



Hotel revenue management and the Internet: The effect of price presentation strategies on customers' willingness to book

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ABSTRACT

A decision that is intrinsic to the application of hotel best available rate (BAR) pricing is how to present the BARs for individual nights within a multiple-night stay to prospective hotel guests. We discuss two alternative price presentation strategies, a blended and a nonblended rate approach, and examine their effect on customers' willingness to pay in the context of Internet-based reservation requests. Study findings indicate that a nonblended rate presentation approach generates higher willingness to book ratings than a blended rate presentation approach. Furthermore, when it comes to nonblended rates, familiarity with BAR pricing moderates the effect of rate sequence on customers' willingness to book.

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1. Introduction

Pricing is a key strategic lever deployed by hotels to manage revenue (Kimes and Chase, 1998). A variable pricing structure allows for the use of discounted rates to stimulate demand for hotel rooms that would otherwise go unsold (see e.g., Hanks et al., 1992 for a discussion of demand-based pricing and related rate fences). The growth of the Internet as a channel of distribution has significantly increased customer exposure to revenue management pricing practices, and has created a shift towards complete price transparency and easy "shopping around" of hotel rates and offerings. Internet-based reservations (i.e., reservations via brand, retail, merchant and opaque websites) for major hotel brands and chains worldwide have increased from 27.1% of central reservations booking in 2003 to 45.4% in 2007 (TravelCLICK, 2008). This booking trend is set to continue. At the same time, a term that has evolved in the domain of hotel room pricing is best available rate (BAR) (Palamar and Edwards, 2007). BAR is generally accepted to be the best non-qualified room rate available on a given day. In other words, if a customer did not qualify for a special rate such as a AAA, AARP, government or corporate rate, they would be quoted the BAR rate (Palamar and Edwards, 2007).

With the use of a BAR strategy comes the challenge of deciding how to present room rates for multiple night hotel stays. In the context of multiple-night stays, the BAR across different nights within the stay period may vary significantly depending on the level of demand for each given night. There are two key approaches that a hotel can adopt when presenting the BARs for individual nights within a multiple-night stay. The first is to present a blended rate. Essentially, this involves taking a simple average of the BARs for the individual nights requested and presenting the customer with one single nightly rate. For example, assume that the BAR for the first night of a two-night stay is \$120 and \$100 for the second [per the hotel's revenue management system]. Using a blended approach, the customer would be quoted a simple average of the two nightly rates, i.e., a rate of \$110 per night. The alternative rate presentation approach is to use nonblended rates. This entails presenting the customer with a list of rates, one rate per night requested. Returning to the example above, if a nonblended rate approach was used the customer would be quoted \$120 for the first night, and \$100 for the second night, of the two-night stay.

A review of hotel and third-party intermediary websites provides evidence that both of these rate presentation strategies (i.e., blended and nonblended) are being used in the hotel industry. For example, Marriott Hotels and Resorts use a nonblended rate presentation approach, while Starwood Hotels and Resorts employ the blended approach. What is interesting, in the case of Starwood Hotels and Resorts, is that, while they use a blended approach, a number of third-party intermediaries, for example, Expedia, offers Starwood's inventory using a nonblended presentation format. Fig. 1 provides

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Fig. 1. Comparison of the price presentation strategies used for Starwood Hotels across distribution channels (Starwood.com and Expedia.com).

an example of the divergent rate presentation approaches used by Starwood and Expedia to sell Starwood's inventory.

As evidenced in the example above and in Fig. 1, regardless of the price presentation approach adopted, the total price (excluding taxes, service charges and other fees) that the customer ultimately pays for the hotel stay is the same. However, the question arises as to whether the rate presentation format (i.e., blended or nonblended) matters. Specifically, does the presentation format that the customer encounters make a difference when it comes to their willingness to make a reservation? Previous research by Rohlfs and Kimes (2007) suggests that customers view nonblended hotel rates as fairer, more acceptable and reasonable than blended rates. Building on this research, we examine the potential differential effect of nonblended versus blended rate presentation formats on customers' willingness to make a hotel reservation in the context of Internet-based reservation requests. Furthermore, in the context of a nonblended rate presentation approach, we are interested in whether the rate sequence influences customers' willingness to book. As previously mentioned, the BAR across different nights within the stay period may vary significantly depending on the level of demand for each given night. This raises the question: does the outcome, in terms of the positioning of lower rates within the rate sequence, impact customers' willingness to book? Returning to the example above, the rates followed a high to low sequence (i.e., \$120 for the first night and \$100 for the second night). Had demand levels on the two nights in question been different, the rates could have followed a low to high sequence (i.e., \$100 for the first night and \$120 for the second night). Research has shown that people typically favor sequences that improve over time (e.g., Loewenstein and Prelec, 1993; Loewenstein and Sicherman, 1991; Varey and Kahneman, 1992). This suggests that, when customers are presented with a multiple rate sequence, they would prefer a sequence that ended in a lower rate. However, previous research has shown that familiarity with revenue management pricing can influence their reaction to revenue management pricing practices (Rohlfs and Kimes, 2007; Wirtz and Kimes, 2007). Here, we propose that, in the context of a nonblended rate presentation approach, the effect of rate sequence on customers' willingness to book is influenced by their familiarity with BAR pricing.

The structure of this paper is as follows. First, the literature relevant to the research hypotheses is reviewed. A description of the research methodology and empirical results are then presented. The paper concludes with a discussion of the implications of the findings for management practice and future research.

2. Conceptual background

In the revenue management literature customer reaction to pricing has been examined primarily from a fairness perspective. Customers' perceptions of the fairness of revenue management pricing and related rate fences have been found to be affected by the amount of information disclosed to customers (Choi and Mattila, 2003; Kimes, 1994), the framing of prices, with customers perceiving economically equivalent pricing schedules as fairer when they are framed as discounts rather than surcharges (Kimes and Wirtz, 2003), and familiarity with revenue management pricing practices (Wirtz and Kimes, 2007).

In their study of BAR strategies, Rohlfs and Kimes (2007) found that nonblended rates were perceived as being fairer, more acceptable, reasonable and honest than blended rates. It is interesting to note that, while respondents in the blended rate scenarios were quoted the same rate for both nights, they were given the same explanation regarding rate fluctuations as respondents in the nonblended rate scenarios. Namely, for both the

blended and nonblended scenarios, respondents were told that either (1) the hotel anticipated a busier second night so the rate on the first night was lower than the rate on the second night or (2) the hotel expected a slower second night so the rate on the first night was higher than the rate on the second night. This raises the question: how might customers react to blended and nonblended rates in the absence of an explanation regarding rate fluctuations? For example, how might customers receiving a blended rate react if they were unaware that the nightly rate they were quoted actually reflected a lower rate on one night of their stay, relative to the rate charged on another night within the same hotel stay? Take the Starwood/Expedia comparison in Fig. 1. Without looking at Expedia's website, it is very likely that customers shopping on Starwood.com would have no idea that the average rate of \$280.66 actually reflected rates that fluctuated from \$229 to \$309. Would customers with access to the detailed rate information provided on Expedia.com be more likely to make a reservation than those who only have access to a single nightly rate? Therefore, in this study we were interested in the effect of rate presentation format (i.e., blended or nonblended) on customers' willingness to book in the absence of (1) any indication that rates are different across nights in the case of blended rates and (2) any explanation as to why rates fluctuate in the case of nonblended rates. In practice, hotel and third-party intermediary websites typically do not provide the customer with an explanation for rate fluctuations within a multiple-night stay. We wanted our study to reflect this.

Pricing literature suggests that transaction similarity might influence people's price perceptions (Xia et al., 2004). Specifically, when the two transactions are highly similar, then consumers have difficulty in understanding price fluctuations. This implies that consumers might prefer blended rates when booking hotels for multiple nights (i.e., the same room with identical amenities). Moreover, there is ample evidence to show consumers react differently to price information depending on how prices are framed (e.g., Darke and Chung, 2005; Grewal and Lindsey-Mullikin, 2006; Grewal and Marmorstein, 1994). Previous research suggests that price bundling as a framing strategy is particularly salient in the context of services (Guiltan, 1987). In their investigation of the effect of bundling price-related information on customer evaluations, Johnson et al. (1999) draw on the principles of mental accounting (Thaler, 1985) to explain consumers' preferences for the debundling of discounted prices. Mental accounting principles suggest that consumers prefer to integrate losses and segregate gains. According to Johnson et al. (1999), price information is perceived as a relative loss while price discount information is perceived as a relative gain. Therefore, they argue that it is advantageous to mentally integrate or bundle multiple losses, such as price information, to minimize the negative effect of that information on consumer evaluation of an offer. Conversely, it is advantageous to mentally segregate or de-bundle multiple gains such as price discounts to create more positive consumer evaluations. They found that, in the context of an automobile offer (a basic model and optional extras), customer satisfaction and behavioral intentions increased when price discount information for individual components of the packaged was debundled (i.e., consumers prefer to segregate gains, in the form of price discount information, into a series of debundled discounts).

Extending this logic to room rate presentation, let's return to our example in Section 1 of the paper where the BAR is different across the two nights within a two-night stay. In this context, debundling the rate information would entail quoting a non-blended rate of \$120 for the first night and \$100 for the second night, as opposed to a bundled rate of \$110 per night for the two-night stay. With debundling, customers may perceive that they are receiving a discount on one element of the "package" (i.e., the room

on the second night) *relative* to the cost of the other element in the “package” (i.e., the room on the first night). On the other hand, in the absence of additional information, customers that are exposed to a blended rate of \$110 per night are unlikely to perceive that they have actually received a *relative* discount on the second night. Therefore, we propose that, when the BAR fluctuates across nights within a multiple-night stay, a nonblended rate presentation strategy, which provides the customer with an indication that the room rate is lower on one (or more) night(s) than the room rate for other nights within the stay, will result in higher willingness to book ratings than a blended rate presentation approach:

H1. When the BAR fluctuates across nights within a multiple-night stay, a nonblended rate presentation approach will result in higher willingness to book ratings than a blended rate presentation approach.

Furthermore, in the context of a nonblended rate presentation approach, does the positioning of a lower rate (or rates) within the rate sequence matter when the BAR fluctuates across nights within given hotel stay? For example, depending on patterns of demand, fluctuating BARs could result in one of the following rate sequences for a two-night: (1) the first night's rate is higher than the second (high to low) or (2) the first night's rate is lower than the second (low to high). Research has shown that people typically favor sequences that improve over time (e.g., Loewenstein and Prelec, 1993; Loewenstein and Sicherman, 1991; Varey and Kahneman, 1992). For example, Ross and Simonson (1991) presented subjects with a series of hypothetical choices between sequences that ended with a loss (e.g., win \$85, then lose \$15) or a gain (lose \$15, then win \$85). Subjects overwhelmingly preferred sequences that ended with a gain.

Adaptation and loss aversion have been shown to contribute to a preference for improving sequences (Kahneman and Tversky, 1979). Adaptation refers to people's tendency to adapt to ongoing stimuli over time and evaluate new stimuli relative to their adaptation level (Helson, 1964), while loss aversion refers to the observation that people are more sensitive to a loss than to a gain of equal absolute magnitude (Kahneman and Tversky, 1979). If people adapt to the most recent level of stimuli they experience, then improving sequences will afford a continual series of positive departures (gains) from their adaptation level, whereas declining sequences provide a series of relative losses. Furthermore, recency effects have been shown to contribute to preferences for improving sequences (Miller and Campbell, 1959). The final outcome in a sequence is likely to be the most salient to the decision maker after the conclusion of the sequence (Ross and Simonson, 1991).

Based on the notion that people prefer improving sequences and sequences ending in a gain, it could be assumed that willingness to book ratings for nonblended rates would be higher when rates follow a high to low sequence rather than a low to high sequence. However, we propose that customers' reaction to the sequence for nonblended rates (i.e., low to high versus high to low) will be influenced by their familiarity with BAR pricing, specifically their familiarity with the potential for room rates to differ across nights within a given hotel stay. Previous research has demonstrated that familiarity with a given revenue management pricing practice moderates the effects of framing of prices and fencing condition (i.e., whether a respondent was advantaged or disadvantaged by a revenue management practice) on fairness perceptions (Wirtz and Kimes, 2007). In their examination of the role of familiarity in customers' reaction to BAR pricing, Rohlf and Kimes (2007) found that customers unfamiliar with BAR pricing rated nonblended rates significantly fairer, more acceptable and reasonable than blended rates. Customers familiar with

BAR pricing, on the other hand, perceived no difference in the fairness, acceptability or reasonableness of blended and non-blended rates.

Here we argue that, in the context of nonblended rates where the BAR fluctuates across nights within a multiple-night stay, customer familiarity with BAR pricing, in terms of their familiarity with the potential for room rates to differ across nights within a given hotel stay, will influence their willingness to make a hotel reservation. Specifically, we propose that, when the unblended rate presentation format results in a Low to High Rate sequence, the more familiar that the customer is with BAR pricing, the higher the willingness to book ratings will be. While, in general, an improving sequence may be preferred, people who are familiar with BAR pricing are more likely to expect rate changes and are less likely to allow the increasing rate sequence to impact their willingness to book. On the other hand, the more unfamiliar the customer is with BAR pricing, the more likely they are to evaluate the outcome based on the “loss” or the last encountered (higher) rate and determine that they are not getting a good deal.

Conversely, we propose that there will be no significant difference in the willingness to book ratings across different levels of customer familiarity with BAR pricing when rates follow a high to low sequence. The improving sequence will be equally appealing to all customers.

H2. In the context of a nonblended rate presentation approach, where the BAR fluctuates across nights within a multiple-night stay, familiarity with BAR pricing will moderate the effect of the rate sequence on customers' willingness to book. Specifically, the gap in willingness to book ratings as familiarity increases will be significantly higher with a Low to High Rate sequence than a High to Low Rate sequence.

3. Methodology

3.1. Participants and procedures

Data were collected from passengers waiting to board planes at an airport in the North East U.S. over a 2-month period (April and May). Passengers were approached by one of two interviewers. They were asked to complete a scenario-based survey relating to making a reservation request for a hotel room.

Rate presentation was manipulated at three levels: Same Rate (i.e., blended rate across both nights), Low to High Rate (i.e., nonblended rate: lower rate for the first night followed by a higher rate for the second night) and High to Low Rate (i.e., nonblended rate: higher rate for the first night followed by a lower rate for the second night). Respondents were randomly assigned to one of three scenarios, each corresponding to one of the three rate presentation conditions. In all three scenarios, respondents were told that they were planning a leisure break and needed to make a hotel reservation for two nights. They were informed they had done an Internet search and had come across a 3-star boutique hotel in the area that they were looking for. The hotel provided all of the features and attributes that they desired. A picture of a guest room at the property was also provided. To reduce the potential for a lack of information about competing rates affecting respondents' willingness to book, they were also informed that they had seen hotels of the same star rating in the location that they wanted to visit advertising rates around \$220.

Respondents were told that they went to the hotel's website to check availability and Same Rate were provided with rate information. In the Same Rate condition, the rate was \$219 per night. In the Low to High Rate condition, the rate was \$179 for the first night and \$259 for the second night. The rates were presented

in reverse for the high to low condition. The \$80 gap between the rates for the Low to High Rate and High to Low Rate conditions was based on the actual difference between rates quoted by 3-star boutique hotels on their websites for two nights within a two-night stay request. In addition to reflecting a rate difference of the magnitude one could expect to encounter in reality, the difference was also considered sufficiently large such that respondents would clearly discern a rate fluctuation across the nights requested.

3.2. Measures

The scales used to measure customers' willingness to book, familiarity with BAR pricing and the control variables (i.e., perceived acquisition value, prices previously paid, frequency of Internet-based hotel reservations and income level) are provided in Table 1.

Willingness to book: willingness to book was measured using Grewal et al.'s (1998) 3-item, 7-point Likert scale anchored by *very low* and *very high* (Cronbach's $\alpha = 0.96$).

Familiarity with BAR pricing: familiarity with BAR pricing was measured using two differential scale items adapted from Kimes and Wirtz (2007) ($r = 0.90$, $p < 0.01$). The first item was anchored by *very unfamiliar* and *very familiar* and the second item was anchored by *never* and *very often*.

Control variables: due to their potential to influence customers' willingness to book, a number of control variables were included in our analysis: perceived acquisition value, prices previously paid by the customer, frequency of Internet-based hotel reservations and income level.

Perceived acquisition value: Grewal et al. (1998) have demonstrated that perceived acquisition value (the tradeoff between a product's/service's benefits and the cost of its acquisition) can influence customers' willingness to buy. An 8-item, 7-point Likert scale anchored by *very strongly disagree* and *very strongly agree* was

used to measure perceived acquisition value (adapted from Grewal et al. (1998); Cronbach's $\alpha = 0.97$).

Prices previously paid: There is ample evidence to support consumers' usage of reference prices when making brand choices, with consumers relying on past prices as part of the reference price formation process (Kalyanaram and Winer, 1995). A single item was used to capture the average price paid in the past for a hotel room. Subjects provided an average dollar amount.

Frequency of Internet-based hotel reservations: the frequency with which customers use the Internet to make hotel reservations may influence their exposure to general revenue management practices. The higher the exposure, the greater the potential to influence the reaction to rate presentation formats. One item was used to measure frequency of Internet-based hotel reservations made during the past 12 months. Data were captured using the following categories: *Never*, *Infrequent* [1–5 times] and *Frequent* [more than 6 times].

Income level: the price sensitivity of customers can be influenced by their income levels. Customers' income level was included in our analysis as a proxy for disposable income to account for the potential impact of income on willingness to book at the price levels used in the study. Subjects selected one of the following categories for annual income (dollar amounts): *Less than \$40,000*, *\$40,000 to \$80,000* and *more than \$80,000*.

Manipulation checks: we used two items anchored by *very strongly disagree* and *very strongly agree* to ensure that our manipulation for the price presentation conditions was effective: "The room rate that I was quoted for Night One was different to the room rate that I was quoted for Night Two" and "The room rate that I was quoted for Night One was higher than the room rate that I was quoted for Night Two".

The questionnaire was pre-tested and revised before its final administration. Following the pre-test, a number of changes were made to the layout of the questionnaire to facilitate ease of completion.

4. Data analysis

4.1. Sample characteristics

A total of 140 travelers were asked to participate in the survey. Of those approached, 106 agreed to participate, yielding a response rate of 75.7%. Nearly 59% ($n = 62$) of the respondents were male, with respondents' ages ranging from 19 to 81. There were approximately equal number of respondents in each rate presentation condition: *Same Rate* ($n = 35$), *Low to High Rate* ($n = 35$) and *High to Low Rate* ($n = 36$). See Table 2 for other sample characteristics.

4.2. Manipulation checks

A one-way ANOVA on the item "The room rate that I was quoted for Night One was different to the room rate that I was quoted for Night Two" indicated a significant main effect for the rate condition ($F = 71.94$, $p < 0.001$). The mean ratings for the rate presentation conditions were as follows: *Same Rate* (1.70), *Low to High Rate* (5.52) and *High to Low Rate* (6.35). Planned contrasts indicated that the means for the *Low to High Rate* and *High to Low Rate* conditions were not significantly different ($p > 0.1$). Conversely, the mean for the *Same Rate* condition was significantly different to means for the *Low to High Rate* and *High to Low Rate* conditions ($p < 0.001$) at the 0.01 level.

A one-way ANOVA on the item "The room rate that I was quoted for Night One was higher than the room rate that I was quoted for Night Two" also indicated a significant main effect for the rate

Table 1
Scale items.

Willingness to book
If I were going to reserve a hotel room, the probability of reserving this hotel room is
The probability that I would consider reserving this hotel room is
The likelihood that I would reserve this hotel room is
Familiarity with BAR pricing
How familiar are you with the practice of hotels charging a different room rate across days within one hotel stay?
How often have you seen, hear of or experienced hotels charging a different room rate across days within one hotel stay?
Perceived acquisition value
If I reserved this hotel room, I feel I would be getting my money's worth
I feel that I am getting a good quality hotel room for a reasonable price
After evaluating the hotel's features, I am confident that I am getting quality features for the room rate
I think that, given this hotel's features, it is good value for money
Compared to the maximum room rate that I would be willing to pay for this hotel room, the rate conveys good value
I would value this hotel reservation as it would meet my needs for a reasonable price
It would be worthwhile to reserve this room as it would give me somewhere to stay at a reasonable price
If I reserved this hotel room, I think I would be getting good value for the money I spend
Prices previously paid
For hotel stays that you paid for yourself in the past how much did you spend on average per night for a room?
Frequency of Internet-based hotel reservations
How often have you used the Internet to book a hotel room during the past year?

Table 2
Sample characteristics.

Variable	N		%	
Gender				
Male	62		58.49	
Female	44		41.51	
Income (\$)				
Less than 40,000	35		33.02	
40,000–80,000	33		31.13	
More than 80,000	38		35.85	
Internet-based hotel bookings				
Never	18		16.98	
Infrequent	50		47.17	
Frequent	38		35.85	
	Minimum	Maximum	Mean	S.D.
Age	19	81	39.89	14.42
Price previously paid (\$)	40	350	135.63	56.17

presentation condition ($F = 158.22$, $p < 0.001$). The mean ratings for the rate conditions were as follows: Same Rate (1.33), Low to High Rate (1.81) and High to Low Rate (6.50). Planned contrasts indicated that the means for the Low to High Rate and Same Rate conditions were not significantly different ($p > 0.1$). The mean for the High to Low Rate condition was significantly different to means for the Low to High Rate and Same Rate conditions ($p < 0.001$).

Taken together, the results of the ANOVAs indicate that our rate presentation manipulations were effective.

4.3. Hypotheses tests

The cell means for willingness to book by rate presentation condition were as follows: Same Rate ($M = 3.22$, $S.D. = 1.95$), Low to High Rate ($M = 3.81$, $S.D. = 1.82$) and High to Low Rate ($M = 4.12$, $S.D. = 1.81$). To test hypotheses, willingness to book was the dependent variable in a hierarchical linear regression. For the test of H1, the nonblended rate presentation conditions (Low to High Rate and High to Low Rate) were pooled. The control variables, perceived acquisition value, prices previously paid by the customer, frequency of Internet-based hotel reservations and income level, were entered first in the model. The two category rate presentation variable (blended and nonblended) was then entered as a predictor variable, with the nonblended rate category as the reference group. A summary of the results is provided in Table 3. A test of the difference between the R^2 for the model without the rate presentation term and the model with the rate presentation term was marginally significant ($p < 0.1$). Willingness to book ratings were marginally significantly lower for the blended (Same Rate) category when compared to the nonblended (Low to High Rate and High to Low Rate) category ($\beta: -0.54$), providing partial support for H1.

The data subset consisting of the two nonblended rate presentation conditions was used to test H2 (i.e., the High to Low Rate sequence and the Low to High Rate sequence). The control variables were first entered in the model. Next, familiarity with BAR pricing and the two-category nonblended rate variable (High to Low Rate and Low to High Rate) were entered as predictor variables. A test of the difference between the R^2 for the model without the predictor variables and the model with the predictor variables was insignificant ($p > 0.1$). Finally, the interaction term for familiarity with BAR pricing and the rate variable was entered. The increase in R^2 was significant ($p < 0.05$). A summary of the results is provided in Table 4 and Fig. 2. Specifically, the gap in willingness to book ratings as familiarity with BAR pricing

Table 3

Hierarchical multiple regression analysis for willingness to book (test of H1).

Independent variables	B	S.E.	t-Value
Step 1			
Perceived acquisition value	0.79	0.10	7.75*
Prices previously paid	0.00	0.00	1.93**
Internet-based reservations ^a			
Infrequent	−0.25	0.44	−0.56
Frequent	0.13	0.52	0.25
Income level ^b			
Less than \$40,000	0.15	0.45	0.32
\$40,000–\$80,000	0.32	0.39	0.83
Step 2			
Perceived acquisition value	0.79	0.10	7.81*
Prices previously paid	0.01	0.00	1.83**
Internet-based reservations ^a			
Infrequent	−0.25	0.44	−0.56
Frequent	0.04	0.52	0.08
Income level ^b			
Less than \$40,000	0.18	0.45	0.40
\$40,000–\$80,000	0.34	0.38	0.89
Blended rate presentation format ^c	−0.54	0.32	−1.70**
R^2 change	0.019*		

^a The Never category was used as the reference group in the regression.

^b The More than \$80,000 category was used as the reference group in the regression.

^c The Nonblended rate category was used as the reference group in the regression.

* $p < 0.005$.

** $p < 0.1$.

increased was significantly higher for the Low to High Rate sequence than the High to Low Rate sequence. In other words, when the rate sequence was Low to High, customers were more likely to be willing to make a reservation if they were familiar with BAR pricing. Conversely, when the rate sequence was High to Low, there was no significant difference in willingness to pay as familiarity with BAR pricing increased. This supports H2.

5. Discussion

When hotel companies adopt BAR pricing they have to make a choice between using a blended and a nonblended rate presentation approach to quoting room rates for multiple-night stays. It is

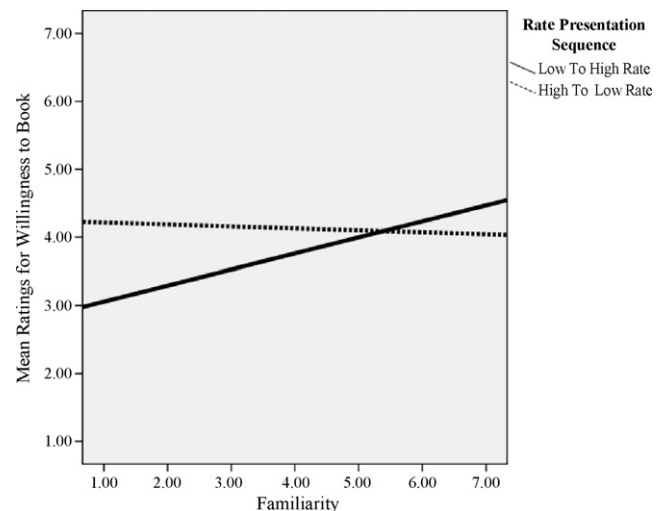


Fig. 2. Interaction effect of rate presentation sequence (nonblended rates) and familiarity on willingness to book.

Table 4
Hierarchical multiple regression analysis for willingness to book (test of H2).

Independent variables	B	S.E.	t-Value
Step 1			
Perceived acquisition value	0.76	0.15	5.17*
Prices previously paid	0.00	0.00	0.64
Internet-based reservations^a			
Infrequent	−0.41	0.62	−0.68
Frequent	−0.05	0.70	−0.08
Income level^b			
Less than \$40,000	0.45	0.61	0.75
\$40,000–80,000	0.17	0.51	0.34
Step 2			
Perceived acquisition value	0.74	0.15	5.01*
Prices previously paid	0.00	0.00	0.64
Internet-based reservations^a			
Infrequent	−0.56	0.65	−0.86
Frequent	−0.31	0.77	−0.40
Income level^b			
Less than \$40,000	0.42	0.61	0.69
\$40,000–80,000	0.16	0.52	0.31
High to Low Rate presentation format ^c	0.23	0.40	0.53
Familiarity	0.08	0.11	0.72
R ² change	0.01		
Step 3			
Perceived acquisition value	0.80	0.15	5.55*
Prices previously paid	0.00	0.00	0.35
Internet-based reservations^a			
Infrequent	−0.52	0.62	−0.84
Frequent	−0.24	0.74	−0.32
Income level^b			
Less than \$40,000	0.44	0.59	0.74
\$40,000–80,000	0.20	0.50	0.41
High to Low Rate presentation format ^c	0.16	0.39	0.42
Familiarity	0.28	0.13	2.05**
High to Low Rate presentation format × familiarity	−0.41	0.18	−2.26**
R ² change	0.058**		

^a The Never category was used as the reference group in the regression.

^b The More than \$80,000 category was used as the reference group in the regression.

^c The Low to High Rate category was used as the reference group in the regression.

* $p < 0.005$.

** $p < 0.05$.

evident, based on an examination of hotel companies' and third party intermediaries' websites, that there is no consistency industry-wide in terms of a rate presentation approach. In an effort to provide hotel managers with guidance in terms of selecting a rate presentation strategy, this study sought to investigate whether a blended or a nonblended approach to presenting rates for multiple-night stays would generate superior customer ratings in terms of willingness to book.

Previous research has demonstrated that, in the context of BAR pricing, nonblended rates are perceived as being fairer, more acceptable, reasonable and honest than blended rates (Rohlf and Kimes, 2007). This study contributes to the existing literature, with study results indicating that a nonblended rate presentation approach generates higher willingness to book ratings than a blended rate presentation approach. However, it should be noted that the difference in ratings was marginally significant. Nevertheless, this finding is consistent with the idea that price discount information should be debundled to create more positive consumer evaluations (Johnson et al., 1999). It is also interesting to note that our finding in relation to the superiority of a nonblended rate presentation

approach was generated in the absence of any explanation to respondents in terms of rate fluctuations. Recall that in the study by Rohlf and Kimes (2007), respondents were given an explanation regarding why rates were different across different nights. This explanation may have positively influenced customers' evaluations of nonblended rates. Our finding was obtained in the absence of explanation, thus truly testing the impact of nonblended rates on consumers' reactions to revenue management practices.

Familiarity with revenue management pricing practices has been shown to influence customers' perceptions of revenue management pricing (e.g., Wirtz and Kimes, 2007). In the context of BAR pricing, Rohlf and Kimes (2007) found that customers unfamiliar with BAR pricing rated nonblended rates significantly fairer, more acceptable and reasonable than blended rates while customers familiar with BAR pricing perceived no difference in fairness, acceptability or reasonableness across blended and nonblended rates. We extend this literature, with study findings suggesting that, when it comes to a nonblended rate presentation approach, familiarity with BAR pricing, namely familiarity with the potential for room rates to differ across nights within a given hotel stay, moderates the effect of rate sequence on customers' willingness to book. Consistent with the idea that people prefer an improving sequence (e.g., Loewenstein and Prelec, 1993; Loewenstein and Sicherman, 1991; Varey and Kahneman, 1992), the improving sequence of the High to Low Rate sequence was equally appealing across respondents, regardless of level of familiarity with BAR pricing. However, familiarity with BAR pricing did influence customers' reactions to a Low to High Rate sequence. Specifically, customers were more likely to be willing to make a reservation if they were familiar with BAR pricing. This finding supports the idea that people who are familiar with BAR pricing are more likely to expect rate changes and, if presented with a lower rate in a sequence, will evaluate that lower rate as a gain, regardless of where it falls in the sequence. Conversely, the more unfamiliar the customer is with BAR pricing, the more likely they are to evaluate the outcome based on the last encountered (higher) rate and determine that they are not getting a good deal.

6. Managerial implications

This study has a number of implications for management. First, while the difference is marginally significant, a nonblended rate presentation format does lead to higher willingness to book ratings than a blended rate presentation format. Therefore, it may behoove hotel companies that do not employ an unblended rate presentation strategy to consider doing so. This suggestion is particularly relevant for hotel companies that use third-party intermediaries, such as Expedia, to distribute their inventory. Expedia is just one example of an intermediary that employs a nonblended approach to displaying hotel rate availability for multiple-night stays. Hotel companies need to assess the rate presentation approach that their primary third-party distribution channels are using when distributing their inventory. If they find, for example, that the majority of their distributors are using a nonblended approach, it provides an additional incentive to adopt a nonblended rate presentation approach. By aligning its rate presentation approach with that of its major third-party distributors, a hotel company will maximize the likelihood that the customer will receive consistent rate information when they conduct a rate search across distribution channels. Increasing the consistency of rate information in this way should serve to promote customers' trust of hotel pricing.

Second, this study revealed that, when it comes to unblended rates, familiarity with BAR pricing influences the effect of rate sequence on willingness to book. A High to Low Rate sequence is appealing to all customers, regardless of familiarity with BAR pricing as it fits with the idea that people prefer an improving

sequence. However, the reality, in terms of rate sequences, is that a rate sequence is dictated by demand levels so it is inevitable that a Low to High sequence will sometimes occur. In this context, study findings indicate that customers that are less familiar with BAR pricing will be much less inclined to book than those very familiar with BAR pricing. This suggests a need to enhance hotel customers' familiarity with, and understanding of, BAR pricing. A prime opportunity to explain the principles behind and motivation for BAR pricing is when the hotel company is setting out their best rate guarantees. Often, hotels (e.g., Marriott, Hilton, Starwood) and third-party intermediaries (e.g., Expedia) attach best rate guarantees to BAR rates, offering customers a qualified guarantee that they will not find a lower rate for the same product through any other channel. A clear explanation that BAR pricing will sometimes result in different rates across nights within a multiple-night hotel stay should increase customers' exposure to, and understanding of BAR pricing. Ultimately, by explanation, the hotel operator should strive to encourage customers to view the lower rates that they are offered as part of a multiple-night stay as a benefit or gain, regardless of their positioning within the rate sequence.

7. Directions for future research

In this study, we limited our examination of the rate sequences associated with a nonblended rate presentation approach to the rate sequences associated with fluctuating BARs within a two-night length of stay. How might the rate sequences associated with a longer length of stay affect customer willingness to book? For example, potential rate sequences associated with a five-night stay include, amongst others, a High, Low, High, Low, High rate sequence and a Low, High, High, Low, Low rate sequence. How might customers react to such variability in rates?

Second, we did not allow for a best rate guarantee in any of our scenarios and that might explain the relatively low willingness to book ratings across respondents. It might be that the absence of a best rate guarantee induces people to search for better room rates on other websites. Hence, the impact of best rate guarantees on the rate presentation format-willingness to book relationship should be explored in future work.

Third, does the impact of presentation format depend on the value of the purchase? In other words, are consumers more or less willing to accept nonblended presentation format for luxury versus economy hotels? Future studies with different price ranges should be conducted to examine such effects.

Finally, only behavioral intent was measured in this research. Therefore, the measurement of (future) actual online booking patterns might lead to different results. Although the Theory of Reasoned Action (Ajzen and Fishbein, 1980; Fishbein and Ajzen, 1975) strongly supports the link between intended and actual behavior, multiple factors such as consumer characteristics and search conditions might intervene with actual booking behaviors (e.g., Shim et al., 2001). Therefore, an examination of the actual booking behavior resulting from alternative rate presentation strategies is warranted.

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