

Four Essays on the Integration of Revenue Management and Customer-Centric Marketing

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Doctor of Philosophy – Marketing

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Certificate of authorship/originality

I certify that the work in this thesis has not been previously submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

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Abstract

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The concurrent use of customer centric marketing (CCM) and perishable asset revenue management (RM) practices in capacity constrained service firms can negatively influence customer demand because the contradictory outcomes of the two systems might be perceived as unfair. This thesis establishes why and how the simultaneous employment of CCM and RM practices causes fairness concerns, negatively affects customer demand, and hinders the aim of revenue maximisation.

We propose a conceptualisation embedded in expected utility theory and develop a model of customer choices which accounts for fairness judgements. According to this model, purchase decisions for services are based on the utility evaluation of service offerings and their prices. This evaluation is, in turn, influenced by fairness coding of these service offerings relative to attribute-specific reference points. The rationale underlying this coding phase is anchored in the justice and fairness literature and theories of behavioural decision making.

Findings from focus group research and stated-preference choice experiments with airline passengers and hotel guests empirically confirm the existence of a reference-dependent fairness adjustment component in customers' utility assessments in addition to utility directly generated from product attributes. Fairness related comparisons to reference points and resulting gains or losses apply not only to price, but also to product attributes induced by RM and CCM induced attributes. In accordance with prospect theory, we confirm that losses generally weigh more than gains. Customers who are exposed to comprehensive CCM practices, represented as members of frequent traveller

programs, are most susceptible to perceived fairness, and have a lower willingness to pay than their counterparts. The preference coefficients for CCM and RM attributes obtained from conditional logit choice models, as well as the preference coefficients for attribute specific fairness adjustments, are then applied to predict how the attractiveness of flight or hotel options changes if a firm adapts its RM strategy to customer segments with differing levels of profitability. Predicted changes to choice probabilities, and subsequently demand and revenues, demonstrate the superiority of an integrated CCM-RM approach with segment-specific RM and suggests potential revenue increases of up to 33.15%.

Für meine Familie – für önsch

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