



**UNIVERSITI TEKNOLOGI MARA**

**PERCEPTION OF PRICE FAIRNESS AND CUSTOMER  
RESPONSE BEHAVIORS**

**NUR'HIDAYAH BINTI CHE AHMAT**

Dissertation submitted in partial fulfillment of the requirements for  
the Degree of Master in Hospitality Management

**FACULTY OF HOTEL AND TOURISM MANAGAMENT**

**NOVEMBER 2010**

## CANDIDATE'S DECLARATION

I declared that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledge as referenced work. This topic has not been submitted in any other academic institution non-academic institution for any other degree or qualification.

In the event that my thesis be found to violate the conditions mentioned above, I voluntarily waive the right of conferment of my degree and agree be subjected to the disciplinary rules and regulations of Universiti Teknologi MARA.

Name of Candidate : Nur'Hidayah binti Che Ahmat  
Candidate's ID No. : 2009645338  
Programme : Master in Hospitality Management  
Faculty : Faculty of Hotel and Tourism Management  
Thesis Title : Perceived Price Fairness and Customer Response Behaviors

Signature of the Candidate : .....

Date : 15<sup>th</sup> November 2010

## **ABSTRACT**

Corpus of past literatures affirmed that revenue management may give a hotel a competitive edge. However, the issue of unfairness or inequality in pricing is critical within the hotel industry. Concentrating too much on profit while neglecting the customers feeling would cause organization malfunction. Hotel businesses are getting further aggressive with plethora of hotels available which honour the customer more options to choose and possess a high buying power decision. The intense rivalry among hotels drives them to be customer-oriented since customer is the king. This study empirically investigates the factors influencing perceived price fairness and the most influential one in measuring customer response behaviors. Also, this study will examine the effects of such factors on customer response behaviors. From the result, there are four factors extracted namely: 1) treatment experience, 2) price knowledge, 3) price expectation and 4) price information. Price knowledge was found to affect the customers' reaction the most. Customers who acquire adequate knowledge about hotel room rates would not respond negatively to the hotel operators. Result has given some useful insights to the hotel operators in managing effective yield management and to be more alert on customers' erratic behaviors.

***Keywords:*** Perceived Price Fairness (PPF), Customer Response Behaviors

## **ACKNOWLEDGEMENTS**

First and foremost, I am deeply thankful to Allah for giving me the strength, persistent and faith every second in completing this study. This accomplishment would not be possible without His blessings. I wish to acknowledge and express my appreciation to many persons who have contributed to the development of my dissertation. I could not be able to complete my study without their support and continuous encouragement.

I would like to express my most sincere gratitude to my supervisor, Dr. Salleh Mohd Radzi who has guided and assisted me throughout my academic journey. Thank you for your attention to detail, genuine suggestions, experience with the research processes, an assiduous assistance in most generous time and professional guidance as an academic advisor for my dissertation. It is really appreciated.

I would like to thank to Assoc. Prof. Dr. Mohd Salehuddin Zahari for being so helpful and a good motivator to me. I also want to acknowledge the other faculty member of Hotel and Tourism Management UiTM; Assoc. Prof. Dr. Artinah Zainal and Mr. Wan Nasroun Wan Ahmad. Without their time, expertise and feedback for my proposal and dissertation, I would not be able to complete my work on time. A grateful thank to Universiti Teknologi MARA (UiTM) through the Young Lecturer Scheme (YLS) and the Human Resource Department for their kind assistance and financial supports in my educational endeavors. Lastly, thank to all my family and friends for their moral support.

# TABLE OF CONTENTS

	<b>PAGE</b>
TITLE PAGE	i
CANDIDATE'S DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENTS	iv
TABLE OF CONTENTS	v
LIST OF TABLES	ix
LIST OF FIGURES	x
DEFINITION OF TERMS	xi
<b>CHAPTER 1: INTRODUCTION</b>	
Background of the Study	1
Problem Statement	4
Research Objectives	7
Research Questions	8
Significance of the Study	8
Study Framework	10
Hypotheses	11
<b>CHAPTER 2: LITERATURE REVIEW</b>	
Hotel Industry in Malaysia	12