidom Hotels brand internationally (20 hotel units under development in the Gulf Region and Asia). The single case study of the UK's largest budget hotel chain was identified as suitable since it allows the development and generation of theoretical insights into, and a better understanding of, RM practices and their impact on customers in a real life context (Eisenhardt, 1991). Thus, the researchers gained and maintained a high level of access with the leading UK budget hotel chain which provided them with the opportunity to attend several meetings and workshops; collect a myriad of documents; discuss informally and formally with several executives at head office and hotel general managers; and have access to Unidom Hotels' customers.

Data was collected via a self-completion web-based questionnaire, producing 1,140 responses out of 2490, of which 1,137 can be used, yielding a response rate of 46%. All constructs were measured using a 5-point scale (1 denoting the lowest perception value, and 5 indicating the highest perception value), except those items used for measuring respondents' behavior towards declining and being denied a

reservation offer. If the mean scores are lower than 3, the items have negative perception and evaluation. If the mean scores vary between 3 and 3.5, the items will have a moderate assessment. Finally, the items are perceived more positively when their mean scores are greater than 3.5. The sample of survey respondents was separated into three groups, by using a screening question at the early phase of the questionnaire, based on the respondents' booking statuses such as: those who accepted a reservation offer; declined a reservation offer; and have been denied a reservation offer. Subsequent to the survey, 16 respondents out of 69 were willing to take part in the follow-up telephone interview study, yielding a response rate of 23%. The customers selected for the telephone interview follow-up study are those who have declined a reservation offer and/or were denied a booking request. Finally, observations and document studies were also examined. Data was analyzed using the Statistical Package for the Social Sciences (SPSS 14.0). Suitable statistical techniques were used, including descriptive analysis, T-test, ANOVA test, chi-square cross tabulation and correlation analysis to explore relationships between hotel RM practices and customers' behavioral intentions.

Based on the empirical evidence cited earlier, behavioral intentions represent an outcome of customers' price expectation and price fairness perceptions (Hwang and Wen, 2009; Noone and Mount, 2009; Martin et al., 2009; Rohlf's and Kimes, 2007; Miao and Mattila, 2007; Writz and Kimes, 2007; Choi and Mattila, 2006; Haws and Bearden, 2006 among others), leading to these hypotheses:

H1: Price expectation is related to perceived price fairness.

H2: Price expectation is related to behavioral intentions.

This is modeled in Figure 1. Of central importance to this study, is whether or not RM modifies the basic model shown in Figure 1, so that the relationship between variables is different between respondents that accepted the reservation, those that were denied, and those that chose to decline a booking.

FINDINGS

Three items were used to measure behavioral intention – intention to return, intention to recommend, and intention to say positive things. These were tested to establish if they could be summated into a single scale by testing their Alpha coefficient. This was 0.922 so a single measure of behavioral intention was

used in the subsequent correlation analyses. The use of a summated scale is desirable since the summation results in a portion of the random error cancelling out across items. The correlation coefficients give an overall sense of the significance, direction and strength of the relationship between the independent and dependent variables within the study. Table 1 presents the correlation matrix results testing the relationship between behavioral intentions and price perception variables for the respondent group who have made a booking. Price expectations and price fairness represent the independent variables, and three behavioral intentions dimensions correspond to the dependent variables. The latter were summated as mentioned earlier to represent only one dimension. As Table 1 portrays, there are strong significant relationships between price fairness and behavioral intentions dimensions with coefficient r equivalent to 0.526. However, the correlation between price expectations and behavioral intentions dimensions is very weak, almost insignificant ($r=-0.165$). The poor correlations for price expectations support the fact that items designed to represent the price fairness perceptions scale are treated as single-item measures rather than summary constructs. Hence, future research should attempt to capture price perceptions using multi-items measures. Price expectations seem to be a statistically poorly predictor of the summated dimension of behavioral intentions, as the scales of that item need to be inversed. For instance, if a respondent thought that the price paid for the room on this booking was much higher than his/her expectations (scale 5), s/he is likely to consider the price to be unfair (scale 1). Therefore, it appears that responses are not held in the same direction and the result of this correlation should be positive. Since customers might use the price they expect to pay for a product or service as a reference in forming price judgment, it appears that reference price as an item of price perceptions has also resulted in a weak relationship with behavioral intentions ($r=0.163$) and therefore support the result of price expectations. Similar to the conclusions of previous empirical researches, these findings imply no strong impact of the price customers are willing to pay on their behavioral intentions towards the chain. Moreover, as the budget hotel sector represents the scope of this study, uncertain price expectations might not vary largely to offset the loyalty of respondents. Thus, price expectations might be a subset of price fairness and future research might address the relevance and importance of this variable towards behavioral intentions in

other sectors. We can conclude that price fairness achieved the strongest correlation with the summated behavioral intentions dimensions. Hence, this result supports the argument made in the research model discussion, and confirms the hypothesis that price fairness has a stronger and more important positive impact on behavioral intentions than price expectations. The descriptive analyses aim to assess respondents' perceptions and evaluations of variables investigated in the study by presenting the mean (M) and standard deviation (SD) values, and the frequency and percent for the constructs. These values will be presented by dividing the sample into regular and first user respondents as each may have perceived the impact of RM practices on their behavioral intentions in different ways. Moreover, the sample of respondents will also be separated into three groups based on respondents' behavior: who accepted, declined and have been denied a reservation offer. Hence, six groups of respondents will result as such: first user accept, decline, deny, and regular user accept, decline, and deny. Results are shown Tables 2 and 3. One way between-groups ANOVA was conducted to explore whether the different respondents groups (group 1: accept, group 2: deny and group 3: decline) had an impact on behavioral intentions. Table 4 presents the results of ANOVA tests. From Table 4, there were significant statistical differences in behavioral intentions scores ($p < 0.05$) among the three groups: Intention to Repurchase ($F(2,1135)=42$; $p=0.00$); Intention to Recommend ($F(2,1135)=25.87$; $p=0.00$); Intention to Say Positive Things ($F(2,1135)=22.55$; $p=0.00$). The intention to repurchase item shows the highest F-ratio (42), which indicates the widest gap among the different groups with regards to this item. Overall, these results indicate respondent groups have an impact on behavioral intentions; the customers who have accepted the reservation offer (mean result ranging from 3.94 and 4.23) scored the highest, followed by those who were denied (a mean from 3.8 and 3.98), and finally those customers who declined (mean with a range from 3.56 and 3.72).

DISCUSSIONS

The majority of customers indicated through the telephone interview that their price perception and judgment is influenced by the pricing information provided to them. Indeed, customers who received no information about RM practices generally thought the process was unfair. Respondents of the follow up

study stated that they prefer to be given an explanation as to why rates are different across different nights and/or stays: “*we find it very hard to identify the trends and fluctuations in room prices*”, “*why do I have to pay £20, £40 or £50 to stay in the same room; I don’t have a clue why this is happening*”. These findings support the notion that pricing information presented in a highly transparent form can carry more persuasive power (Miao and Mattila, 2007; Mathies and Gudergan, 2007; Rohlfis and Kimes, 2007). The implication of this finding is that the hotel chain needs to justify the factors leading to the price increase to boost customer acceptability (Vaidyanathan and Aggarwal, 2003; Homburg et al., 2005). The study of internal reference prices support the notion that people make judgments based on the comparison of a product/service to an internal reference price (see for example, Kahneman et al., 1986; Keaveney, 1995; Bolton and Lemon, 1999; Oh, 2003). The results here indicate that the primary reason for customers to decline a reservation offer is price (first users: 59.7% and regular users: 41.9%). These findings indicate that customers viewed Unidom Hotels as more expensive than its competitors, which was overlooked by managers who assumed that price perceptions would not be an issue when practicing variable pricing strategies. When asked to compare the current quoted price with previous stays at Unidom Hotels, regular users of the hotel chain, who successfully made a booking, perceived the price to be “slightly expensive/about the same” (M=2.84) they are willing to pay. Moreover, they were asked to evaluate the price they have paid for the room, and their responses were rather moderate (M=3.15) and believed the price was up to their expectations. This indicates that customers are accustomed with either the chain’s pricing structure or the “upper-tier” budget hotels’ pricing strategies, which has led to the establishment of their reference price. The follow-up interviews showed that few customers compare the quoted price with reference points such as past prices of Unidom Hotels and its competitors’ prices, supporting the findings of Bolton et al (2003) who found that customer’s knowledge of past and competitors’ prices contributes to perceptions of price fairness or unfairness. Indeed, a customer noted that “*historically, Unidom Hotels is more expensive for offering something similar to their competitors*”, and emphasized that the price discrepancy between the hotel chain and its competitors is not due to the current recession the market is witnessing, which leads hotels to decrease/discount their rates to boost demand. First users

of Unidom Hotels, who successfully made a booking, thought that the price quoted was slightly higher than what they expected to pay ($M=2.85$). The literature (Boulding et al., 1993) denotes that in the absence of prior transactions with an organization, the expectations of customers about the price emerges from various information sources such as external communication of the hotel chain, prior exposure to competitive services, publicity and so on. The wide geographical spread, the intensive communication, and its market positioning as the leading UK budget hotel chain are factors that assist customers in evaluating and judging the price fairness perceptions of Unidom Hotels. These findings strengthen the belief that if the hotel chain wants to positively influence customer perceptions of the fairness of a price change, it needs to highlight the causes behind the variation (Choi and Mattila, 2005; Shehryar and Hunt, 2005). This will minimize the risk of customers switching to another provider should RM practices reveal inconvenient to their reservation booking process. There are mixed responses concerning the fairness perceptions of price on customers' relations with the hotel chain. On the one hand, some respondents of the follow up study believe that when the participant hotel chain has increased prices to take advantage of an increase in demand or a scarcity of supply, without a corresponding increase in costs (e.g. refurbishments), they perceived the new higher prices as unfair. Indeed, a respondent stated: "*I felt frustrated*". Moreover, customers refuted the notion that they have to pay an event price premium when they are not concerned with the event taking place in the area/destination where they wish to stay. They perceived such a practice as unfair and refrained from completing a booking. This finding contradicts the results of Vaidyanathan and Aggarwal (2003) who observed that a price increase triggered by causes external to the seller would be perceived fairer than when the price increase is not related to any cause. However, these results are consistent with the findings of Kahneman et al. (1986a/b), Kimes (1994), McMahon-Beattie et al. (2002), and Wirtz et al. (2003). On the other hand, the web-based survey respondents reflected a positive evaluation and perception towards the fairness of the room price on the booking they have made ($M=3.52$ for regular users and $M=3.40$ for first users). Customers believed that a price increase caused by factors external to the hotel chain (i.e. conference in town, increase in demand by location and days of the week, all leading to the application of event pricing) would be perceived fairer

than when the price increase cannot be associated to any cause. These findings are consistent with the studies of Choi and Mattila (2004, 2006), and Rohlfs and Kimes (2007) who denote that explaining rate policies and their restrictions to customers, and the motivation behind them, allows customers to see those policies as acceptable, reasonable and fair, thereby exerting some control over customers' reference point formation. It was found that a number of respondents who were familiar with RM practices were not significantly affected by restriction controls or pricing conditions and did not perceive the practice to be unfair. The continuous fluctuations of rates, availability, and restrictions, which are inherent in RM, have led to fairly educated customers who identify patterns in hotel offers as they have become more exposed to the practice of RM. Overall, 79.5% of customers (N=1137) are likely to repurchase, 69.5% are likely to recommend, and 67% are likely to say positive things about the hotel chain. These results indicate that customers regard Unidom Hotels highly; however they are prone to switch to the competition when they perceive RM practices at Unidom Hotels as unfair. A correlation analysis was performed to test the hypothesis H1 on customers who have successfully made a booking, and resulted in strong and positive relationships between price fairness and behavioral intentions ($r=0.526$). This finding supports the conclusion of Bolton and Lemon (1999) who deducted that favorable price fairness perceptions positively moderate customers' intention to return. Almost no association was noted between price expectations and behavioral intentions ($r=0.165$). This result might be related to the notion that customers have engaged in prior transactions with the participant hotel chain and have established reference transaction and reference price, thus being exposed to its pricing structure. Moreover, as the budget hotel sector represents the scope of this study, its pricing variation might not change largely (unless in city centers) and provoke different price expectations, to offset the behavioral intentions of customers. These results confirm the hypothesis H1 that price fairness has a stronger and more important positive impact on behavioral intentions than price expectations. Moreover, a Chi-square cross-tabulation test was carried out to test the hypothesis H2 which entails investigating the pattern of two customer groups: decline and deny customer statuses, in terms of RM pricing practices and behavioral intentions. The findings indicate that decline and deny customer groups display negative and unfavorable behavioral intentions towards Unidom Hotels

as they perceive the actual price quoted to be unfair. The results indicate that customers who declined a reservation offer because of price are extremely unlikely to repurchase (72%), recommend (73.3%) or say positive things (75%) about Unidom Hotels. In line with that, customers who have been denied a reservation request and declined the alternative hotel that was suggested because of price are unlikely to repurchase (50%), recommend (33.3%) or say positive things (33.3%) about Unidom Hotels. These results are in line with prior research which showed that unfair price perceptions influence purchase intentions, complaints, negative word-of-mouth and customer satisfaction (Noone and Mount, 2008; Campbell, 1999; Huppertz et al., 1978), and that price perceptions have direct negative effect on overall customer satisfaction and behavioral intentions (Varki and Colgate, 2001). The review of the literature reveals that price information presented to customers, impacts positively their perceptions of fairness and willingness to pay (Miao and Mattila, 2007; Choi and Mattila, 2005, 2004; Kimes, 1994). Few respondents of the follow-up study stated that when the participant hotel chain has increased prices to take advantage of an increase in demand or a scarcity of supply, they perceived the new higher prices as unfair. Consequently, concerns on negative fairness price perceptions might arise, affecting negatively behavioral intentions. This finding supports Choi and Mattila's (2005) results about customers, unfamiliar with variable pricing, may assume that the hotel behaved unfairly or even opportunistically in their behalf to gain additional profits. This is also in line with the dual entitlement theory of fairness perceptions (Kahneman et al., 1986a) whereby customers recognize an inequality in the transaction with the organization, as both should be entitled to a reasonable price and profit.

H3 was tested using

LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

Several limitations were associated with the study raising a number of areas where further research is required. From a methodological point of view, the choice of a single case study strategy can be considered a limitation. It could have been useful to develop multiple case study design to increase the rigor of the research by focusing on themes or patterns uncovered in a single case study. However, as there is scant research into revenue management practices in a budget hotel chain, it was decided to opt

for an in-depth revelatory single case study strategy. As this study evaluated one hotel chain alone in one specific country could be considered a limitation, because the results cannot be generalized to other hotel chains in other countries that apply complex pricing structures. For instance, the researchers acknowledge that customers of a budget hotel chain can be considered more price sensitive, and factors such as customers' income level may influence customers' price perceptions. Moreover, the sample is context specific as it was restricted to the budget hotel sector, so results may not be generalizable to other hotel sectors (i.e. mid-scale, luxury). Future research could extend the findings in this study to different hotel sectors with wide fluctuations in pricing and diverse countries. Therefore, comparing the impact of hotel revenue management practices on customers' behavioral intentions in different hotel sectors and across several countries can lead to interesting results. From a theoretical perspective, the framework of this research is restricted in its own objectives. This study has pondered the relationship between RM price perceptions, and behavioral intentions, while other factors such as customer satisfaction, trust and profits have not been considered. Future research should explore whether other constructs are affected in a fashion similar to behavioral intentions. Moreover, research can investigate the extent to which customers' behavioral intentions are impacted by various types of communications engaged by the hotel chains about the practice of revenue management pricing in order to determine which vehicles are the most effective in disseminating this type of information.

CONCLUSION

The introduction of RM was announced as one of the most revolutionary innovations to impact the hotel industry, transforming the way hoteliers optimized revenues and required them to rethink their managerial methods. Despite the accrued literature, a large number of the existing publications on RM are still fragmented and repetitive. Furthermore, RM literature remains mostly concentrated on forecasting, decision-making and mathematical modeling issues. Moreover, the review of the literature revealed that related research into customers' perceptions of price and behavioral intentions towards RM is inadequate and incomplete. In addition, the research designs tend to rely on scenario-based surveys and experiments and data is collected from undergraduate students. These studies fail to address the realistic challenges

and dynamism of real service environments, the conditions of higher involvement, and the behaviors and reactions of real hotel customers. Hence, this study aims at investigating the impact of RM pricing practices on customers' behavioral intentions. This empirical study confirms the long-held assumption that RM impacts customers' behavioral intentions. The findings suggest that since managers adopt short-term transactional approach to sell the hotel inventory on a daily basis, negative impacts on customers' behavioral intentions towards the chain are often caused.

TABLES AND FIGURES

Figure 1: Relationship between Variables

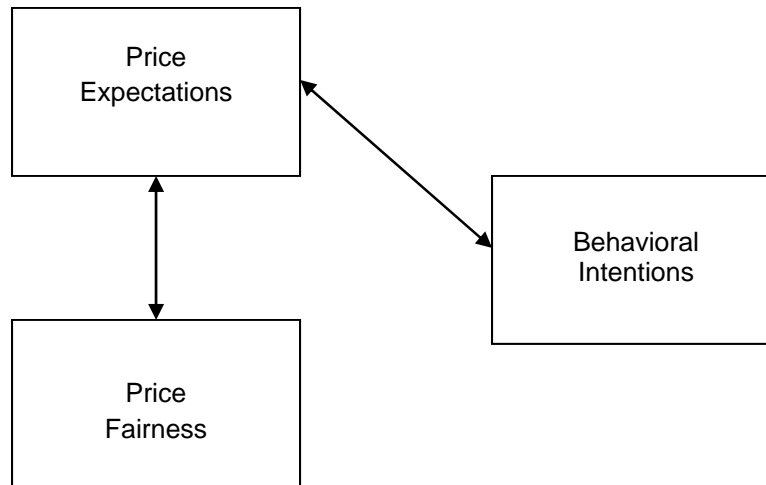


Table 1: Correlation Matrix for Variables of Accept Respondent Group

Variables		Price Expectations	Price Fairness	Behavioral Intentions
Price Expectations	Pearson Correlation	1		
	Sig. (2-tailed)			
Price Fairness	Pearson Correlation	-0.444**	1	
	Sig. (2-tailed)	0.000		
Behavioral Intentions	Pearson Correlation	-0.165**	0.526**	1
	Sig. (2-tailed)	0.000	0.000	
	N	626	626	1137

** Pearson correlation coefficients significant at the 0.01 level (2-tailed).

Table 2: First Time Users Behavioral Intentions

	Accepted (n=85)		Denied (n=22)		Declined (n=119)	
	Mean	SD	Mean	SD	Mean	SD
Will you book at Unidom in the future?	3.69	0.86	3.45	0.67	3.24	0.94
Will your recommend Unidom to others?	3.61	0.82	3.27	0.83	3.05	0.88
Will you say positive things about Unidom to others?	3.62	0.80	3.41	0.91	3.07	0.85

Table 3: Repeat Users Behavioral Intentions

	Accepted (n=541)		Denied (n=88)		Declined (n=282)	
	Mean	SD	Mean	SD	Mean	SD
Will you book at Unidom in the future?	4.31	0.68	4.12	0.85	3.93	0.99
Will your recommend Unidom to others?	4.01	0.74	3.94	0.86	3.78	0.95
Will you say positive things about Unidom to others?	3.99	0.72	3.91	0.91	3.80	0.94

Table 4: ANOVA Results: Respondent Groups and Behavioral Intentions

Behavioral Intentions		Sum of Square	df	Mean Square	F	Sig.
Intention to Repurchase	Between Groups	62.36	2	31.18	42.00	0.00
	Within Groups	842.74	1135	0.74		
	Total	905.10	1137			
Intention to Recommend	Between Groups	38.44	2	19.22	25.87	0.00
	Within Groups	843.47	1135	0.74		
	Total	881.91	1137			
Intention to Say Positive Things	Between Groups	32.52	2	16.26	22.55	0.00
	Within Groups	818.60	1135	0.72		
	Total	851.12	1137			

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