Yield Management and trust: the effect of variable pricing on consumer trust in a restaurant brand

Una McMahon Beattie
Faculty of Business and Management
University of Ulster
Shore Road
Jordanstown
Co. Antrim
Northern Ireland, BT37 0QB

Adrian Palmer
Professor of Services Marketing
Gloucestershire Business School
Pallas, PO Box 220
The Park Campus
Cheltenham
Gloucestershire, UK, GL50 2QF
United Kingdom

Patrick McCole
School of Business / Department of Marketing
University of Otago
P.O. Box 56
Dunedin
New Zealand

Anthony Ingold
Chandelle Consultancy
43 Carlyle Road
Edgbaston, Birmingham, B16 9BH
United Kingdom

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1 Introduction

Information technology is allowing services organisations to set their prices in very much the same way as traditionally practised in eastern bazaars - by individual bargaining and haggling. "The price list" is not typical of small businesses dealing with small numbers of buyers. It has no part in the business methods of traders in many eastern countries for whom bartering on a one-to-one basis is the norm. Price lists emerged in response to the industrialisation of economies and the growth in the size of markets served by individual firms. Price lists became a method of simplifying transactions between a large organisation and large numbers of its customers.

Over time, there has been a tendency for societies to fragment in their motivations to make purchases, which has been reflected in companies developing increasingly fine methods of segmenting markets (Kotler et al., 1996). In the move from mass marketing to target marketing, firms subtly developed multiple price lists, based on slightly differentiated product offers aimed at different market segments. Today, the process of market segmentation has proceeded to the point where companies can realistically deal with individual market segments (Peppers and Rogers, 1995).

Intriguingly, the conditions for pricing by suppliers of consumer goods and services would appear to be reverting to those which apply in eastern bazaars, in which the seller seeks to apply a price which is uniquely appropriate to each individual buyer. There is plenty of evidence of this move towards unique one-to-one pricing in the Internet based auction sites which have grown in number during the late 1990s (Wisse, 1999, Palmer and McCole, 1999).

On-line auctions represent an extreme case of one-to-one pricing which is being facilitated by information technology. Much more pervasive is the ability of firms to subtly adjust prices offered to individual customers. Rather than having a fixed price list, an enquirer for a specified product may receive different quotations at different times of enquiry. Similarly, two different enquirers may simultaneously receive different price quotations.

The theory and practice of relationship marketing has been based on an assumption that companies are able and willing to enter a dialogue through which additional value is generated (Gumnesson, 1998). A seller may learn more about the needs and motivations of individual customers and develop product offers that are unique in satisfying those needs. In this dyadic relationship a seller should be able to assess the value which each individual buyer (or potential buyer) puts on its product, and price its offer uniquely. To economists, the supplier would seek to appropriate the consumer surplus which arises as a result of individuals being prepared to pay a price which is higher than a ruling and uniform market price. Likewise, organisations actively practising YM use differential prices and charge customers using the same service at the same time different prices depending on