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Article

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THE FAIRNESS OF PRICING TACTICS FOR HOTELS: PERCEPTIONS OF ROMANIAN CUSTOMERS

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Abstract

This study focuses on analysing the perceptions of pricing tactics the hotels from Romania use, and also on the degree of influence these perceptions have on buying intentions. Given the importance of perceived fairness, it is essential to understand the major factors that influence customers' perception of the fairness of prices set by revenue management methods. A nationwide survey was conducted to identify the perception of fairness of the price setting methods, the perception of price fairness in relation to certain factors of influence, the perceived fairness of different pricing tactics, and the evaluation of price fairness for the latest experience in a hotel and the influence on the purchasing intentions. Structural equation modelling was used to assess the influence of distributive and procedural fairness on the perceived value and the buying intentions. The resulting model essentially shows that tourists who perceive a price as fair are inclined to consider the method used to set that price as correct. The main findings regarding revenue management-type approaches emphasize that the price setting method oriented on competition is considered the fairest method for setting prices. Most survey participants believe that the most frequent situation of unfair price is found in accommodation services. Among the unfair pricing tactics are, on the one hand the difference of prices based on the nationality of the customers (higher prices for tourists from abroad) and, on the other hand, the 9-ending prices. Offering lower prices for longer periods and for larger groups represents the fairest pricing tactics that hotels can use. The manners in which Romanian customers use to rate price fairness for hotel services mainly relies on the comparison of the current price to a previous one, and on their own belief of what fair price should be. The managerial implication of this study is linked to the setting prices decisions in order to be perceived as fair prices/tariffs.

Keywords: price/tariffs fairness, hotel services, pricing tactics, revenue management, Romania, price setting method, price comparison.

JEL Classification: M31, Z30.

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Introduction

The price has been accepted on a large scale as an important marketing factor that influences the consumers' behaviour. While, in general, companies make a big effort to maximize their business profits based on the price of the products or services they sell, the consumers tend to look for the products and services that are able to offer them the best price to value ratio.

According to Anderson, Fornell and Lehmann (1994), the price of a product or service can influence the degree of satisfaction of the consumers as, when they evaluate the given value of a certain acquired product or service, they tend to consider their price. In addition to the impact on clients' satisfaction, the perceptions regarding the price fairness also play an important role in establishing their future behaviour (Bei and Chiao, 2001).

Campbell (1999) viewed price fairness as a key factor that influences the image of the brand, and consequently, the price that is perceived as being unfair may lead to negative "word of mouth" advertising and also to a reorientation towards another vendor. This fact becomes even more important in the context of the present paper as, based on a research conducted by GFK Romania, more than a half (57%) of the satisfied Romanians express their satisfaction with the use of a product or service in discussions with others, while 42% out of the dissatisfied clients show their discontent (Wall – Street, 2011). Rothenberger (2015) discovered that the clients' perception regarding the unfair prices has negative effects, such as: a higher degree of dissatisfaction, lower levels of repeat purchase behaviour, negative "word of mouth" advertising, as well as a high number of complaints from the clients.

Analysing the restaurant industry, Hanaysha (2016) observes that the price that is considered to be fair may be viewed as one of the key factors in evaluating the clients' satisfaction in this industry. In fact, the consumers tend to make some comparisons between different brands either before or after buying them in order to better analyse the value after its consumption and to determine their level of satisfaction.

The present study intends to answer two major issues that were partially debated in previous studies:

- how does the customer perceive the fairness of the different pricing tactics used by hotels, in relation to a number of factors of influence;
- how does the clients' perception on price and pricing fairness influence their intention to buy the services of a hotel in the future.

For this purpose, a survey was carried out on a sample of 1165 people who have used the services of a hotel in Romania for leisure tourism in the last year. The results enhance the decision making process regarding the pricing tactics used by hotels, as well as the process of communicating information on these tariffs.

The paper is divided into four sections, that is, the literature review, the research objectives and methodology, the results and discussion, and the conclusions. The review of the scientific literature aims to identify the major topics associated with the research purpose.

1. Literature review on the fairness of pricing tactics

The literature review highlighted two major aspects: on the one hand, the complex understanding of the concept of perception of price fairness, in general, and, on the other hand, the concept of *revenue management* in the hospitality industry. These two research directions arose as a result of their close relationship, highlighted by previous studies. More specifically, revenue management practices could lead to customers' negative attitude towards the hotel due to perceived unfairness; in turn, this attitude would result in a decrease in customer satisfaction and even the loss of these customers (Choi and Matilla, 2004).

Consequently, the literature review in this paper follows these two directions. Firstly, it discusses topics related to the internal reference price, the difference between distributive and procedural fairness, customers' perception of price fairness and behavioral intentions, differences in fairness perception of different pricing methods. Secondly, it investigates the way the academic environment deals with the fairness or unfairness of revenue management practices in relation to clients, and with the importance of socio-demographic factors in customers' perception of the fairness of revenue management practices.

1.1. Perception of price fairness

Perceptions of price fairness refer to the overall assessments made by consumers as to whether the price of a product or service is really reasonable, acceptable or legitimate (Xia, Monroe and Cox, 2004). The rational side of this definition shows that the evaluation of price fairness implies the comparison of the price with a certain standard or reference. The customers usually set for themselves reference values or reference prices in several ways such as referring to past transactions, analysing the prices of the competition, the costs of the merchandise or observing the prices paid by other clients (Briesch *et al.*, 1997). Other authors define price fairness as the analysis and comparison of the internal buyer's reference price with the seller's real price (Martin-Consuegra, Molina and Esteban, 2007). The reference price is defined as "how much the clients think that a product or a service should cost" (Wirtz *et al.*, 2003, p.219).

The relative use of an internal reference price (IRP) versus an external reference price (ERP) becomes an important issue for travel and accommodation, because the increased promotion of destinations and hotels will probably be based on price-comparison advertisements. However, there are few indications on how tourism and hospitality organizations can use the pricing structure to influence the reference price, which is essential for tourists' assessment of price acceptability (Choi and Matilla, 2017). Consequently, the present paper launches the following hypothesis: H_1 - When evaluating the fairness of pricing the clients rely mainly on an internal reference price.

Chapuis (2012) introduces a distinction between the perception of price fairness and pricing fairness, basically analysing the distinction between the distributive and procedural fairness. Kimes (2010) states that a client may think that a policy is fair (procedural fairness), yet the consequence that follows its implementation is unfair (distributive fairness) and vice versa. For example, the clients may consider that the pricing policies of a hotel are fair, yet it is not fair for some clients to pay more than others.

As far as the hotel industry is concerned, research shows that there is a positive direct correlation between the clients' perception of the price fairness (valued through their

expectancies regarding the prices, the comparison with the reference prices and the perceptions regarding the rate for the room) and the behavioural intentions (the purchasing intention, the “word of mouth” advertising and the positive recommendations) (El Haddad, Hallak and Assaker, 2015). Consequently, the present paper launches the following hypothesis: H_2 - The perception of distributive and procedural fairness influences the perceived value and purchasing intentions.

Several research papers from various domains have tried to determine the clients’ perceptions regarding the price fairness based on the method of establishing them. For example, golfers perceive pricing practices based on booking or non-attendance fees as fair and demand-based prices in the form of coupons (two for the price of one) and on reduced time intervals as correct. On the contrary, charging at the time of booking was perceived as neutral to slightly unfair (Kimes and Wirtz, 2003a).

Some practices regarding the promotional prices have bigger probabilities of stirring unfair perceptions than others. For example, an “adjusting” policy that is applied to only a limited selection of merchandise in a store as compared to a policy that is applied to the majority of the merchandise in the store (Kukar-Kinney, Xia and Monroe, 2007), or short-term coupons as compared to long-term coupons may be perceived as being less fair (Kukar-Kinney, Xia and Monroe, 2011).

With regard to restaurants, the coupon price, daytime and lunch / dinner prices are perceived as correct, weekday / weekend prices being perceived as neutral to slightly unfair, and increased prices for specific table locations (for example, those that offer excellent views) are perceived as somewhat unfair. Establishing demand-driven prices has led consumers to perceive the situation as more equitable in the case of reductions, and less in the case of increases (Kimes and Wirtz, 2002).

In general, customers believe they deserve to pay a fair price and that the company is entitled to a reasonable profit (Kahneman, Knetsch, and Thaler, 1986). When prices increase in favour of the company, customers consider this practice to be unfair. They accept a price increase if costs increase or market conditions change, otherwise price increases are perceived as unfair (Kimes and Wirtz, 2002). Consequently, this study proposes the following hypothesis: H_3 - Pricing methods are perceived differently by customers, in terms of fairness.

Although brand reputation and comfort are important variables that affect the valuation process, the degree of comfort does not directly affect the perceived fairness assessments (Taylor and Kimes, 2011). Their research, based on role-playing scenarios, has shown that the respondents to the five-star scenario had a level of perception of fairness similar to those in the three-star scenario. Based on this research, we formulate the following hypothesis: H_4 - The degree of comfort of the hotel does not influence the perception of price fairness.

1.2. The revenue management concept in the hotel industry

Numerous authors investigate the clients’ perception of the prices fairness in connection with hotel industry revenue management (RM) practices. Most definitions understand RM as the use of informatic systems as well as pricing strategies to sell the right room to the right customers at the right time at the right price for the right sojourn (Buckhiester, 2007; Kimes and Wirtz, 2003b).

Some researchers have pointed out that this strategy is unfair to clients (Anderson and Simester, 2008; Xia, Monroe and Cox, 2004), while others consider it beneficial not only to the hotel organization (Hanks, Cross and Noland, 2002), but also to customers, since they can also enjoy low room rates at certain discount periods. On the other hand, Gordon (1995, quoted by Ahmat *et al.*, 2011) argues that such a strategy could destroy customer loyalty and does not contribute to creating long-term relationships with hotel operators. The hotel requires different rates for the same room type at different times (Anderson and Simester, 2008; Mauri, 2007). Price differences between customer groups (business or leisure, for example) also lead to price discrimination of customers (Kimes, 1989). Therefore, the customers lose their benchmarks and the price variation does not allow them to make a correct valuation of the paid money (Legohérel, Poutier and Fyall, 2013).

Maxwell (2008) highlighted that when hoteliers set a room rate based on demand, they may seem to take advantage of their customers and thus not comply with social standards. Therefore, it may be risky for a hotel to apply the RM concept if it does not take into account the long-term value the client is looking for (Noone, Kimes and Renaghan, 2003). Although a room rate is a small part of providing a good quality service, it can significantly influence customer perception and response behaviours, especially when they discover that the hotel charges for unreasonable room rates. Customer perceptions and judgments about unfair prices generate negative emotional responses, and they will act on their level of perceived injustice (Ahmat *et al.*, 2011). In addition, if hidden charges appear, they are also considered to be an incorrect price (Kaura, 2012). However, it seems that not all customers have the same perception of the rightness of RM practices. Consumers may have different degrees of sensitivity to the issue of fairness based on their demographics, such as gender, age and education (Heo and Lee, 2011).

Beldona and Namasivayam (2008) put emphasis on statistically significant differences when women have perceived significantly lower fairness in all pricing scenarios, both in discount and high pricing scenarios. However, when investigating re-purchasing intentions, gender differences were only partially sustained. Sweeney and McFarlin (1997) found that women reacted more strongly to evidence of procedural fairness than men, and vice versa, i.e., weaker, in cases of distributive fairness. Eckel and Grossman (1996) argued that women are more prone to assessing fairness with regard to the immediate situation. Instead, men value the global moral principles in their behavioural responses to fairness assessments.

On the other hand, Turley and Cabaniss (1995) found that gender and age have an insignificant influence on the perception of fairness. Several researchers have discovered, among the various social groups, a lack of demographic differences on price knowledge (Heo and Lee, 2011). However, recent studies highlight that, from a managerial perspective, practitioners can use gender as a price-setting criterion. More specifically, a pricing strategy targeting men should reflect their history of prices, that is, if a male customer has previously booked a room in a particular hotel, the hotel can easily obtain information on that booking, including the prices charged. A revenue manager can then incorporate previous prices into the current one (Choi, Joe and Matilla, 2018).

Consequently, the role of demography on the perceptions of fairness remains open for subsequent empirical investigations. As a result of the contradictory outcomes, to some extent, from the literature, this study proposes the following assumptions for two demographic variables: gender and age: H₅ - There are significant gender differences in the

perception of the price tactics fairness in the hospitality industry and H_6 - There are significant differences across age groups on the perception of the price tactics fairness in the hospitality industry.

Furthermore, the customer exposure to the hotel dynamic rates has increased the familiarity level and has therefore reduced the rationale for price unfairness (Taylor and Kimes, 2010). Other evidence suggests that customer familiarity with pricing, based on transaction history, has a significant effect on assessing fairness and behavioural intentions (Heo and Lee, 2011).

If customers comprehend the reasoning underlying a price change, the procedure is more likely to be perceived as correct, but simply informing the customers that hotel rates vary is not sufficient to improve customer perceptions of fairness (Choi and Mattila, 2005). If customers receive information on what is causing the rate change (e.g., the day of the week, the length of stay, how long before the reservation was made), their perceptions of fairness will improve (Choi and Mattila, 2005). Suklabaidya and Singh (2017) show that specific categories of customers tend to perceive revenue management practices in setting prices as correct, unlike other categories. The former include customers who visit hotels more frequently, those who have online information on prices and on other hotel features, the young, and customers with greater professional training. Customers' perception of the fairness of prices set through revenue management tactics is a key success indicator of client-centered strategies (Masiero, Pan and Heo, 2016).

2. Objectives and research methodology

The purpose of this paper is to identify how customers of hotels in Romania perceive the price tactics of these hotels as well as the influence of perceived price fairness on the purchase intent. The main objectives of the present study are to discover the clients' perception of the fairness of the hotel pricing methods and the price tactics adopted by hotels, the identification of the services provided by the hotel units in Romania with the highest frequency of perceiving the incorrect prices, the way of purchasing the hotel services and the method of assessing the correctness of their prices, the influence of the distributive and procedural fairness on the intention to purchase the services of a hotel. The method of collecting the information was the survey based on a personal interview, the data being gathered between May 6 and May 30, 2014 by field interviewers. The interviewers were trained on the research objectives, the questionnaire filling procedure and the criteria for respondents' selection, as described in this paper. The first part of the results of this research was used to understand the process of perceiving the fairness of prices for hotel services, and was published in Vrâncianu and Țuculea (2016).

The researched collectivity was represented by the persons who used the services of a hotel in the last 12 months to practice leisure tourism. The sample components were selected through stratified sampling, which involves two stages. Firstly, the statistical population is divided into strata, and then, a number of elements are randomly extracted from each stratum (Malhotra, Nunan and Birks, 2017). The criterion used to define the strata was the age structure of participants in tourism for personal purposes in Romania in 2013, provided by Eurostat. The field interviewers randomly selected a number of components from each age group. To select the sample components, the stratified sampling method was used. In order to define the layers, account was taken of the structure by age group of the

participants in personal tourism activities at the level of Romania in 2013, offered by Eurostat. Interviewers randomly selected a number of components from each age group.

The sample size was 1165, corresponding to a sampling error of $\pm 2.87\%$ and a 95% level of confidence ($t = 1.96$). The structure of the examined sample includes 40.7% men and 59.3% women, 18.6% aged 18-25 years, 24.4% between 26-35 years, 22.4% between 36-45 years, 19.5% between 46-55 years, and 15.1% over 55 years. The questionnaire was structured on several sections: the fairness perception of the main price tactics for hotel services, the price fairness perception for the latest experience when using a hotel service, and socio-demographic questions. Scaling methods such as Likert scale and semantic differential were used, and the modalities of operationalization of variables were adaptations after Vrânceanu (2008) and Chung (2010). In order to test some of the hypotheses, the averages were compared, using the t test in the case of two independent groups (e.g. men/women), and the simple ANOVA, which is the equivalent of the t test for assessing the differences between three or more independent groups (e.g. age groups) (Labar, 2008). In the analysis of the information, specialized software such as IBM SPSS 20 and Warp-PLS 5.0 were used.

3. Results and discussions

On the topic of the fairness of the hotel pricing methods, a semantic differential type scale was used, from 1 - Very Unfair to 5 - Very Fair. The fairest method for determining the price was considered to be competition-based pricing with an average value $M = 3.78$, being significantly different from the method of adding a profit margin to the unit average cost (average value $M = 3.67$, $t(1137) = -3.910$, $p < 0.05$) and from the method of setting the price level according to the demand (average value $M = 3.69$, $t(1140) = 3.139$, $p < 0.05$). The difference between the average values of the last two methods is insignificant ($t(1137) = 0.671$, $p < 0.05$). Therefore, the H_3 hypothesis is accepted in part, with significant differences in perception between the competition-oriented method and the other two methods; the latter are perceived by customers as roughly the same in terms of fairness.

Accommodation prices were most frequently found to be incorrect, 62.8% of consumers declaring that they were exposed to such a situation. In almost a third of the cases, incorrect prices for bar services (39.7%), lunch and dinner (34.9%) and breakfast services (33.1%) were found (table no.1).

Table no. 1: The perception of the unfair prices for different types of hotel activities

Types of services	Frequency	Percentage
Accommodation services	719	62.8%
Bar services	454	39.7%
Lunch and dinner	399	34.9%
Breakfast	379	33.1%
Parking	217	19.0%
Conferences and banqueting	154	13.5%
Fitness	144	12.6%
Laundry	118	10.3%

Source: Authors' own research

The hotels' pricing tactics are the result of applying the principles of revenue management. Price tactics fairness has been measured with a semantic differential from 1-Very Unfair to 5-Very Fair. The practices seen as the most correct were to offer lower rates for longer periods of stay (average value $M = 4.45$), for larger groups of people (average value $M = 4.44$) and for disadvantaged categories (students, retired person) (average value $M = 4.33$). The least correct tactics were considered: higher prices for foreign customers (average value $M = 2.34$) and 9-ending prices (average value $M = 2.54$). There are no significant differences between men and women in assessing the fairness of these tactics, except for lower prices for underprivileged categories (pupils, students, retired person) considered more correct by women (average value $M = 4.38$) than men (average value $M = 4.25$, $t(1135) = -2.746$, $p < 0.05$), offering all-inclusive services packages respectively, also considered more correct by women (average value $M = 4.31$) rather than men (mean value $M = 4.17$, $t(1136) = -2.658$, $p < 0.05$) (Table no.2). Therefore, the H_5 hypothesis is partly accepted: for certain price tactics, there are significant differences between men and women in the perception of fairness.

There are significant differences in the perception of certain price tactics by age groups: the use of temporary price reductions ($F(4, 1138) = 5.729$, $p < 0.05$), the offering of all-inclusive packages ($F(4, 1140) = 5.468$, $p < 0.5$), the 9-ending prices ($F(4, 1135) = 6.457$, $p < 0.05$), offering the difference of price by a travel agency in the case of finding the same service with a lower price offered by the competitors ($F(4, 1140) = 7.097$, $p < 0.05$), offering lower prices to disadvantaged categories (pupils, students, retired person) ($F(4, 1139) = 4.204$, $p < 0.05$), offering lower prices to loyal customers ($F(4, 1137) = 3.528$, $p < 0.05$), higher prices for foreign customers ($F(4, 1137) = 9.200$, $p < 0.05$), weekly differentiated pricing ($F(4, 1139) = 2.404$, $p < 0.05$), higher pricing in peak season than during the off season ($F(4, 1136) = 3.358$, $p < 0.05$). In general, young people consider these tactics to be less correct than mature or elderly people do, with the exception of the 9-ending prices ($F(4, 1135) = 6.457$, $p < 0.05$) and higher prices in the high season than in the off season ($F(4, 1136) = 3.358$, $p < 0.05$) when the situation is reversed (table no.2). Therefore, the H_6 hypothesis is partially accepted, with significant differences in age groups as regards the perceived fairness of hotel price tactics.

Table no. 2: The influence of the demographic factors on the perception of the fairness of hotel price tactics

Price Tactics	Average value	t test gender	p	F test age	p
Lower rates for longer stays	4.45	-1.109	0.268	2.278*	0.059
Lower rates for larger groups	4.44	-0.835	0.404	1.609	0.170
Lower rates for underprivileged categories (pupils, students, retired person)	4.33	-2.746**	0.006	4.204**	0.002
All-inclusive service packages	4.25	-2.658**	0.008	5.468**	0.000
Temporary lower rates	4.24	-1.645	0.100	5.729**	0.000
Lower rates for loyal clients	4.20	-1.945*	0.052	3.528**	0.007
Vouchers	4.12	-1.938*	0.053	0.691	0.598
Different rates based on the hotel's location	3.66	-0.054	0.957	1.043	0.384
Practicing differentiated prices based on the time between booking and consumption	3.51	-0.312	0.755	2.227*	0.064

Price Tactics	Average value	t test gender	p	F test age	p
Price difference offered by a travel agency for the same service offered by the competition	3.46	-0.387	0.699	7.097**	0.000
Higher rates during the peak season than during the off season	3.38	3.195**	0.001	3.358**	0.010
Different rates based on the room's location in the hotel	3.34	0.126	0.900	0.855	0.491
Different rates based on the day of the week	3.26	1.057	0.291	2.404**	0.048
9-ending prices	2.54	-0.378	0.705	6.457**	0.000
Higher rates for foreign clients	2.34	0.759	0.448	9.200**	0.000

Note: p –level of significance; t test- Student test; F test- Fisher test;

* p<0.1; ** p<0.05.

Source: Authors' own research

The variables to be further analysed refer to the latest purchasing experience, namely the use of a hotel in Romania for the purpose of leisure tourism. Regarding the reservation of the hotel services, both online booking, from a reservation portal (35.8%) and directly from the hotel unit (35.7%) were made almost equally. 27.9% of the respondents chose to buy through a travel agency. The most-booked comfort category was 3 stars (55.9%), followed by the 4-star (27.4%), only 3.8% of tourists opting for a 5-star hotel (table no.3).

Table no. 3: Distribution of customer options according to the hotel's degree of comfort

Hotel's rating	Options percentage
2 stars	12.9
3 stars	55.9
4 stars	27.4
5 stars	3.8
Total	100.0

Source: Authors' own research

There are significant differences between types of hotel units according to the mode of purchasing services ($\chi^2 = 32.514$; 9 degrees of freedom and $p < 0.05$). Thus, for 2-star and 3-star hotels, the primary purchase method is directly from the hotel (46.2% of 2-star hotels' clients use this way, respectively 39.2% of 3-star hotels' clients), for the 4-star hotels online, on a booking portal (43.3%), while for the 5-star hotels there is an advance booking through tourism agencies (42.9%). The comfort of hotels does influence neither the perception of distributive fairness of the hotel prices ($F(3,1137) = 0.957$, $p > 0.05$), nor the procedural one, the methods for determining these prices respectively ($F(3, 1131) = 1.548$, $p > 0.05$), therefore the H_4 hypothesis is accepted.

The main methods used to evaluate the price fairness (measured on a 5-tier Likert scale) are those that compare the current price to a previously paid price (average $M = 3.77$) or to an expected price (average $M = 3.74$), which shows that Romanian tourists are mainly based on an internal reference price. The comparison with an external reference price – for example, the price of another hotel (average 3.65) or paid by another person (average 3.06) - has lower usage rates (table no. 4). Therefore, the H_1 hypothesis is accepted, so that in assessing the fairness of the prices, customers are basically based on an internal reference price.

Table no. 4: Methods to assess the fairness of hotel services prices

Methods to assess price fairness	Average
The comparison with a previously paid price	3.77
The comparison with an expected price	3.74
The comparison with a competitor price	3.65
The comparison with a price paid by another person	3.06
Other evaluation method	2.66

Source: Authors' own research

In order to evaluate the influence of distributive and procedural fairness on perceived value and purchase intent, there was applied structural equation modelling by using the Warp PLS 5.0 package. This method is used to estimate dependence relationships between certain constructs represented by multiple variables (Malhotra, Nunan and Birks, 2017). Model compliance is tested by the indicators below, which are within the acceptability limits (table no. 5). Thus, the Average path coefficient (APC) = 0.513, $p < 0.05$, Average R-square (ARS) is 0.438, $p < 0.05$, Average VIF (AVIF) = 1.381 below baseline 3.3.

Table no. 5: Model compliance indicators

Indicator
Average path coefficient (APC)=0.513*
Average R-squared (ARS)=0.438*
Average adjusted R-squared (AARS)=0.438*
Average block VIF (AVIF)=1.381**
Average full collinearity VIF (AFVIF)=2.137**
Tenenhaus GoF (GoF)=0.623
Sympson's paradox ratio (SPR)=1.000***
R-squared contribution ratio (RSCR)=1.000****
Statistical suppression ratio (SSR)=1.000***
Nonlinear bivariate causality direction ratio (NLBCDR)=1.000***

Note: * $p < 0.001$; **acceptable if ≤ 5 ; *** acceptable if ≥ 0.7 ; **** acceptable if ≥ 0.9 .

Source: Authors' own research by applying Warp PLS 5.0 package

Within the model, the variables considered are: Distributive Fairness (Distri_f), Procedural Fairness (Procedure_f), Perceived Value (Value), and Buying Intention (Intent), measured on a Likert scale from 1- Total Disagree to 5- Total Agree (figure no.1). Each variable was made up of an item, but the SEM-PLS method could be applicable to this type of variables as well (Petrescu, 2013).

According to the results, the distributive fairness influences the procedural fairness, as supported by the value of the path coefficient ($\beta = 0.51$, $p < 0.05$) and the coefficient of determination $R^2 = 0.26$, i.e. 26% of the variance of the procedural fairness is explained by the distributive fairness variable. In other words, tourists who perceive a hotel rate as correct are prone to believe that the method by which this price was determined was also correct. The procedural fairness has a much stronger influence ($\beta = 0.54$, $p < 0.05$) than the distributive fairness ($\beta = 0.26$, $p < 0.05$) on the perceived value, both explaining 51% of its variation ($R^2 = 0.51$). The purchasing intent is strongly influenced by the perceived value ($\beta = 0.74$, $p < 0.05$), this explaining over half of the variation of the previous ($R^2 = 0.54$). Therefore, the H_2 hypothesis is accepted: the perceived distributive and procedural fairness of hotel services influences the perceived value and purchasing intentions.

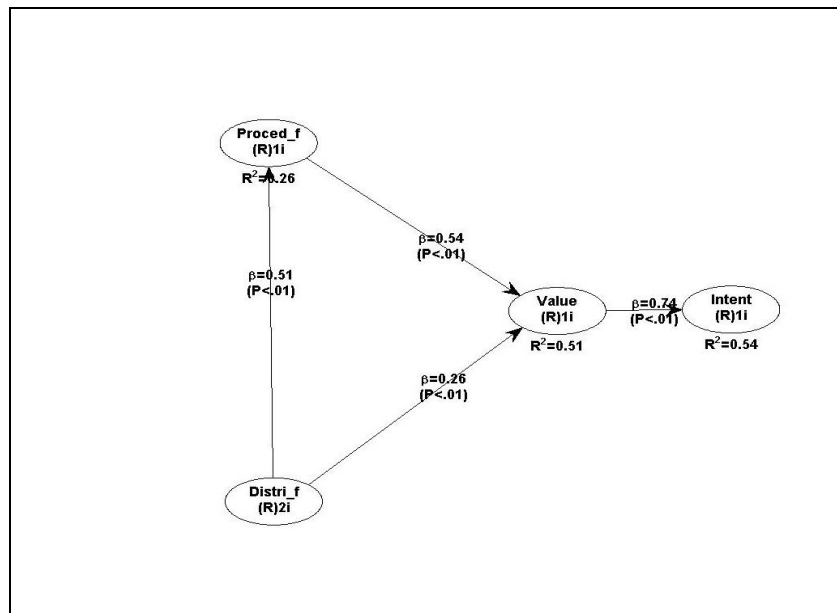


Figure no. 1: The model of the influence of price fairness on purchasing intent

Source: Authors' own research by applying Warp PLS 5.0 package

Conclusions

The perception of hotel price fairness is of particular importance in the decision-making domain, being a defining component in the formation of the value perceived by the clients, in the manifestation of the purchasing intentions and in the evaluation of the satisfaction after the purchase of such services. Approaching price fairness involves the distinction between the distributive fairness, reflected by price, and the procedural fairness, referring to the methods underpinning the price setting, the two dimensions of fairness having implications for buying decision process.

This paper draws attention to the fact that in the hospitality industry, the method of price setting viewed as the most correct is the market-oriented one. This can be explained by the transparency of price information in this industry, facilitated by the online presence of most of the offer. Such a conclusion is consistent with some literature results, which do not place the demand-side orientation between the high-credibility options in terms of fairness, since the speculation of demand vulnerability is perceived as being unjust (Maxwell, 2008).

The fairness assessment is a comparative process between the price at which a customer is exposed and a benchmark. According to the results of this paper, most often the benchmark is an internal reference price (a previously paid price or an expected price). This highlights the effects on the perception of price fairness to which customers are exposed before the time of purchase, with implications for the decision-making process of communicating such prices. The higher use of the internal reference price compared to the external reference price is more common among loyal customers and among those who prefer to buy from the hotel's website rather than from other websites (Karande and Magnini, 2011). In addition, while men rely more on the internal reference price, women rely on the external one (Choi, Joe and Mattila, 2018).

The type of service for which tourists have most frequently perceived the prices as being unfair is the accommodation services, and the least fair pricing tactics are: the higher prices for foreign customers and the 9-ending prices. In this paper, it was highlighted that pricing practices related to the adoption of a revenue management approach are perceived differently from the point of view of fairness. The perception differences are also supported by Choi and Matilla (2004), according to whom the least fair pricing practices are perceived as involving some social comparisons (a customer paid more than others). Such an outcome has implications for pricing-decision tactics in hotel and for the communication process regarding these tactics, in order to diminish the possible customers' suspicions about their fairness. The increase of transparency for revenue management practices and the enhancement of buyers' familiarity with such tactics lead to a reduction of the perceived unfairness (Suklabaidya and Singh, 2017).

On the topic of the influence of socio-demographic variables on the perception of price tactics fairness, age has an influence on the perception of fairness of a higher number of pricing tactics than the influence generated by gender. Decision makers can use such information in market segmentation programs and adapt to the requirements of target segments. Differences in the perception of the fairness of revenue management practices, based on socio-demographic variables, have also been supported by other studies (Suklabaidya and Singh, 2017; Choi, Joe and Matilla, 2018). The cultural characteristics of buyers may influence the price fairness perceptions. For example, in collectivist cultures such as China, buyers are more sensitive to differences within the group of affiliation (paying more than a friend) than to those from outside the group (paying more than a stranger), than in individualistic cultures such as the United States (Bolton, Keh and Alba, 2010). According to the results of the present study, the behavior of the Romanian hotel buyers is specific to a collectivist culture, so the practice of paying less than a foreign buyer is considered somewhat unfair.

The perception of distributive fairness significantly influences the perceived procedural fairness, so that the decision-makers in the hospitality industry have to take into account the fact that those customers who have perceived as favourable the hotel rates are prone to make the same appreciation of the practices on which they are based, with implications on the perceived value of the hotel service and the purchasing intentions towards it.

The results of this paper suggest to hotel managers the adoption of decisions on pricing practices, designed to lead to a most favourable perception of fairness over them, with implications for the hotel image, its competitiveness and financial performance. In addition to understanding how customers perceive price fairness, the study allows executives to manage the communication process in order to stimulate the perception of fair prices and of a value for hotel service that supports the buying intentions and loyalty.

One of the limitations of this research is the interviewing of only hotel guests who have practiced leisure tourism. Thus, the category of business tourists was excluded, for which, other factors, apart from the already mentioned ones, can be influencing the perception of price fairness, while the purchasing decision process is more complex.

Further research directions may target the customer loyalty and retention in the context of applying certain pricing practices, exploring how price fairness perceptions can influence the long-term results of hotels. It is also possible to analyse how different pricing practices are perceived when the hotel provides information on the motivation to adopt them.

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