

# CUSTOMERS' PRICE FAIRNESS PERCEPTIONS ON HOTEL SERVICES: INSIGHTS INTO ROMANIAN MARKET

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## Abstract

Price fairness perceptions for hotel services is a topic of interest, considering the particularities of price setting process in this area and the variety of factors that influence hotel prices. The present study aims to investigate some aspects of price fairness perceptions for hotel prices in Romania, using a national survey on hotel services customers. The main objectives of the study are oriented on investigating: the behaviour and feelings associated with unfair prices, the attitude to hotel prices, the perceived motives that determine hotel price increases, the information behaviour on price changes. The main results show that price is important for customers in choosing hotel services, the main factors associated with price increases being related to the desire of seller to increase profit and to the cost increases. The customers' reactions when they are confronted with unfair prices refers especially on changing the rebuying behaviour, while the most important way to acquire information on price increases is to analyse the competitors' prices. The decisional implications of this research refer to the management of pricing process and to the communications associated with price changes.

**Keywords:** Hotel services, Perceptions, Price fairness, Romania, Unfair prices.

## 1. INTRODUCTION

Price fairness is a topic of interest among researchers and managers, many companies having in their mission statement the commitment to offer fair prices. In an exchange, fairness is based on a fair relationship between parties and, according to the dual entitlement principle, firms are entitled to a reference profit and customers to a reference price (Kahneman et al., 1986). Regarding the price, fairness was defined by Xia et al. (2004, p. 3) as "a consumer's assessment and associated emotions of whether the difference (or lack of difference) between a seller's price and the price of a comparative other party is reasonable, acceptable, or justifiable". Among the approaches on price fairness, it might

be mentioned: the influence of inferred motives for price changes on fairness perception (Campbell, 1999), fairness of differential prices (Haws and Bearden, 2006; Cox, 2001; Richards et al., 2016), fairness of online prices (Andrés-Martínez et al., 2014), fairness of price-matching guarantees (Kukar-Kinney et al., 2007), promotional prices fairness (Xia et al., 2010).

In the literature, there were presented three dimensions of fairness: distributive, procedural, interpersonal (Feder Mayer and Gonçalves Avila, 2015). Cox (2001) states distributive justice is manifested when all the parties involved direct (such buyer and seller) or indirect (buyers from the same seller) in an exchange obtain the same profit ratio to the investment. While distributive justice concerns the fairness of inputs and outputs of a transaction, procedural justice evaluates the fairness of the processes taking into consideration the social norms (Cox, 2001). Interpersonal fairness refers to the treatment received by individuals during the process such as: apologies, empathy, courtesy (Feder Mayer and Gonçalves Avila, 2015).

The overall price fairness is influenced by procedural fairness and by distributive fairness, having both a distinct effect as well as a combined one (Ferguson et al., 2014). In evaluating the fairness in a relationship, each party believes is entitled at an outcome dependent on how it contributed to that relationship (Cox, 2001). A fair price has two components: a personal component that concerns the impact of price on the customer's economic interests (e.g. the desire to pay the same price or a lower one than the last time) and a social component that refers to the reason of a price change or the impact of this action to others (e.g. a price increase due to a socially accepted reason is less likely to be perceived unfair) (Maxwell and Comer, 2010).

Concerning the buying behaviour, there is a positive relationship between the perception of fairness and the level of expenditures, thus a favourable opinion about fairness is positively correlated with an increased level of expenditures (Daskalopoulou, 2008). Price fairness is a topic of outstanding importance for a company in positioning, in acquiring a competitive advantage and in increasing its market share.

The present study designs a framework for fairness perceptions of hotel prices among customers, being one of the early studies conducted on Romanian market regarding this topic. The importance of this subject is justified by many Romanians prefer to spend holiday abroad, one of the reason being the price level comparing to the benefits offered by hotels (KeysFin, 2016). This study aims to understand the perceptual process on price fairness and the factors that influence this process. For this reason, it was conducted a survey on a national sample of tourists that used, at least once in the last year, the

hotel services for leisure tourism in Romania. The results have implications on managerial decisions concerning price setting, communication of price information and managing the situations of unfairness perceptions.

## 2. PRICE FAIRNESS FOR HOTEL SERVICES

In evaluating price fairness perceptions for service area, Srikanjanarak et al. (2009) have operationalized this concept on four dimensions: flexible price (ability to provide a variety of pricing plans), reasonable price (price charge is reasonable), acceptable price (offering the best price that meets customer's needs) and superior price (offering superior price options comparing to the competition).

Price fairness perception for hotel services influences customers' intentions to buy, to recommend the hotel to others and to spread positive word of mouth (El Haddad et al., 2015). It contributes also to customer satisfaction, but has not a significant influence on customer loyalty (Andrés-Martínez et al., 2014). Culture might influence fairness perceptions of hotel prices, Mattila and Choi (2006) showing that between individualistic cultures (as US culture) and collectivistic ones (as South Korean culture) there exist differences on fairness perceptions of differential prices and on customer satisfaction. Thus, the US customers prefer equitable outcomes to either better or worse outcomes (regarding the price paid to the last visit to the hotel or the price paid by another customer), while South Korean consumers prefer an explanation on the reason for practicing differential pricing policies (based on time reservation, day of week, seasonality) (Mattila and Choi, 2006). Concerning social comparisons, in collectivistic cultures (China) consumers are more sensitive, in price fairness evaluation, to in-group differences (paying more/less than a friend) versus out-group differences (paying more/less than a stranger) than for individualist cultures (US) (Bolton et al., 2010).

Concerning socio-demographic and behavioural criteria, hotel revenue management practices regarding pricing are considered fair by more educated people, younger hotel guests, and more frequent users of hotels (Heo and Lee, 2011). Also, business travellers are less price sensitive and they have a more favourable perception on price fairness, while the first time leisure tourists are more interested in evaluating price fairness and they tend to perceive dynamic pricing method as unfair (El Haddad et al., 2015).

In online hotel booking, the reference price (maximum, reasonable and minimum price indicated by the consumers for one night in a hotel), the familiarity with online hotel booking (customer knowledge on

online hotel booking process) and the search for fairness (the comparisons made by customer in order to assess price fairness) have a positive influence on price fairness perceptions (Andrés-Martínez et al., 2014).

### 3. RESEARCH METHODOLOGY AND RESULTS

The research question of the present paper concerns the understanding of the fairness perceptual process for hotel prices among Romanian customers. The objectives of the study are oriented on investigating: the frequency of using hotel services for leisure tourism, the associations made with the fair price concept, the behaviour and feelings associated with unfair prices, the attitude to hotel prices, the perceived motives that generate hotel price increases, the informing behaviour on price changes. In order to achieve these objectives, it was conducted a survey, based on personal interviewing, the statistical population being represented by persons that have used, in the last 12 months, services from Romanian hotels for practicing leisure tourism. The data were collected, using a personal interview, between 6<sup>th</sup>May - 30<sup>th</sup>May 2014.

In the questionnaire, there were used open-ended questions, close-ending questions, scales as: semantic differential and Likert scale. Some variables and scales were adapted from Vrânceanu (2008) and Chung (2010). The sample size was composed of 1165 persons, with  $\pm 2.87\%$  sampling error and 95% ( $t=1.96$ ) level of confidence. These parameters are included into the limits that assure sample representativeness. For selecting the respondents, it was used a stratified sampling method, according to the structure of Romanian tourists by age. The sample structure, presented in Table 1, is in accordance with the structure of participants in tourism for personal purposes, by age, offered by Eurostat.

TABLE 1 SAMPLE STRUCTURE BY AGE

Age	Frequency	Percent
18-25 years	217	18.6
26-35 years	284	24.4
36-45 years	261	22.4
46-55 years	227	19.5
Over 55 years	176	15.1
Total	1165	100

Concerning the frequency of using hotel services for leisure tourism in the last year, 64.2% of customers have used such services 1-2 times/year, while 26,7% for 3-4 times/year, indicating that Romanians are not very oriented in spending their spare time on leisure tourism using hotel services.

The main associations made by customers for "fair price" regarding hotel services, evaluated with an open-ended question, are: a fair price-quality ratio (51.3%) and a correspondence between the price and the offered benefits (30.2%). Regarding this last situation, many subjects have complained about cases when the promised services weren't offered entirely. Among other associations, there were mentioned: an affordable price (5%), a price that assure customer's satisfaction (4%) and a price quite similar with competitors' (2%) (Figure 1).

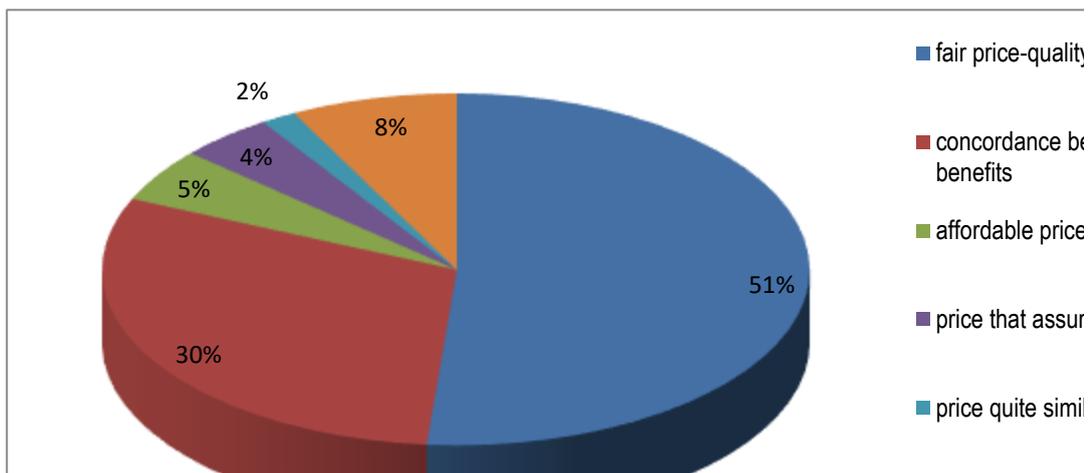


FIGURE 1 - THE ASSOCIATIONS FOR FAIR PRICE REGARDING HOTEL SERVICES

In the process of identifying unfair pricing, more than a half of subjects (62.4%) faced with paying more comparing to the benefits offered by a hotel services, experiencing an unfairness situation. In such a case, the most customers renounced to rebuy services from the same hotel (82.8%) and had a negative word-of-mouth behaviour (50.7%). The making complaint behaviour is not very spread among Romanian customers, only 14.2% made a complaint at the hotel and 6.4% at an organization for consumer protection (Table 2).

TABLE 2 BEHAVIOURS WHEN CONFRONTED WITH UNFAIR (HIGHER) PRICES

Behaviour	Percent
I have renounced to rebuy services from the same hotel	82.8%
I told others about my negative experience with the hotel	50.7 %
I have made a complaint at the hotel	14.2%
I bought from competitions, even if they didn't offered me an extra benefit	8.7%
I have made a complaint at an organization for consumer protection	6.4%
Another behaviour	0.8%

The Romanian consumers associate unfair prices experiences with a large spectrum of emotions and feelings such as: disappointment (58.4%), indignation (37.8%), unfairness (36.3%), dissatisfaction (31.7%), deception (28.2%), revolt (25.5%), distrust (23.3%) or frustration (18.7%). They are

accustomed to the unfair prices for hotel services, so few of them feel surprised (7.4%) when encounter such situations. From Figure 2, it can be seen they have an emotional involvement, only 4% remaining indifferent in such a situation.

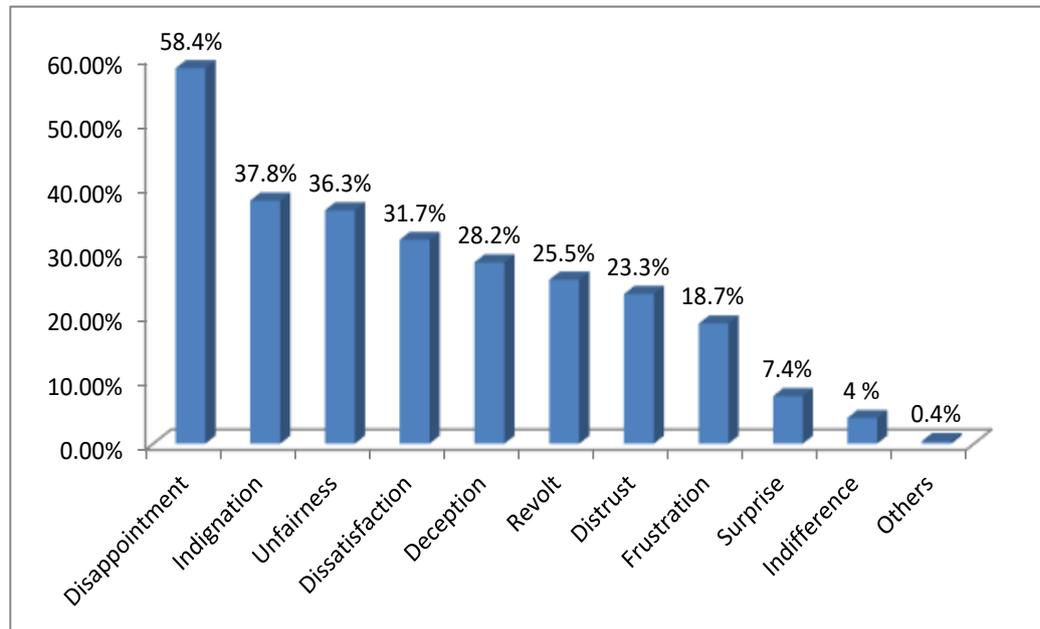


FIGURE 2 - EMOTIONS AND FEELINGS ASSOCIATED WITH UNFAIR PRICES

Concerning positive price unfairness, 25.9% of Romanian customers faced such situations, when they paid lower prices comparing to the benefits offered by the hotel. In these cases, they had feelings and reactions as: rebuying from the same hotel (58.8%), feeling glad (46.7%), feeling satisfied (45.2%). Only 9.6% considered this case as a normal situation, while 10.2% were suspicious and 1.5% feeling even guilty (Table 3).

TABLE 3 REACTIONS WHEN CONFRONTED WITH UNFAIR (LOWER) PRICES

Reaction	Percent
I rebought from the same hotel	58.8
I was glad	46.7
I felt satisfied	45.2
I was suspicious	10.2
I considered it a normal situation	9.6
I wanted to pay extra-money	4
I have felt guilty	1.5
Other reactions	0.3

The attitude to hotel prices was measured with a Likert scale with five levels (1- Strongly disagree - 5- Strongly agree). The Romanian customers are very price sensitive when they are looking for hotel services, that the price is an important criterion (M=4.4) and they are oriented on finding the hotels that offer the desired services at low prices (M=4.22). Tourists are sensitive to price increases and are slightly prone to accept them when they are initiated by a hotel they trust, but this attitude is clearly delimited (M=3.43). The social involvement of Romanian customers is not very intense, that they are not very disposed to accept a price increase from a hotel that sustains a social cause. Concerning the four statements from Table 4, there are not differences between men and women in attitudes, except for the last one, women being more inclined to accept a price increase when a hotel is involved in sustaining a social cause action ( $M_w=3.45$ ) than men ( $M_m=3.24$ ),  $t=-3.198$ ,  $p<0.01$ .

TABLE 4 ATTITUDE TO HOTEL PRICES

Statement	Mean
Price is a very important element when it has to use a hotel services	4.44
I use to find out the hotels that offer me the services I need at the lowest price	4.22
I accept more easily a price increase when it is initiated by a hotel that I trust	3.43
When a hotel is involved in a social cause action, I am less affected by a price increase initiated by it	3.36

The perceived motives for price increases were measured on a semantic differential scale with five levels (1- in a very low extent - 5- in a great extent). Many customers associate this action with unfair practices aimed at sustaining the seller unilateral interest, such the desire to enhance profits (M=3.93) and to speculate the demand increase (M=3.64). The motives that are not controlled in a great extent by the hotel are appreciated to have a medium influence, like cost increasing (M=3.83), tax increasing (M=3.72) or inflation rate increasing (M=3.33). The product policy actions as the increase of services quality (M=3.36) or the hotel intention to change its image (M=3.14), are not considered in a great extent to generate a price increase (Table 5).

TABLE 5 PERCEIVED MOTIVES OF PRICE INCREASE

Motive	Mean
Hotel desire to increase profits	3.93
Cost increase	3.83
Tax increase	3.72
Speculation of demand increase	3.64
Services quality increase	3.36
Inflation rate increase	3.33
Hotel intention to change its image	3.14
Another motive	2.47

The informing behaviour on hotel price increases (evaluated on a Likert scale with five levels) is oriented especially on analysing the competition prices for similar services ( $M=4.31$ ), on looking for information on the hotel from several tourism agencies ( $M=3.94$ ) and on obtaining information about eventual improvements on hotel services ( $M=3.88$ ). Searches for operational costs and for suppliers' profit margin are less used, due to the lack of transparency on such information (Table 6).

TABLE 6 THE INFORMING BEHAVIOUR

Behaviour	Mean
I use to analyse competitors' prices for similar services	4.31
I am looking for information on the hotel from several tourism agencies	3.94
I get information on eventual improvements on hotel services	3.88
I am looking for other information on demand evolution	3.19
I am looking for information on evolution of operational costs	3.03
I am looking for information on profit margins of the suppliers	2.72
Another behaviour	2.67

There exist differences between men and women concerning the informing behaviour, women being more active in this sense than men. Thus, women are more prone to look for information on the same hotel from several tourism agencies than men ( $M_w=4.03$ ,  $M_m=3.81$ ,  $t=-3.481$ ,  $p<0.01$ ), they get more information on eventual improvements on hotel services ( $M_w=3.98$ ,  $M_m=3.74$ ,  $t=-4.161$ ,  $p<0.01$ ), they are more interested in looking for other information on demand evolution ( $M_w=3.29$ ,  $M_m=3.06$ ,  $t=-3.576$ ,  $p<0.01$ ). Also, they look in a greater extent for information on evolution of operational costs ( $M_w=3.14$ ,  $M_m=2.87$ ,  $t=-3.954$ ,  $p<0.01$ ) and on profit margins of the suppliers ( $M_w=2.81$ ,  $M_m=2.06$ ,  $t=-2.898$ ,  $p<0.01$ ). Concerning the behaviour of analysing competitors' prices for similar services, there are not significant differences between men and women.

#### 4. CONCLUSIONS

Romanian customers are sensitive to price fairness regarding hotel services, taking into consideration the price is an important criterion in buying decision. They associate, in many cases, a fair price with a fair ratio quality-price or with a concordance between price and offered benefits. Thus, the hotel managers have to communicate clearly the benefits offered as to justify hotel prices and to avoid unfairness perception situations.

When confronted with higher prices than expected, the most customers renounce to rebuy from the same hotel, inferring that price unfairness might influence customers' loyalty. However, Romanian customers are somehow passive, they do not prefer to make complaints, although they experience emotions and feelings as: disappointment, indignation, dissatisfaction, deception. The cases of positive unfairness (paying less than expected) were experienced by almost a quarter of customers, the most of them being intended to remain loyal to the hotel, feeling glad and satisfied.

Facing with a price increase, Romanians are less prone to accept it when it is initiated by a hotel that sustains a social cause, arguing the prevalence of personal component of price fairness, comparing to the social one. The main inferred motive for a price increase, to enhance profit, is oriented on hotel interest, motive that contributes to a price unfairness perception, even such a motive doesn't exist in reality. For this reason, it is advisable for managers to communicate the motives that generate a price increase and to offer detailed information on them.

Even the most customers deduce an internal factor of influence in a price increase, their informing behaviour is oriented mainly on external factors, as analysing competitors' prices for similar services and searching for information on the hotel from several tourism agencies. This disparity is due to the lack of transparency on hotel actions concerning their costs or profit. A realistic corporative communication is necessary, aimed to diminish uncertainty that might facilitate the expansion of unfairness perceptions.

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