Impacts of Dynamic Pricing on Customer Satisfaction and Behavioral Intentions in the Hotel Industry

ผลของการตั้งราคาแบบพลวัตต่อความพึงพอใจและพฤติกรรมของนักท่องเที่ยวในอุตสาหกรรมโรงแรม

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มหาวิทยาลัยอัสสัมชัญ

Abstract

This research examines the effects of dynamic pricing on customer satisfaction and behavioral intentions and reactions in the hotel industry. In specific, it is a study on the impact of price differences, originated from dynamic pricing on the customer's perception of price fairness, and how perceived price fairness drives customer satisfaction and behaviors.

This study aims to contribute to the field of tourism pricing strategy by examining the impacts of dynamic pricing on customer satisfaction and behavioral intentions of international tourists in Thailand. In particular, this study focuses on a disadvantaged price discrepancy that is claimed to trigger perception of price fairness (Haws & Bearden, 2006). In order words, the study examines the case where consumers realized post-purchase that they were charged a higher price than others receiving the same room and service, and the triggered perception of price fairness, and behavioral intentions and reactions that stem from it. The price difference may vary in terms of magnitude, which can be large or small relative to the amount paid by other customers (Haws & Bearden, 2006). This negative perception of price fairness could lead to customer dissatisfaction that could in returns stimulate some behavioral intentions and reactions, such as repurchase, self-protection, or even revenge; all of which are vital to the long-term competitiveness of the national tourism industry.

This experimental and survey study was conducted in five-star hotels in Bangkok, Thailand, using purposive sampling technique, with a total sample size of 384 tourists. Data collected is then analyzed using a host of statistical analysis techniques, including the standard t-test, the Two-Stage Least Squares (2SLS), and the mediation analysis.

First, It is found that price differences result in unfairness perception among tourists, which in turn lead to a significant and detrimental effect on customer satisfaction. Moreover, it is found that perceived price fairness significantly influences several interesting behavioral intentions and reactions. In particular, our finding shows that poor fairness perception reduces repurchase, increases the likelihood of self-protection and revenge behaviors. It is also found that customer satisfaction mediates the effects of perceived price fairness on revenge intentions. Many business and strategic implications of the results are discussed, including but not limited to the importance of hotel guest experience management and pro-active approach to relationship and disappointment management.

Keywords: Dynamic Pricing, Pricing Strategy, Revenue Management, Customer Satisfaction, Behavioral Intentions

บทคัดย่อ

ผลงานวิจัยนี้เป็นการศึกษาเกี่ยวกับผลของการตั้งราคาแบบพลวัตต่อความพึงพอใจของผู้บริโภคและการตอบสนองด้านพฤติกรรมอื่น ๆ ในอุตสาหกรรมท่องเที่ยวและการโรงแรม กล่าวคือ เป็นการศึกษาผลลัพธ์ของความแตกต่างด้านราคาอันเกิดจากการตั้งราคาแบบพลวัตว่าหากนักท่องเที่ยวทราบถึงความแตกต่างด้านราคาดังกล่าวแล้ว จะเกิดผลลัพธ์อย่างไรต่อความรู้สึกของนักท่องเที่ยวเกี่ยวกับความเท่าเทียมด้านราคา และก่อให้เกิดผลต่อเนื่องอย่างไรต่อระดับความพึงพอใจและการตอบสนองด้านพฤติกรรมของนักท่องเที่ยว

งานวิจัยนี้ใช้การทดลองและการสำรวจกับกลุ่มเป้าหมายนักท่องเที่ยวต่างชาติที่เดินทางเข้ามาพำนักในโรงแรมห้าดาวในกรุงเทพฯ โดยใช้วิธีการเลือกกลุ่มตัวอย่างแบบเจาะจง (Purposive Sampling) โดยมีกลุ่มตัวอย่างทั้งสิ้น 384 ราย ในการวิเคราะห์ข้อมูลนั้นมีการใช้เครื่องมือทางสถิติหลายเครื่องมือ ได้แก่ การทดสอบความแตกต่างของค่ากลาง (t-test) การประมาณค่าสมการถดถอยแบบ 2 ขั้น (2SLS) และการวิเคราะห์การส่งผ่าน (Mediation Analysis)

ผลการวิจัยชี้ให้เห็นว่าความแตกต่างด้านราคานำไปสู่ความรู้สึกไม่เท่าเทียม ซึ่งก่อให้เกิดผลกระทบต่อระดับความพึงพอใจของนักท่องเที่ยว ผลการวิจัยยังชี้ให้เห็นว่าความรู้สึกของนักท่องเที่ยวเกี่ยวกับความเท่าเทียมด้านราคาก่อให้เกิดการตอบสนองด้านพฤติกรรมที่น่าสนใจหลายประการ เช่น ความรู้สึกไม่เท่าเทียมกันลดโอกาสที่นักท่องเที่ยวจะเดินทางมาท่องเที่ยวซ้ำ เพิ่มโอกาสที่นักท่องเที่ยวจะแสดงพฤติกรรมที่เป็นการป้องกันตนเอง และเพิ่มความเป็นไปได้ที่จะแสดงพฤติกรรมที่เป็นการแก้แค้นหรือสร้างความเสียหาย

แก่ชื่อเสียงของโรงแรม นอกจากนี้ ผลการวิจัยยังแสดงให้เห็นว่าความพึงพอใจของนักท่องเที่ยวต่อบริการและประสบการณ์ที่ได้รับนั้นมีส่วนลดความรุนแรงของพฤติกรรมการแก้แค้นอันเกิดจากความรู้สึกไม่ได้รับความเท่าเทียมด้านราคา ผลลัพธ์ของการวิจัยนี้นำไปสู่ข้อเสนอแนะเชิงนโยบายและกลยุทธ์หลายประการ เช่น ความสำคัญของการบริหารในการสร้างประสบการณ์ที่ดีและการใช้นโยบายเชิงรุกในการสร้างความสัมพันธ์และการจัดการกับความผิดหวังของนักท่องเที่ยว

คำสำคัญ : การตั้งราคาแบบพลวัต กลยุทธ์ด้านราคา การบริหารรายได้ ความพึงพอใจของผู้บริโภค การตอบสนองด้านพฤติกรรม

Introduction

Strategic pricing has long been a prominent feature of modern marketing. For businesses and entrepreneurs alike, effective pricing strategies are key to profit optimization, and researchers have been studying the buyer's reactions to the pricing strategies from sellers (Yang & Peterson, 2004).

One of the widely used pricing strategies in the hospitality industry is dynamic pricing (Forgacs, 2010). Dynamic pricing is a price discrimination strategy that sellers use to maximize their returns by charging different prices for similar products or services by charging closer to one's willing to pay. Due to the increased popularity of online internet shopping and technological advances, sellers can study the customers' preferences (for brands, frequencies, and prices) and thus to manipulate prices to achieve maximum revenue.

Benefits of dynamic pricing have been studied quite extensively. In the hotel industry, the use of dynamic pricing leads to better more booked rooms, and hence better profit (Eisen, 2006). Moreover, Baker (2009) also describes that dynamic pricing reduces, or eliminates entirely, the need of price renegotiation which is typically necessary if using traditional pricing with fixed rates, because dynamic pricing is flexible and prices are continuously varied depending on the market structure, i.e., supply and demand.

There are also drawbacks to dynamic pricing strategy, too. Dynamic pricing, by nature, leads to differences in prices charged to different customers. A number of research articles illustrated that consumers might have a perception of being mistreated if they learn that the pricing difference is to their disadvantages (Haws & Bearden, 2006). For example, consumers may form a negative impression on sellers if they discover that they paid a much higher price compared to what other consumers pay or to what they previously spent at the same seller (Haws & Bearden, 2006).

Drawbacks of dynamic pricing that were studied in the literature are, however, limited to psychological ones, such as the aforementioned negative impression of being mistreated. How that negative impression affects customer satisfaction and shapes future behaviors are two important questions to be explored. In the present study, it aims to contribute to the pricing strategy literature by examining the use of dynamic pricing strategy in the hotel industry. Specifically, it elaborates how differences in prices, if known to consumers *ex-post*, would impact their satisfaction and shape their behavioral intentions, and ultimately, their reactions.

Research Objectives

This study aims to explore the impact of dynamic pricing on the customer satisfaction and behavioral intentions. There are three research objectives, which can be summarized as follow:

1. To study the effects of price differences, if known to customers, on the customer's perception of price fairness from the hotel purchase.
2. To study the influences that the customer's perception of price fairness from the hotel stay have on customer satisfaction with the purchase and future behavioral intentions.
3. To study how the level of satisfaction the customer has from the hotel stay mediates the effects that one's perception of price fairness has on his/her future behavioral intentions.

Literature Review

Pricing strategy has long been a significant component of the marketing mix. Among the four elements of the mix, pricing is the only one that directly generates revenue turnover; hence companies invest heavily to ensure that pricing is strategically placed so that profits and sales are optimized. In hotel and hospitality industry, dynamic pricing, which is synonymously referred to as revenue management or yield management (Kimes S. E., 1989), has become much more common over the past few decades. The driving forces behind the rapid emergence of dynamic pricing are technological innovations and development; the internet, online booking sites, online payment, to name a few.

In the hotel industry, dynamic pricing has been used very extensively, either explicitly through charging different prices, or implicitly through the inclusion of additional services or special treatments. For a hotel that wants to utilize dynamic pricing, Kimes (1989) determines the six important preconditions for the effective use of dynamic pricing.

Prices are related to customer satisfaction, as price paid determines the level of consumer surplus the buyer receives from a certain transaction. There are several factors that drive satisfaction, for example, price savings, convenience, emotional outcomes and added customer services. Moreover, satisfaction, perceived value and equity are vital indicators of repurchase intent (Voss, Parasuraman, & Grewal, 1998). In the context of dynamic pricing, price fairness is key as for whether or not the consumers view dynamic pricing as being fair – the feeling of perceived equity – could lead to satisfaction and thus intentions of future purchases. Several studies have explored price fairness perceptions in detail (Bolton, Warlop, & Alba, 2003).

Another important area of research worth mentioning is on the benefits of dynamic pricing, such as pricing flexibility, new market seeking, yield maximization, reduced renegotiations, and buyer's savings (Eisen, 2006; Darson, 2008).

There is some yet limited number of studies that have examined the impacts of price fairness perceptions on the customer satisfaction and behavioral outcomes (Xia, Monroe, & Cox, 2004). These articles provide insights into the study of price fairness perceptions within varied contexts of pricing (Homburg et al., 2005) concerning customer reactions to pricing strategy of the seller, yet none has established a complete analysis of the impact of dynamic pricing strategy on customer satisfaction and behavioral outcomes, which is the key objective of this study.

Scope of Research

In this study, our goal is to contribute to the field of pricing strategy in tourism by investigating the impacts of dynamic pricing on customer satisfaction and several behavioral intentions, namely repurchase, self-protection, and revenge intentions. Notably, this research focuses primarily on disadvantaged price discrepancy which is suspected to trigger perception of price unfairness, which in turns negatively impacts customer satisfaction, and stimulates behavioral intentions.

This study focuses primarily on the international tourists visiting Bangkok and only those who stay in five-star hotels. Although one could argue that this restriction may limit the scope of our dataset and might lead to selective bias, we firmly believe the pros outweigh the cons. By restricting our attention to tourists in certified "five-star" hotels, we effectively eliminate the potential concerns that dissatisfaction may be due to other experience-related

reasons, such as substandard rooms or services. Besides, limiting to international tourists also exclude the possibility that the guests book the stay through traditional offline channels, which are much more common among domestic tourists, rather than online channels in which dynamic pricing is considered typical. The focused attention allows researcher to be confident that data collected genuinely represents tourists whose rooms are priced according to the dynamic pricing strategy.

Another important note is that the present study is limited to the impacts of dynamic pricing on price fairness perceptions, customer satisfaction, and behavioral intentions. It excludes any other possibility that may result in satisfaction or dissatisfaction, and others that may affect the three behavioral intentions, such as other marketing or other revenue management activities. Besides, the present article does not examine the technological aspects and mathematical computations of dynamic pricing. In other words, the scope of this research article is solely to explain, controlled for all other factors, how price differences due to the use of dynamic pricing, if know to customers, may affect their satisfaction and behavioral intentions, and whether there is any mediating effect between them.

Conceptual Framework

The framework of this study builds on several widely accepted theories related to pricing strategy, price fairness, and consumer behavior. It focuses on the effects of price difference magnitude on perceived price fairness, and effects of perceived price fairness on customer satisfaction and behavioral intentions, as well as a number of their mediating effects.

This study investigates three groups of research hypotheses containing eight hypotheses in total. The first hypothesis is about price differences that dynamic pricing potentially causes and their effects on perceived price fairness. According to the equity theory (Adams, 1965), the magnitude of inequality is likely to influence the consumer's response to inequity and the level of perceptions of price unfairness. Our first hypothesis is the following:

H1: Major Price difference results in lower perceived price fairness in consumers as compared to price difference that is minor.

Previous research has shown that price unfairness perceptions may lead to consumers developing negative emotions, such as anger, dissatisfaction, and disappointment (Bei & Chiao, 2001). Besides, the feeling of being treated fairly or unfairly could also stimulate behavioral outcomes, such as repurchase, self-protect, or revenge (Dai, 2010). The second

group of research hypotheses is related to the aforementioned arguments, and its goal is to study the influences that the customer's perception of price fairness from the hotel stay has on customer satisfaction with the purchase and future behavioral intentions and reactions. The hypotheses here include:

H2a: Perceived price fairness positively influences customer satisfaction.

H2b: Perceived price fairness positively influences consumer repurchase intentions.

H2c: Perceived price unfairness negatively influences consumer self-protection intentions.

H2d: Perceived price unfairness negatively influences consumer revenge intentions.

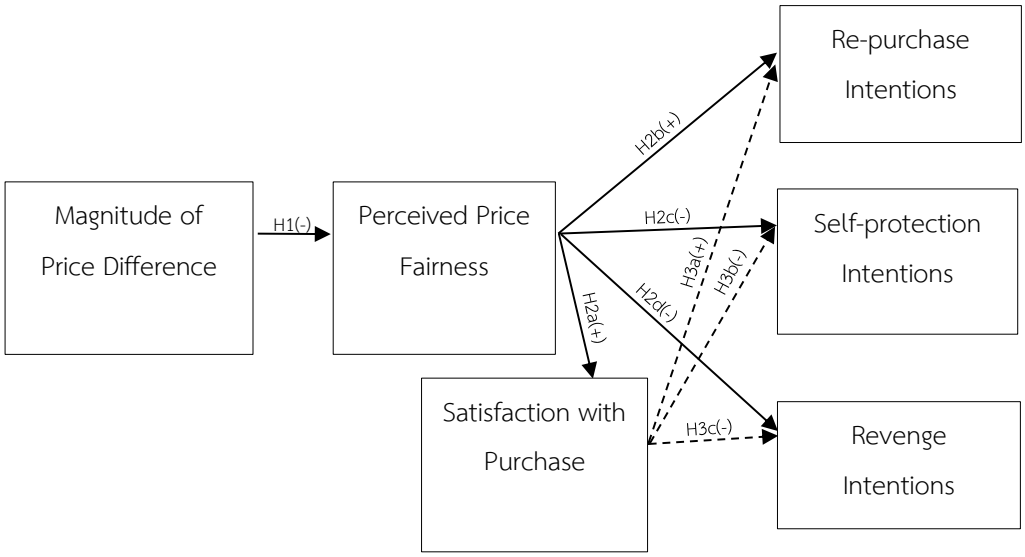
In this study, satisfaction is conceptualized as the level of satisfaction with the goods and services of a hotel that invokes positive feelings in customers (Yang & Peterson, 2004), which have been proven to effectively enhance customer confidence in the seller (Cronin Jr, Brady, & Hult, 2000; Ordóñez et al., 2000; Bei & Chiao, 2001), and is crucial to driving certain behaviors, such as retention, repurchase, and recommendation (Dai, 2010). In other words, satisfaction may as well mediate the effects that perceived price fairness have on behavioral intentions; hence, the last hypothesis group:

H3a: Customer satisfaction with a purchase mediates the relationship between perceived price fairness and customers repurchase intentions.

H3b: Customer satisfaction with a purchase mediates the relationship between perceived price fairness and customers self-protection intentions.

H3c: Satisfaction with a purchase mediates the relationship between perceived price fairness and customer revenge intentions.

The following figure shows the summary of our framework and hypotheses.



Definition of Research Terms

- **Magnitude of Price Difference** is the extent to which a minor or major price change increases or decreases.
- **Customer Satisfaction** refers to the level of satisfaction by the goods and services of a hotel that invokes positive feelings in customers.
- **Perceived Price Fairness** refers to the customer's subjective assessment of whether the difference between the price he/she is being charged and that charged to other customers is acceptable, reasonable, or justifiable.
- **Repurchase Intentions** means an indication of an individual's future repetition of a given behavior; in this case to repeatedly purchase from a seller.
- **Self-protection Intentions** refer to the intentions of customers to take actions that benefit them and reduces perceptions of price unfairness.
- **Revenge Intentions** refer to the intentions of customers to take actions against sellers with the aim of damaging the sellers for price unfairness.
- **Revenue Management** is a pricing strategy that aims at maximizing revenues by reflecting the past events with future choices. Revenue management activities include but not limited to the control or prices, revenue flow, distribution channel, marketing activities, financial operations (Forgacs, 2010). It is widely used in the hotel and airline industries.

Research Methodology

This study employs quantitative approach using structured survey questions to collect the required data for the testing of hypotheses and measurements of the construct relationships. We employ a scenario approach to the survey where the respondents are presented with a situation, followed by a binary survey question that measures the magnitude of price difference. Next, the respondents are presented with a series of Likert scale survey questions that measure the degree of perceived price fairness, customer satisfaction, and behavioral intentions.

The survey population includes the foreign tourists who completed at least an overnight stay at selected five-star hotels in Bangkok during a specified period (June-September 2017). We use the purposive sampling technique, and tourists who agree to cooperate in the survey are asked to complete an electronic questionnaire on a computer tablet. Before the data collection period, a pilot test of 40 selected international tourist respondents is conducted to

gather feedbacks on content and language used. The data collection process adheres to the ethical research considerations and professional guidelines.

In this study, data were collected through the use of survey questionnaires. The questionnaire consists of multiple closed-ended questions written in English. The data collection period is between June – September 2017, every week between Thursday and Monday, between 10 AM and 6 PM, at six selected five-star hotels. The study aims at the sample size of 384 tourists (24 tourists a week) which is the appropriate sample size for the population size of 19 million (the total international tourists in Bangkok in 2016), at 95 percent confidence level with 5% margin of error. (Kreicie & Morgan, 1970) The aim at the higher number of tourists responding to the survey on weekends than on weekdays, at a ratio of 70/30, or specifically around 7-8 tourists per day on weekends and 2-3 tourists per day on weekdays on average.

This study utilizes purposive sampling technique (Etikan, Musa, & Alkassim, 2016; Crossman, 2018) where individual tourists are to be based on specific characteristics that match the criteria above. Tourists who agreed to cooperate in the survey completed an electronic questionnaire on a computer tablet and received a souvenir from selected local charitable foundations located in Bangkok. Decision to provide incentives to increase response rate is based on proven findings that survey incentives do not degrade data quality. (Cole, Sarraf, & Wang, 2015)

Next, researcher perform a series of statistical analyses using different tools for each set of hypotheses. Hypothesis 1 was first tested using the standard t-test which is an analysis of the mean values of data points from two populations. Specifically, using the 2-sample t-test since there are two sample groups: tourists who believe the price difference is major and those who believe it is minor. The default null hypothesis is that the two sample groups are "equal," which means their attitudes towards price difference (major or minor) do not affect unfairness perceptions of the consumers. Researcher reject the null hypothesis if P-value is below 0.05, in which case Hypothesis 1 is accepted. This is the standard t-test which is a type of parametric t-test method. As a result, normality, equal variance, and independence are assumed.

Next, Hypotheses 2a-d were tested using a type of Instrumental Variables (IV) estimation called the Two-Stage Least Squares (2SLS) Regression Analysis, which is commonly used in

the analysis of structural equations. Typically, there are two common problems found in the data when a regression analysis is performed, namely endogeneity problem and heteroscedasticity problem, and different Instrumental Variables (IV) estimation regression techniques are effective in dealing with different problems. In this case, since there are only a few independent variables per Hypothesis test, the regressions are strongly subject to omitted variable bias and thus endogeneity problem obviously exists.

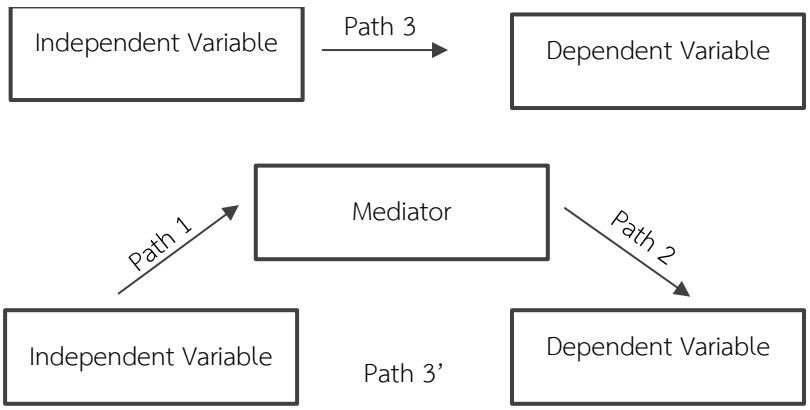
As for the heteroscedasticity problem, it is tested for heteroscedasticity using the Breusch-Pagan (BP) test, which is one of the most common tests for heteroscedasticity. It is found that heteroscedasticity problem does not exist in most regression pairs, except Hypothesis H2d.

The decision to employ the 2SLS technique is due to its ability to effectively deal with any endogeneity problem we may have in the data. While 2SLS is effective in dealing with endogeneity, it does not perform very well in the case of heteroscedasticity, which is not the problem in our case as the heteroscedasticity problem does not exist in most pairs; and to tackle the heteroscedasticity problem in Hypothesis H2d, we included customer satisfaction as another regressor to account for the heteroscedasticity. Breusch-Pagan (BP) tests are shown in Appendix 1.

Lastly, Hypotheses 3a-c were tested, a set of mediating hypotheses, using the standard mediation analysis, which is simply a series of OLS regressions. In establishing mediating analysis, first it is tested to see if the independent variable significantly affects the dependent variable (*Path 3*), then if the independent variable significantly affects the mediator (*Path 1*), and then if the mediator significantly affects the dependent variable (*Path 2*), and lastly if the effect of the independent variable on the dependent variable shrinks once the mediation is added to the model (*Path 3* > *Path 3'*). The amount of mediation is the indirect effect and is computed by subtracting the coefficient in *Path 3'* from that in *Path 3* (Amount of mediation = *Path 3'* – *Path 3*). We use the Sobel test to find whether the indirect effect of the independent variable on the dependent variable via the mediator is significantly different from zero. (Baron & Kenny, 1986) The Sobel test is the most common and widely accepted method of testing the significance of a mediation effect. In particular, the Sobel test is a version of a specialized t-test which determines if, after the inclusion of the mediator into the model, the reduction in the effect of the independent variable is significant, hence making the mediation effect statistically significant.

The summary is provided in the following figure.

Paths to test a mediating effect in Hypotheses 3a-c



Baron & Kenny (1986). The moderator-mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of personality and social psychology, 51(6)*, p.1176.

Results

The hypotheses was tested and structural components shown in the conceptual framework using the methodologies presented above.

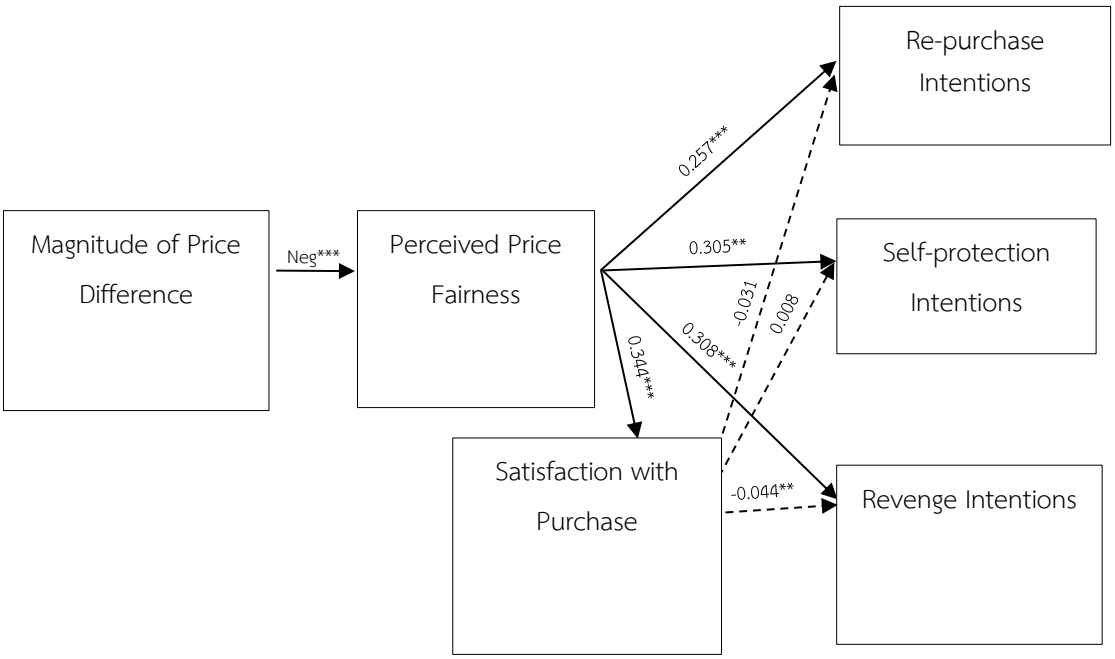
The first research objective is to study the effects of price differences, if known to customers, on the customer's perception of price fairness from the hotel purchase. It is found that, through testing the first hypothesis, the tourists who believe that the price difference is major (138 observations) appear to form stronger unfairness perception than tourists who believe that the price difference is minor (250 observations). Thus, Hypothesis 1 is supported.

Regarding the second research objective, which is to study the influences that the customer's perception of price fairness from the hotel stay have on customer satisfaction with the purchase and future behavioral intentions, we found that all four Hypotheses are supported. First, for Hypothesis 2a, the regression results show that customer's perceived price fairness strongly influences customer satisfaction. Regarding the three behavioral intentions, it is found that the influences Perceived Price Fairness[1] ([1] Or inverted to *Perceived Price Unfairness* in the case of *Self-protection* and *Revenge Intention)* has on behavioral

intentions is strongest on Revenge Intention, Self-Protection Intention, and Repurchase Intention, respectively.

The final research objective is to study how the level of satisfaction the customer has from the hotel stay mediates the effects that one's perception of price fairness has on his/her future behavioral intentions, for which the mediation analysis shows that Hypothesis 3a and 3b are not supported, whereas the Hypothesis 3c is supported.

The following diagram summarizes every result found in this paper.



Conclusion and Discussion

There is a debate in the literature about the pros (Daripa & Kapur, 2001) and cons (Xia, Monroe, & Cox, 2004) of dynamic pricing. This article contributes to both sides and provides additional insights to the literature in this area by explicitly examining the adverse effects of dynamic pricing in the hospitality industry, using primary data collected from international tourists in Thailand. The fundamental purpose of this research article is to examine whether price differences, should they be known to customers, would result in their perceptions of price fairness from the hotel purchase, and whether or not they influence customer satisfaction with the purchase and future behavioral intentions. Several important results and are established in this study, and from which yield several valuable business and strategic implications.

- Major price differences result in stronger unfairness perceptions among tourists, as compared to minor price differences.

The result here suggests that those who believe they have paid significantly higher fees than other tourists who receive the same or similar services from the hotel are more likely to feel that they have been treated unfairly.

- Perceived price fairness positively influences customer satisfaction.

This finding adds to the universal belief regarding the correlation between price and satisfaction by elaborating that not only do absolute prices affect satisfaction but relative prices do as well. It proves that consumers compare the prices they pay to what others pay to receive to same product or service.

A useful strategic implication can be derived from this finding. In the case of dynamic pricing where prices continuously change, and the use of dynamic pricing has long been proven to increase hotel's profitability efficiently, price differences are therefore inevitable. However, to simultaneously use dynamic pricing to its advantage and maintain customer satisfaction with purchases, hotel managers should strategically compensate consumers who paid significantly higher rates than others, possibly in non-monetary forms, to ensure that the perceived price differences are mitigated. This is in accordance with findings and suggestions in research articles on experiential marketing in which creating memorable customer experiences is viewed as one of the most powerful tools and approaches to best hotel marketing strategy.

- Perceived price fairness positively influences repurchase intentions. Likewise, perceived price unfairness positively influences consumer's self-protection intentions and revenge intentions

While the impacts of perceived price fairness on repurchase intentions are straightforward, several implications can be inferred from the other two results.

First, it is discovered that perceived price unfairness positively influences consumer's self-protection intentions, yet customer satisfaction does not affect self-protection intentions. In our study, self-protection is measured by consumers demanding an explanation and putting in extra effort into searching for a hotel's pricing policy in the future. This result is interesting as it implies that although the customers are satisfied with the experience received during the stay, if they know that they paid higher prices than other customers, they

would not let the unfairness goes by without taking some actions. It would be interesting to see how self-protection intentions affect repurchase behaviors to understand the true cost to the hotels that the consumer's self-protection intentions have to the bottom-line profitability.

Next, the results show that perceived price unfairness positively influences consumers' revenge intentions. Not only that the effect is significant, but the impact of perceived price fairness on revenge intentions is also the strongest among the effects perceived price fairness has on other behavioral intentions, namely repurchase and self-protection intentions. This result suggests that perceived price unfairness could be even more detrimental than consumers deciding not to revisit the hotel (fewer repurchases) as they would also spread negative word-of-mouth through various means and media (revenge) so the adverse effects "spillover" to other current or potential customers. Word-of-mouth has long been regarded as one of the most significant deciding factors when tourists look for hotels and lodging, especially in the modern era where they often use online hotel reviews sites and social media for useful information about the hotels.

- Consumer satisfaction partially mediates the effect that perceived price unfairness has on revenge intention.

This result is interesting because it suggests that, once satisfaction is controlled for, perceived price unfairness is less detrimental as the consumers are less likely to take revenge. This finding suggests that it is increasingly essential to offer superior tourist experience in order to ensure excellent satisfaction, not only because the customers will recommend and spread positive word-of-mouth about the hotels to their friends and family, but also because satisfaction will mitigate any adverse effect the perceived price unfairness that results from using dynamic pricing strategy. This finding further provides support for the suggestion made earlier about the provision of special treatments in non-monetary forms the hotels could offer to customers who were charged above average prices, to ensure that high level of customer satisfaction is maintained to prevent any potential revenge reactions the consumers may engage post stay. Moreover, this finding also emphasizes the importance of a pro-active approach to managing customer relationship and disappointments. Specifically, our results show that tourists are likely to be dissatisfied, or even subject to adverse behavioral intentions and reactions post-stay if they find out that they have been charged higher than

others for the same service. In response, the hotel managers should, therefore, be pro-active in mitigating such perceptions and possibilities of adverse reactions so that excellent customer experience promised and expected from the five-star hotel stay is very well maintained.

Further Research

Although the results above, as well as business and strategic implications, provide valuable and useful perspectives into the pros and cons, as well as risks of dynamic pricing, there remain several areas for further research.

First, our results show that perceived price fairness positively influences both customer satisfaction and repurchase intentions. The former is not at all surprising given the fact that price paid is a major part of customer satisfaction. The latter suggests an interesting finding because repurchases determine loyalty, and the hospitality industry is known to rely heavily on the loyalty of repeated customers. Hence, poor customer satisfaction stemmed from perceived price unfairness could easily lead to adverse effects on loyalty which could be detrimental to the hotel in the long run. In this study, we have accounted for part of consumer loyalty through repurchase intentions, which is found to be affected by perceived price fairness but not by satisfaction. This is somewhat counter-intuitive, yet it signals that there could be other factors besides satisfaction that determine repurchase decisions, which can be external and uncontrollable factors, such as destination appeals or the overall experience the tourists receive during the trip. Further research could be done to disentangle the factors that go into satisfaction besides price-related factors.

Furthermore, the mediating effect results show that while the consumer's price fairness perception affects revenge intentions, the effect is slightly mediated by consumer satisfaction. It would be useful to look into the marketing or relationship management activities that are more effective than others in mitigating risks associated with post-trip revenge. Besides, further research could also look into the types of revenge that are common and costly to hotels, as well as what hotels could do to mitigate the negative impacts shall one arise.

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