

economic law of supply and demand would justify such pricing [275, 276, 98, 296].

11.5.2 Managing Perceptions

The perception of unfairness is indeed a problem for RM. It is especially so if the customers come in contact (as in an airplane) and exchange information on the prices they paid and less of a problem when customers are more isolated (say a hotel). For example, it is reported that RM has often caused negative reactions in the cruise-line business because customers are confined together on a ship for many days and inevitably end up sharing information on the prices they paid.

This does not mean one should abandon thinking of implementing RM. Rather, it should suggest a need to identify strategies to manage customer perception on unfairness as part of an overall RM implementation.

How, then, can a firm appeal to the principle of dual entitlement to convince customers that it is not price gouging? Some possible strategies and tactics include the following.

- Clarify exactly why the firm charges different prices, whether limited supply, peak versus off-peak time, or advance-purchase discounts that reduce risk—and at the same time on what bases the firm does *not* charge different prices (such as knowledge of the customer). This enhances the sense of fairness of RM practices. In short, it is important to emphasize the rationale associated with discounts and not simply quote a price.
- Emphasize any differences in the product itself, no matter how small (room with a view, larger room). The additional value of these features may not justify the price differences, but if customers feel that the physical product itself has variations and that these variations are the reason the firm is charging different prices, they will tend to perceive the prices as fairer.
- Stress alternatives that the firm offers at a lower price. So, for example, if a discount is not available on a particular date, offer other dates on which the discount is available. This not only encourages efficient usage of capacity but also allows customers to decide, based on their individual valuations, which of the alternatives they want to buy.
- Emphasize self-selection wherever possible. Present a full menu of prices and products so that customers can choose for themselves.