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Digest


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Acknowledgments

The Institute of Hospitality thanks the students for their submissions in this inaugural annual Digest. Thanks too must be passed to their lecturers for encouraging them to submit these.

If, through this publication we can bring new insights and ideas into the bright lights and away from university "shelves", then we are helping operational executives. We are also creating awareness of the wealth of knowledge that exists behind university walls. Additionally it will hopefully create closer links and ties between educators and practitioners.

The diverse subjects include: sophisticated menu engineering, AirBNB, revenue management in ski resorts and Waffleshop franchises.

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Submissions:

MENU LEXIS AND THE CONSUMER: A CONCEPTUAL STUDY EXAMINING THE INFLUENCE OF FOOD LANGUAGE ON PURCHASE CHOICES

University of Derby

Rosie May Maguire

BA Professional Culinary Arts

at

University of Derby

r.maguire1@unimail.derby.ac.uk

Abstract

This conceptual study analyses existing literature surrounding menu description in the restaurant. The role that menu wording plays within the broader field of menu engineering and design is contextualised, and following this, ideas that surround menu description such as menu psychology, marketing and sensory imagery are explored. What is established is that there are few studies examining menu description and its ensuing impact in depth. However, a study conducted by Lockyer (2006) and his model for data collection is critically analysed, and a framework for future research is constructed informed by this work. The purpose of this study is to find the parameters of what is known and not known about this topic, with the interests of developing further into longitudinal research.

Keywords: *menu design; culture; consumer needs; brand identity; menu description; psychology; imagery.*

Introduction

The menu is of incredible importance when considering the success of a restaurant; this is because the menu is often referred to as an effective portrayal of a restaurant's identity (Dittmer and Keefe, 2009, Ozdemir and Caliskan, 2014). A menu's style, presentation, medium and descriptive techniques therefore lead the development of a consumer's perception of the establishment, simultaneously either confirming or contradicting the customer's preconceptions about the restaurant made through the décor, service, etc. when they walk in (McCall and Lynn, 2008). Furthermore, when managing a restaurant, the menu must be considered as highly influential; on one hand, it can be a useful tool for maximizing profit and increasing turnover (Lockyer, 2006, Antun and Gustafson, 2005). Conversely, if the effect of the menu on the consumer's choices is not recognised by a business, the potential of the financial reward of effective menu design is lost. Therefore, the menu is undoubtedly a key success factor for a restaurant business, and must be thoughtfully and carefully designed.

The familiarity of the menu being presented is an important factor as a cultural custom within the meal experience, whilst the items listed and style in way in which they are portrayed also bears significance as an indicator of the scope and essential identity of the restaurant (Ozdemir and Caliskan, 2014). There are many aspects of menu design which play contributing roles in influencing the customer experience, and thus, effective menu design encompasses a broad range of marketing techniques; the physical appearance of the menu itself, font, and even where menu items are placed can have a substantial effect on what the customer may choose (Miller, 1987, Reynolds, Merritt, and Pinckney, 2005). Indeed, a fitting example would be gaze motion theory, identified by authors as the idea that the customer reads a menu in a specific order, and the corresponding place of items alone in this order impacts which are retained in the customers' mind

(Miller, 1987, Davis, Lockwood and Stone, 1988, Yang, 2012). Further, the recognition of the 'sweet spots' that have the most impact on the customer can be utilised by a business to encourage the most profitable purchase choices from the customer (McCall and Lynn, 2008).

The strategic choice of lexis when designing a menu sits amongst this array of menu design tools that can be used by a business. It has been recognised by numerous studies as playing a substantial role in effecting consumer choices (McCall and Lynn, 2008, Lockyer, 2006, Kincaid and Corsun, 2003, Wansink, Painter, and Ittersum, 2001). The multitude of approaches that can be taken when describing menu items and their effects on consumer choice is, whilst fascinating, an integral consideration when designing a menu. The wording needs to align with the identity of a business, its target market, the food items and even the décor of the establishment in order for the brand image of a restaurant to be consistent (Dittmer and Keefe, 2009). The wording of the menu not only functions as a marketing tool but also more practically serves to inform (Kincaid and Corsun, 2003), and therefore the balance of persuasion and information must be carefully judged by the menu designer.

With regards to menu description and language choices in particular, it seems that this topic is explored singularly and in depth by few authors (Lockyer, 2006, Ozdemir and Caliskan, 2014). Certainly, Ozdemir and Caliskan (2014) note:

'Despite the growing academic attention to restaurant menus, previous research has a certain drawback. Principally, there is an apparent lack of an attempt at incorporating the major thoughts and ideas of menu research into one single study.'

In the context of menu description and labelling, there also seems to be little focus on menu description as an effective marketing tool, as research on labelling principally addresses nutritional labelling or warning labelling (Wansink, Painter, Ittersum, 2001). The power of words to emote in the context of the menu is rarely recognised. Furthermore, it is apparent that there is a lack of studies focusing principally on menu description as key study area within menu design and engineering, and thus this study seeks to address this by exploring the subject in considerable depth.

Research Aims and Objectives

In light of this, this study will aim to explore ideas surrounding menu description and its influence on consumer purchase choices. For this to be achieved, the study will:

1. Contextualise menu description within the marketing environment, and more specifically, within menu engineering,
2. Review literature surrounding menu description and explore its impact on the consumer psyche and henceforth the dining experience,
3. Critically analyse models which measure the sucesss of menu description techniques, in order to suggest possible ideas for further research.

Literature review

Language in marketing; how semiotics and sensory imagery are used to prompt purchase choices

Ozdemir and Caliskan (2014) define the menu as:

'an instructor that clearly dictates (i) what will be produced, (ii) what type of equipment and ingredients are needed, and (iii) which qualifications employees should have'.

The choice of words when constructing or adapting a menu must therefore ultimately meet these goals. However, the aforementioned second purpose of the menu, to sell, must also be considered when choosing language; language has been found to have a significant impact on consumer purchase behaviour when used for marketing purposes (Westphal, 1997, Simmons, 2003, Paulson, 2003, Stern, 1988, Barthes, 1964). The language used on a menu therefore has to satisfy two main purposes; the first is to inform the consumer of each item, and therefore is denotive in nature. The second is to persuade the customer to make purchase dishes by portraying such items as appealing; this is, in contrast, more conative in nature.

Stern (1988) acknowledges the ability of words to create mental imagery, and stresses the importance to create the right 'message' through marketing to maximise the appeal of a product. This would suggest that the menu as a communication tool, a point of contact between restaurant and guest, needs to speak to the consumer on more levels than just on an informative basis. Therefore, when exploring menu language choices as a marketing tool, the science of signs, referred to as semiology (Barthes, 1964), must certainly be considered as a relevant area of study. In his essay 'Rhetoric of the image', Barthes (1964) illustrates the power of semiotic connotation in the marketing environment, through the analysis of a poster advertisement of a food product. He stresses the importance of both linguistic and non-linguistic messages, and explains that both have the ability to induce powerful imagery regarding the authenticity and freshness of a food product.

It can be argued that this idea is especially relevant in the context of menu description, Stern (1988) argues that, imagery relies on appealing to the senses, as sensory imagery creates a new and exciting dimension for the prospective customer. due to the meal experience being heavily influenced by the senses and sensory preconception (Wansink, Painter and Ittersum, 2001). The customer experiences food through its organoleptic properties; that is, through the elements of the food product that are experienced by the five senses. Therefore, sensory imagery derived from words plays an integral role in prompting menu selection, as customers associate their positive sensory experiences with linguistic cues such as 'crispy' or 'tender' and henceforth this may drive their purchase choices (Krishna, Cian, Sokolova, 2016).

The role of language within the engineering of a menu

Menu engineering is defined as the strategic construction of a menu format that maximizes the profitability of a food service business (Lockyer, 2006). This aims to analyse the popularity of menu items and measure it against its relative contribution to a business; for example, items that have low labour or food costs are regarded as having a higher contribution to those with a lower gross profit margin or those that are labour intensive (Miller, 1987; Kasavana and Smith, 1982; Uman, 1983; Pavesic, 1985). An awareness of which items are popular and their relative contribution is then useful to a business when reconstructing the format of an existing menu- emphasis on items which are both popular and contributive can be implemented into the marketing strategies. This emphasis can be channelled through a multitude of persuasive devices used by businesses in menu construction- font (Magnini, 2016), colours (Berkley, 2014), layout (Kincaid and Corsun, 2003), to name a few. Language choices and descriptive techniques are amongst this list, and furthermore play a significant role within menu design and thus in the broader idea of menu engineering as a business management concept (Lockyer, 2006).

'The words on the menu are there to entice a dinner guest to choose or purchase and so are in fact an 'advertisement' of the food that is on offer' (Lockyer, 2006, p.22). This statement not only stresses the business orientation of menu description, but also its more artistic, mysterious connotations. The words 'choose' and 'purchase' are representative of the use of menu description as a tool to statistically maximise the probability of the most profitable menu choices, and thus bears relevance to its connection with menu engineering. However, the idea that the menu also serves to 'entice' a guest gives the impression that menu description also has a deeper purpose; an underlying mystique and affiliation with evoking thought, feeling and desire within the customer.

The synergy between effective marketing, positive consumer perception and the physiological

Positive consumer perception of a menu item has been found to significantly improve the meal experience (David, 2014, Dittmer and Keefe, 2009). One study even suggests that a good description will, in fact, make a customer hungry:

' .. The language used to describe menu items may make a good impression and induce customer orders. The description of foods may make the customer hungry and may help to increase the number of sales... A food and beverage operator can exercise great influence over the amount of the average check by using written descriptions that make menu items sound interesting. Customers tend to react positively to foods that are appealingly described and negatively to those that are not.' (Dittmer and Keefe, 2009, p.297)

Further, David (2014) also comments upon the link between physiological hunger and preconception. He explains that, the notion of an appetising plate of food travels from the cerebral cortex to the hypothalamus, in the limbic system, which regulates physiological functions including hunger. The hypothalamus sends activation signals through parasympathetic nerve fibres to all parts of the digestive system including the salivary glands, oesophagus, stomach, and intestines. This means that if a customer perceives a menu item to be interesting and worth choosing, the hypothalamus will induce full metabolic breakdown and quicker digestion- here, the conceptual feelings and thoughts are directly causal to a physiological reaction, which is supported by other works in the field of menu psychology (Krishna, Cian, and Sokolova, 2016, Dittmer and Keefe, 2009). Similarly, David (2014) also explains that negative thoughts induce a negative physiological reaction, which only further emphasises the importance of ensuring the customer thinks positively about the food that they have chosen; menu description and its ability to create sensory imagery as previously discussed is therefore vitally important in this process.

Is there a connection between complexity of description and increased perception of quality?

Research on the effect of specific menu description approaches and their effect on the customer's perception of food has been undertaken by to McCall and Lynn (2008) who explore the idea that there is a correlation between description complexity and the appeal of a menu item to the customer. Their findings state that 'more complex terminology increased perceptions of quality, likely choice, and pricing expectations' (McCall and Lynn, 2008, p. 444). The authors recommend that in order to effectively design a menu, the restauranteur must selectively increase the complexity of the menu items that represent upper pricing tier selections, as this will justify the price and add value to the menu item. The work of Antun and Gustafson (2005) suggests that menu design is a method of attracting the customer to the most profitable item for the business. This assertion may agree with McCall and Lynn (2008), assuming that the upper tier selections are also those which generate the most gross profit.

Despite the relevance of these findings, their lack of account towards other description techniques perhaps limits the usefulness of their research. If what composed this complexity was further studied, characteristics such as cooking method, provenance, or seasonality could be identified and thus evaluated. The research would then show whether complex description of cooking method would have more appeal than complex description of seasonality, etc.

What existing models are there in measuring the impact of menu description?

Lockyer (2006), addressed language in the hospitality industry in his study 'Would a restaurant menu item by any other name taste as sweet?'. There are parallels in topics that this study seeks to address. His study agrees with the aforementioned idea that the menu has an element of mystique which is enticing to the customer. He concluded from his focus group discussion analysis that diners enjoy a small element of mystery, but still require a clear explanation of each menu item, supporting the menu's purpose to inform (Ozdemir and Caliskan, 2014). Lockyer (2006) also found that description connoting fresh and tasty menu items was clearly very popular amongst the otherwise diverse and somewhat inconclusive focus group discussion results.

In his study, Lockyer collected both quantitative and qualitative data through the means of a focus group discussion and then a survey. His data collection was structured around five different menu description approaches of the same menu items:

1. French;
2. English with French;
3. Seasonal;
4. Elaborate and
5. Organic.

These styles were assessed in both the focus group discussion and the survey. A possible limitation of this research could be that there was no consideration of the presence of other possible approaches, or even a combination of approaches, as the styles listed were determined before data collection and were not adapted between data collection processes based on the results. To support this, a different approach has been found at Restaurant Sat Bains, Nottingham. The sample menu uses what could be described as a minimalist approach; for example, one dish is simply called 'Salted Blackcurrant, Vanilla' (Sat Bains, 2016). This approach is completely different to those identified by Lockyer (2006), as it is so simple, and somewhat mysterious. However, due to the prestige and popularity of Sat Bains, and its recognition by Michelin as having two stars, this technique is obviously very successful. Further, perhaps due to the age of this study by Lockyer (2006) and its location in New Zealand, it could be argued that its relevance to the UK restaurant industry today is limited.

Discussion and Further Development

In summary, an analysis of the literature establishes menu description as an important area to research within the hospitality industry. It is clear that language use and wording choices have already been identified by authors as having a substantial influence on the purchase choices made by a consumer. However, despite the usefulness of previous research, there remains further gaps in knowledge towards the validity and relevance of this in a modern context. These gaps include the lack of substantial literature within the specific topic area of menu description, as well as the key studies (McCall and Lynn, 2008, Lockyer, 2006) being slightly outdated and not entirely relevant to the hospitality industry today. In addition, there seems to be an absence of a data collection tool which measures menu description techniques without categorising them too broadly or acknowledging that categories can be integrated to achieve the most effective description possible.

What seems a logical future step is to conduct further research informed by the literature reviewed. Principally, the research would critique of the works of Lockyer (2006) and his model of testing five approaches to menu description. Whilst his study illuminated many previously unexplored areas of language in menus, it did not establish whether there are new approaches that perhaps have not been included in the five options he examined that would be influential. In addition, further study would not intend to categorise entirely the description approaches, by acknowledging that the approaches taken can be integrated; this study would be, in contrast to Lockyer (2006), open to the idea that one set approach may not be exclusively effective or ineffective, and that this can be subjective depending on what menu items are, and the environment in which they are presented.

As Lockyer (2006) suggested, one idea for further development may be to find an establishment(s) that would be willing to change the description of menu items weekly, and analyse the respective changes in sales. Perhaps a longitudinal study is therefore required so that multiple and integrated approaches can be evaluated over time. However, this in turn would create challenges, as it would be difficult to persuade restaurant business to give permission to do this- it may impact on revenue negatively or disrupt the brand consistency of the restaurant. Nevertheless, menu description remains a fascinating subject area for further study. The search for meaning within words on a menu, and exploration of how the guest interprets them, deepens our understanding of our core purpose; to augment and enrich the customer experience.

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Impact of the Sharing Economy on Hotels in the United Kingdom: An Empirical Investigation

by

Haroon Khan Afridi
MSc International Hotel Management
Class of 2016/17

School of Hospitality and Tourism Management
Faculty of Arts and Social Sciences
University of Surrey

Abstract

This study explored the impact that the sharing economy has had on the traditional hotel indicators over a 7 year period from 2010-2016. Understanding the impact of the sharing economy is extremely important for the long term profitability of the hotel industry. With the majority of the academics and industry professionals not considering the platform to be enough of a threat, strategizing against the rise of the sharing economy was not an imperative task.

The findings of this study were aimed at changing the mind set of individuals and persuading the traditional hotel industry to create a robust response to the sharing economy. To do so, the study took 45,000 Airbnb listings and 1,443 hotels based out of London and examined the data through regression analysis. The results found that the occupancy levels of the traditional hotel industry as a whole were being negatively affected. A magnitude of 0.047% for every 10% increase in Airbnb listings would seem a rather small effect. However, when considering the growth the platform is experiencing, this impact would be much greater as the years go by. An additional regression analysis found that the economy brand hotel's RevPAR fell by £3.55 and occupancy levels fell by 2.19% for every 10% increase in Airbnb listings. These losses mean that hotels can be greatly effected in the long run as Airbnb is not showing any indications of slowing down their operations.

Introduction

The emergence of the sharing economy has come as a surprise to many. Both academics and industry professionals have been trying to better understand the phenomenon ever since its inception in 2008. This framework came as a direct consequence of individuals affected by the financial crash in the United States as many people looked to earn alternative income streams after being laid off. Its success, however, can be contributed to the simple fact of it being a cost effective alternative to the traditional hotel industry. The growth of the platform can be seen from both the demand and supply side. Considering Airbnb alone, we see it has served 200 million guests with 3 million listings in more than 190 countries (Airbnb.co.uk, 2017).

With the sharing economy reinventing the leisure travel industry, the question still remains as to whether the platform's growth would have a significant impact on traditional hotels. This study aims to answer that question by looking into Airbnb's influence on hotels in London. It is important to consider that the target market for Airbnb is currently the millennials age group. These travellers would be more willing to experiment with such new ideas. However, it is even more important to understand that these millennials, in the years to come, would become the core leisure traveller. If the traditional hotel industry does not do enough to capture this market currently, then they are at risk of losing a large proportion of their leisure travellers. The findings of this paper aim to act as a precaution to the hotel industry to consider platforms like Airbnb as being a major external threat to their future business. Therefore, this research hopes to empirically calculate the impact that Airbnb is having on hotels in London.

Literature Review

Given the relative novelty of the formal sharing economy, prior research had been centred towards understanding what led to its growth. The overarching factor identified was the cost effectiveness that accompanied staying in such properties (Lee et al., 2016; Guttentag, 2013; Tussyadiah and Pesonen, 2016; Varma et al., 2016). Cost effectiveness meant that properties on such platforms were priced at a similar rate to hotels in the area but provided more amenities within the initial price paid for the room, flat or house. Thus, tourists spent less on accommodation and had more money to spend in the city that they are travelling. When looking at the appeal to the supply side, home owners gained extra income from a property or part of it which would have otherwise been vacant. Through using Airbnb myself and interacting with hosts, I found that many of them were using the platform as their primary source of income in times of dire need. This shows the increased trust and reliance of individuals in the business model that Airbnb possess; which in turn would add value to the brand name over the years.

Therefore considering the platform's success (PWC, 2015), this study considered Airbnb to act as a representation of the lodging sharing economy. Many hotel companies claimed that Airbnb is not a direct competitor to their business as they were not in the same industry (Mahmoud, 2016). However, after several years of their introduction into the travel industry, the potential it holds is only becoming increasingly apparent.

"Airbnb is an interesting one. We've been saying that it's not a threat, but it is an increasing one if we are honest with ourselves... particularly when it comes to leisure travellers and millennials who are comfortable with the concept... it's here to stay ... it's the new reality and we have to deal with it... (we have to) up our game in terms of the product and service offering" – (Walton, 2017)

The quotation above is from Tim Walton, a Regional Vice President of Development at Marriott International, when asked about Airbnb's influence and role in their future plans. While acknowledging the need to diversify the product that they are selling, he mentioned that Airbnb is picking at a niche section of the leisure market that may not have existed before. However, he understood the bigger picture of tourists' changing travel characteristics and demands. This is refreshing to see as the international hotel companies are beginning to understand the possibilities that the sharing economy provides. Accor Hotels (2016) acquired OneFineStay, Airbnb's main rival in the sharing economy, as it saw the platform's potential within Europe. However with Airbnb being worth $31billion (Thomas, 2017), it would be difficult for many hotel companies to muster up enough capital to buy out the platform.

When exploring the past research carried out to see the impact that the sharing economy has had, only a handful of studies were aimed at calculating the supposed losses to the hotel industry. According to HVS (2015), New York City lost $227 million in taxes which included a $76 million loss in lodging taxes. It was also estimated that $587 million were lost in total hotel revenues (HVS, 2015). This again proves that Airbnb's presence had a direct impact on the traditional hotel industry. Furthermore, even fewer studies looked at the issue with an empirical approach. Zervas et al. (2016) found there to be a 0.37%-0.39% decrease in revenue for hotels with a 0.19% reduction in prices for every 10% increase in Airbnb listings.

Companies like Airbnb, who are at the heart of the lodging sharing economy, have been termed as 'disruptive innovators' (Christensen, Craig and Hart, 2001). These are services or products that do not follow the status quo and are only appealing to the lower level of the market in their early stages. This idea shines through the empirical studies carried out as an impact on hotel indicators can be seen in economy and lower tier brands (Zervas et al., 2016). The question therefore remained whether similar results would be seen in the UK.

Methodology

For this study to be successful, a large enough sample size was required to find a meaningful relationship. With 1,443 hotels and approximately 45,000 Airbnb listings (as of December 2016), London stood as a prime location for such a study to be carried out. Furthermore, London alone makes up approximately 50% of the tourism in the UK and has done so on a regular basis since 2010 (VisitBritain, 2017). Thus London provides sufficient data to run the regressions effectively.

This study used two sets of regressions to see the different effects Airbnb listings had had on hotel indicators over time. The first regression model analysed the overall impact of Airbnb listings on each hotel indicator. This model used dummy variables for hotel categories and seasonality to provide a more comprehensive and accurate result for analysis. The second set of regressions was run using a simpler model to calculate the impact of each hotel indicator on each particular hotel category.

To allow for better readability, a linear logarithmic (lin-log) model was used to carry out the analysis for the two sets. The advantages of the lin-log model were that the interpretation of the results would be straightforward to understand and also allowed a great deal of flexibility (Christensen, 2006). Additionally, the difference between the natures of the variables would not make for a fair comparison if a simple linear model was used. The dependent variables of hotel indicators followed a range of values with little standard deviation between them. However, the independent variable of Airbnb listing had an extremely large deviation between values. This was because London was slow to accommodate Airbnb at first, but then the growth of Airbnb sky rocketed after the laws that allow renting out property for up to 3 months were introduced (Airdna.com, 2017). This therefore meant that the percentage increase of listings between the years was very high. The exponential growth between the years for Airbnb listings would have drowned out the relatively smaller figures of occupancy and revenue statistics. Therefore, by taking the log of the independent variable, there was a summarized set of values that could be used effectively as a means for running the regressions and analysis.

Similarly, the tourist variables was summarized by taking the log and keeping the analysis the same for both independent variables. Even though the growth in nights and amount spent each year were only marginal compared to that of Airbnb listings, having a similar interpretation would increase the readability of the study. The interpretation would therefore be that a 1 unit change in the Airbnb listings would bring about a (β_1/100)% change in the hotel indicator. To make the analysis simpler and comparable with past literature, a 10% increase in listings was be analysed.

Below is the first of two equations used to better understand the proposed impact caused by the sharing economy.

Overall Impact

$$\begin{aligned} Hotel\ Indicator_x &= \beta_0 + \beta_1 \ln(Airbnb\ Listings) \\ &+ \beta_2 \ln(Tourists\ Nights, Tourists\ Amount\ Spent) + \gamma_i\ Category + \delta_i Season + \varepsilon_i \end{aligned}$$

The model assessed three different hotel indicators (*x*): occupancy, ADR and RevPAR. These are the three main performance indicators for hotels which can be analysed and compared over any period of time or season. Two dummy variables were included to analyse the overall effect with relevance to the different categories of hotels and the seasonality that exists in the hospitality industry. The coefficients of interest in this analysis are β1 which shows the change in each of the hotel indicators.

According to prior research (Zervas et al., 2016; Proserpio, 2016), the magnitude and direction of this coefficient should be negative and significant enough to cause an effect over time. However, this study did not make any assumptions as to what the direction of the coefficients would be.

This analysis would therefore provide an overall understanding of whether Airbnb had an effect on the hotel industry as a whole.

Hotel Category Impact

The second set of regressions used a simpler linear logarithmic regression model to dig deeper into the relationship. According to prior literature, the direction of the β_1 value would create an inversely proportional impact between the dependent and independent variables (Zervas et al., 2016; Proserpio, 2016). However, again, this study did not assume the direction of the relationship.

Equation 1: Hotel Category Specific Effect

$$Hotel\ Indicator_{xy} = \beta_0 + \beta_1 \ln(Airbnb\ Listings) + \beta_2 \ln(Tourists\ Nights, Tourists\ Amount\ Spent) + \varepsilon_i$$

The model replaced hotel category (*x*) and performance indicator (*y*) before running each regression against the dependent variable. This allowed for each of the six hotel types to regress their average occupancy, ADR and RevPAR levels over the period of 2010-2016. Though this model was simplistic in nature, it aimed to explore the integral impact of Airbnb's exponential growth. Table 1 below shows the hotel categories and performance indicators that were interchanged before each regression was run:

Table 1: Dependent Variable Characteristics

Hotel Category (*x*)	**Performance Indicator (*y*)**
Luxury	Occupancy
Upper Upscale	Average Daily Rate (ADR)
Upscale	Revenue Per Available Room (RevPAR)
Upper Midscale	
Midscale	
Economy	

A total of 18 separate regressions were run to determine each individual relationship. A significance level of 5% was used to regulate the results. The assumption while going into the regression analysis was that if any one indicators has a negative and statistically significant impact, the null hypothesis would be rejected. A negative relationship would show that the impact was present and demand moved from hotels towards Airbnb listings for that hotel category. However, a positive relationship would not necessarily show that the increase in Airbnb listings brought in additional occupancy and revenue to the hotels in the form of incremental demand. The assumption here was that hotels strategic marketing and revenue management tactics were successful in attracting new customers and mitigating the impact of external shocks. Additionally, organic growth in tourism was also assumed to be contributing its fair share in demand change. The motive behind this stance was that Airbnb and hotels, though competitors, are not direct substitutes of each other (Mahmoud, 2016).

Regression Results

The regression models provided very interesting results that could have repercussions on the London hotel market in the coming years (see Table 2). We see that ADR and RevPAR have not been negatively affected by the increase in Airbnb listings, which can be attributed towards the revenue management techniques and efforts being made to stay ahead of the shocks in the market. These results show that hotels in London have fared much better than those in Texas. However, occupancy levels have been negatively impacted by the growth of listings over the period of the study.

Table 2: Overall Impact Regression Results

Hotel Indicator	β_1 values	Description: A 10% increase in Airbnb Listings would cause…
ADR	6.237 (0.000)*	A £0.62 increase in ADR
RevPAR	3.672 (0.001)*	A £0.37 increase in RevPAR
Occupancy	-0.469 (0.016)*	A 0.047% fall in occupancy levels

* Significant at $p<0.05$

Analysing the impact, we see that a 10% increase in Airbnb listings will cause a 0.047% fall in occupancy levels. As per Airdna.com (2017), Airbnb had a total of 45,000 listings in London in December 2016. As of August 2017, Airbnb has a total of 74,000 listings on their portal

(Airdna.com, 2017). This means that with a 64% growth in listings, occupancy is expected to fall by 0.3% for 2017, assuming the Airbnb listings are to remain stagnant for the remainder of the year. Thus, we can conclude that Airbnb listings have had a negative impact on the occupancy levels of hotels in London.

This therefore shows that London hotels have effectively countered an external shock through revenue maximizing techniques. Even though the occupancy is being affected, the magnitude is almost negligible. These results suggest that Airbnb is not an immediate threat for the industry at the moment. Though, it would be naïve to not make arrangements for the future when the platform diversifies to provide services to all tourists and not only leisure travellers. However, this is the overall impact being caused to the industry as a whole; the next section will look into the hotel category specific impact which is expected to have more specific results.

Table 3: Hotel Category Impact Regression Results

		Hotel Indicator (β_1 values)		
		ADR	**RevPAR**	**Occupancy**
Hotel Category	**Luxury**	13.308 (0.059)	1.077 (0.902)	-0.084 (0.948)
	Upper Upscale	2.824 (0.329)	-1.567 (0.665)	-0.472 (0.635)
	Upscale	5.115 (0.013)*	1.562 (0.548)	0.112 (0.911)
	Upper Midscale	-1.033 (0.510)	-1.918 (0.317)	-1.043 (0.303)
	Midscale	1.887 (0.101)	0.383 (0.809)	0.368 (0.750)
	Economy	-2.222 (0.050)	-5.320 (0.001)*	-3.284 (0.003)*

* Significant at $p<0.05$

The regression models have shown very interesting results (Table 3) which are in line with past literature. It was estimated that lower tier hotel categories are more likely to be subject to external shocks (Proserpio, 2016; Zervas et al., 2016). The brunt of the impact is almost solely being absorbed by the Economy hotel category.

The results specify that a 10% increase in listings will reduce RevPAR by £0.53 and occupancy by 0.33%. Using the same analysis as the previous section and keeping all else constant; we see that a 67% increase in listings between 2016 and 2017 would reduce RevPAR by £3.55 and occupancy levels by 2.19%. Given the statistical insignificance of ADR measures in the Economy category, the analysis is not possible. However, the measure is only insignificant by a hundredth of a unit. If we were to assume this to be statistically significant as well, ADR would also be falling by £0.22 per 10% rise in Airbnb listings. Thus, it can be seen that Airbnb listings are having a negative impact on Economy hotels in the area.

This has major implications for hotel chains such as Travelodge and Premier Inn. Both these brands fall under the economy bracket and therefore are subject to the impact as the product being sold stands as a substitute for many Airbnb listings. Travelodge and Premier Inn hotels make up 38% of all economy brand hotels in the London area with Ibis and Easyhotel also giving fair representation. However, the brands mentioned have enough representation and a large brand equity from their parent companies to be able to cope with the pressure brought on by Airbnb listings.

The biggest cause for concern is for independent hotel owners in London. These properties will need to adapt quickly to cut their losses. To do so, owners and managers will have to invest heavily in marketing efforts. Given how the leisure tourists tend to book through online portals (Yavas and Babakus, 2005), these hotels will have to spare a great expense in making sure their properties are featured over a number of websites. And given the power that OTAs have nowadays, transaction costs that would be involved in doing so would be a considerable. As discussed earlier, government intervention is also playing its part in trying to curtail the exponential growth of Airbnb listings.

On the other hand, given the statistical insignificance for Luxury, Upper Upscale, Upper Midscale and Midscale categories, an analysis cannot be concluded. Even though the direction and magnitude of many of the measures are negative and large enough to have a substantial impact, no assumptions can be made for the future.

These results can be contributed towards the advantages that many branded hotel chains have over Airbnb. Hotels can help mitigate the problems of racism, security and trust through their standard operating procedures and brand values embedded into the operations. Additionally, hotels have the upper hand in terms of being an organized entity with associations and laws to help protect their rights. With Airbnb still being considered as a disruptive innovator, there is still some time before they can be taken seriously enough as a productive part of the national economy. The Sharing Economy UK (SEUK) has been set up by the UK government to help understand where this these companies are headed in the future (Gummer, 2015). The main aim for this trade body is to help formalise the sharing economy, with intentions to make the UK a global centre for the economy as a whole. This will allow sharing economy companies to have representation, which they did not have prior.

Conclusion

The implications of these findings are significant enough for international hotel companies and institutions to take the threat from the sharing economy. The time to ignore the sharing economy's growth is well and truly behind the traditional hotel industry. With companies like Accor Hotels (Accor Hotels, 2016) and even Expedia (Dulaney and FitzGerald, 2015) expanding into the sharing economy, others must realise the potential that the platform holds. Economy brand hotels must re-strategize their revenue management and pricing approaches to be able to cope with the pressure being forced upon them. Apart from the obvious investment in marketing that can take place, concentrating on business travel would be a positive step towards countering the loss in leisure travellers. Creating partnerships with local companies and providing a competitive price would allow for a base occupancy to be created for the economy hotels around the country.

However, when considering how independently owned hotels should react, the story is rather different. These hotels do not have the capital to be able to invest heavily in marketing efforts. Large chains will ultimately use such hotels as a safety net allowing them to take the brunt of the impact. However, these hotels do have an alternative within the problem they face. Airbnb allows licenced bed and breakfasts to list themselves upon their portal. By doing so, independent hotels will not only have escaped the exaggerated costs of marketing their properties, but will cut costs on the near trivial commission paid to Airbnb.

The study acts as an encouragement for future researchers to explore this notion further and see whether a similar impact is seen over the years in different countries and cities. With companies like Airbnb being quoted as the 'new reality', it is only a matter of time that this disruptive innovator becomes the norm in global tourism industry. Governments and the hotel industry are urged to allow the sharing economy to expand as it is allowing for more jobs to be created and a multiplier effect to be seen in the economy. At the same time, it is necessary to protect the interests of the independent hotels that do not have the voice to protect themselves.

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REVENUE MANAGEMENT FOR SKI RESORTS

The Effects of Framing on Customer Perception of Price Fairness

Mara Leidi

Ecole Hôtelière de Lausanne

Bachelor of Science in International Hospitality Management – Class of 2017

under the supervision of

Cindy Yoonjoung Heo

Lausanne, Switzerland

June 2017

Abstract

The focus of this research is on studying a possible application of revenue management to the Swiss ski industry. More precisely, the paper aims to define how specific revenue management strategies applied to ski resorts are perceived by customers and consequently which of those strategies could be successfully implemented to provide the ski industry with long-term benefits. Data collected through an anonymous questionnaire revealed that the way a pricing policy is framed influences customers' perception of price fairness. The results provide ski resort managers with suggestions regarding pricing strategies to apply as well as key takeaways about the importance of developing and formulating pricing in a way that enhances customers' perception of fairness.

Keywords: Revenue Management, ski-resorts, customer's perception of price fairness.

Introduction

Research Background

Winter tourism has always been a very important sector for Switzerland and was considered the most popular ski destination worldwide during the 20th century (Vanat, 2017). However, a negative trend beginning in the 1980s indicates that today's industry is facing significant difficulties. This is primarily due to: (1) climate change in recent years has been particularly challenging for the ski industry; (2) the strength of the Swiss currency compared to the currency of other countries in the Alpine region belonging to the Eurozone; (3) the aging population of Western countries aggravated by the absence of a new generation of skiers to replace the baby-boomers and (4) the inability of ski schools to persuade beginner skiers to continue their learning (Vanat, 2016). Because of these issues the performance of structures in many locations devoted to winter tourism has deteriorated over time, leading to major financial losses (Vanat, 2016). The negative conditions described above are being fought by the industry with different measures such as artificial snow making (Pütz *et al.*, 2011) and new pricing strategies that can be considered forms of revenue management (Judd, 2017).

Research Question

This article aims to determine whether the use of revenue management strategies could help to improve the current situation of the ski industry. More precisely, the scope of this research is to analyse consumer perception in terms of fairness of dynamic pricing applied to ski resorts by (1) assessing how different revenue management pricing strategies applied to ski resorts are perceived by customers and (2) determining if framing affects customers' perception of price fairness.

Literature review

Revenue Management

Revenue management (RM, hereafter), or yield management, was first applied by the airline industry after the Airline Deregulation Act in 1978 (Smith *et al.*, 1992). It is defined as "the practice of allocating the right space to the right customer at the right price at the right time so as to maximize revenue or contribution margin" (Kimes and Singh, 2008, p. 2), where right means obtaining the ideal balance between maximization of revenue and customer satisfaction (Kimes and Wirtz, 2003). Industries that are subject to fluctuating demand and that are able to identify different customer segments can apply analytical methods in order to forecast demand by market segment. The forecasting allows the firms to adjust pricing and availability in order to maximize revenue (El Haddad *et al.*, 2008; Wirtz *et al.*, 2003; Kimes and Wirtz, 2003). It is possible to apply RM to the ski industry, because the ski industry possesses most of the characteristics that an RM system requires to be implemented, namely: relatively fixed capacity; perishable inventory; fluctuating demand; multiple market segments with different purchase characteristics and different levels of price-sensitivity; low marginal sales costs; high fixed costs and the possibility to book in advance (Kimes, 1989). Industries similar to the ski industry should focus on making duration of service predictable and adopt variable pricing in order to create the ideal environment to implement RM practices (Kimes and Chase, 1998). The application of RM can increase firms' revenue and profit but in order to work it must come with customer perception of fairness (Kimes, 1994). Or, put more simply, in order for RM to work, customers must perceive the pricing strategy as being fair.

Perception of Fairness

Fairness perception is a concept that arises when relationships are characterized by power imbalances (Diller, 2008). It has been defined as "the judgment of whether or not customers accept an outcome and/or a transaction process to be reasonable, acceptable, and just" (Heo and Lee, 2011, p. 244). More specifically, price fairness is "a consumer's assessment and associated emotions of whether the difference (or lack of difference) between a seller's price and the price of a comparative other party is reasonable, acceptable, or justifiable" (Xia *et al.*, 2004, p. 3). Fairness is often differentiated between distributive fairness and procedural fairness. In the context of an exchange, distributive fairness refers to whether someone's inputs match the outputs received (Walster *et al.*, 1978). It has been described as the "evaluations of fairness in the distribution of resources and outcomes among interested individuals" (Beldona and Namasivayam, 2006, p. 92). Norms and reference exchanges dictate what is a fair correlation between inputs and outcomes. In case of a discrepancy between the result of one transaction and the result of a reference transaction, a feeling of inequity may be perceived. Because perception of fairness is a comparative process (customers compare the price they have paid for a product or service with what other customers have paid for the same or a similar product or service, which generates a perception of what is fair and what is not (Monroe and Petroshius, 1981)). Other players and factors have to be considered as part of the transaction. Customers' reference transactions (how guests think the transaction should be conducted) and reference prices (the amount guests think the service should cost) are what customers consider when evaluating fairness (Kahneman *et al.*, 1986). For this reason, the cause of a variation of prices should be clearly explained in order to be perceived as fair. Later studies added to the notion of distributive fairness including the concept of procedural fairness (Thibaut and Walker, 1975). Procedural fairness refers to "the fairness of the procedures adopted in arriving at such a distribution scheme" (Beldona and Namasivayam, 2006, p. 92).

Another important theory, the principle of dual entitlement (Kahneman *et al.*, 1986), explains how individuals build their perception of what is fair. This principle holds that customers believe that they have the right to a reasonable price and that firms have the right to a reasonable profit. Because customers think that the value to the firm should equal the value to the customer, when the relationship becomes imbalanced (by increasing the value to the firm or decreasing the value to the customer) customers will perceive the relationship as being unfair. Reference transactions and the principle of dual entitlement are elements that contribute to the creation of people's perception of fairness (Wirtz *et al.*, 2003) and explain why the use of certain forms of RM (such as price discrimination and demand-based pricing) without a clear and logical justification, are considered unfair and increase customers' perception of financial-risk. Heightened financial risk is perceived as a consequence of the difficulty in assessing a reference price and therefore understanding if the price charged constitutes a good or a bad deal (Wirtz *et al.*, 2003). Firms must be able to persuade customers that products/services priced differently actually have a different value that justifies the difference in price, and consequently that RM practices are fair (Kimes, 1994). Otherwise "if customers believe that the transaction is different from the reference transaction only in price, they may believe that the firm is receiving more than its reference profit and is behaving unfairly" (Kimes, 1994, p. 5).

Customers who feel they are being treated unfairly are likely to look for alternatives in order to "punish" the other party involved in the exchange, and would even go to the point of putting themselves at a disadvantage in order to punish a seller that is behaving unfairly (Kahneman *et al.*, 1986; Okun, 1981). Customer perception of fairness should be taken into account carefully when implementing RM policies, if a firm wants to ensure long-term benefits (Kimes, 1989). There are different methods that can be applied to justify differential pricing and that can be used to fight customer alienation and perception of unfairness. Examples of 'unfair' practices include: (1) providing customers with a higher reference price and then offering discounts; (2) providing additional features to a product/service with a higher price; (3) selling products as part of a package (product bundling) so that the actual price is unclear, and (4) attaching restrictions to justify lower prices (Kimes, 2002). These practices consist in the application of rate fences in the aim of both preventing less price-sensitive customers from shopping for lower fares and making differential pricing be perceived as fair. By using rate fences, companies allow customers to self-segment according to the service required and their willingness to pay. Additionally, by informing and educating customers about pricing policies, customers' perception of fairness increases and RM practices become more accepted (Kimes, 1994).

Several studies have been carried out to identify which RM practices are better perceived by customers in non-traditional industries, such as restaurants (Kimes and Wirtz, 2002), theme parks (Heo and Lee, 2009), movie theatres (Choi *et al.*, 2015) and golf clubs (Kimes and Wirtz, 2003b). However, little research has been conducted to assess skiers' fairness perception when RM practices are applied to the purchase of a lift ticket (in other words, to evaluate the impact such RM practices would have on the purchase of lift tickets).

Data collection was carried out with the aid of an anonymous questionnaire in the aim of measuring the degree of fairness that people associate with several RM strategies applied to lift ticket (ski passes) sales. The methodology was based on similar studies carried out in the past and questions primarily consisted of a presentation of different settings where RM practices are applied to the ski industry. Respondents were asked to assign a value to the different scenarios according to a given scale. After the results were collected, there was no debriefing or any further communication with the participants. Records were gathered in places where people generally have time to fill out questionnaires (such as doctors' and veterinarians' waiting rooms) or in places where people have a particular interest in the research (such as sport clubs and ski-related environments). The only criterion was to choose participants who were actually skiers. The research design of this study is non-experimental and correlational as it analyses the possible relationship between the degree of fairness perceived by skiers concerning RM practices applied to the ski industry (dependent variable) and the way a scenario was described to them (independent variable).

The questionnaire included 5 sections. Section 1 intended to evaluate the degree of fairness that each participant associates with different RM practices when applied to the ski industry. Questions belonging to this section were formulated in a neutral way in order to capture the opinion of interviewees concerning the fairness of the procedure avoiding any framing effect. Questions were structured using a 7-degree ordinal scale ranging from *very unfair* to *very fair*. Section 2 included questions similar to section 1, with the only difference being that the scenarios described were framed negatively or positively. In order to measure the impact of positive and negative framing on people's evaluation of fairness, two different versions of the questionnaire were created. One version (version A) presented scenarios with a negative framing, the other version (version B) presented the same RM practices framed positively (in the form of a discount). Participants were randomly assigned to one of the two versions. The same ordinal scale described in section 1 was used for both versions of section 2. Section 3 repeated the same scenarios described in section 2 but interviewees were requested to indicate how likely they would change their original decisions if they encountered one of the situations described. This section was included in the survey in order to verify customers' willingness to change purchasing habits and to determine possible correlations between what people think is fair/unfair and their willingness to change behaviors. The 7-degree ordinal scale used for this section ranged from *very likely* to *very unlikely*. The last two sections of the questionnaire included questions to assess the participant's level of price sensitivity, questions on demographic (age, gender, nationality), level of education, monthly household income and general information about skiing habits. A full sample of the two versions of the questionnaire can be found in Appendix 1 and 2.

Results

Once data collection was completed, the number of questionnaires gathered amounted to 213; 109 samples of the premium version (51.2%) and 104 samples of the discount version (48.8%). Details concerning participants' demographic characteristics and skiing habits are contained in Appendix 3 and 4. When all participants are taken into account, RM pricing strategies illustrated in the first part of the questionnaire were perceived in the following way: pricing according to the day of the week, pricing according to transaction characteristics (time of transaction) and pricing according to consumption characteristics (weather) were perceived as neither fair nor unfair. Pricing according to distribution channel was perceived as somewhat unfair, while pricing according to time of the day and pricing according to available area for skiing were perceived as somewhat fair. Finally, pricing according to duration of the service was perceived as fair. See Table 1 for detailed values.

When Section 2 of the questionnaire is analysed, it is possible to observe that there are relevant differences in results caused by framing. In two of the three cases presenting pricing according to time of transaction, perception of fairness of individuals who took the survey with premium framing (M=3.43, SD=1.76; M=3.74, SD=1.67) is significantly lower than perception of fairness perceived by individuals who took the survey with discount framing (M=3.94, SD=1.78; M=4.53, SD=1.64), $t(211)$=-2.11, p=.036 and $t(211)$=-3.46, p=.001. Only the third case of pricing according to time of transaction (the RM policy suggesting a differential pricing depending if the purchase transaction is done 14 days before consumption) presented statistically insignificant results. Also in this case, however, an almost significant difference can be spotted between answers of individuals presented with a premium case (M=3.57, SD=1.79) and individuals presented with a discount case (M=4.04, SD=1.77), $t(210)$=-1.92, p=.056. See Figure 1 for a graph of these results. All the scenarios describing differential pricing according to weather characteristics present a statistically significant difference when framed as a discount (i.e. cheaper) or as a premium (i.e. more expensive). In the case of an 18% difference in price, perception of fairness of individuals who took the survey with a premium frame (M= 3.18, SD=1.67) is significantly lower than perception of fairness perceived by individuals who took the survey with a discount frame (M=4.43, SD=1.91), $t(210)$=-5.05, p=.000. In the case of a 28% difference in price, perception of fairness of individuals who took the survey with a premium frame (M=2.85, SD=1.56) is significantly lower than perception of fairness perceived by individuals who took the survey with a discount frame (M=3.72, SD=1.81), $t(211)$=-3.75, p=.000. In the case of a 50% difference in price, perception of fairness of individuals with a premium frame (M=2.72, SD=1.58) is significantly lower than perception of fairness perceived by individuals who took the survey with a discount frame (M=4.83, SD=1.60), $t(207)$=-9.57, p=.000. These results are graphed in Figure 2. Both cases of pricing according to time of day (morning case (i.e. morning-only pass) and afternoon case (i.e. afternoon-only pass)) show statistically significant differences. When the morning case is considered, perception of fairness of individuals who took the survey with a premium frame (M=2.45, SD=1.59) is significantly lower than perception of fairness perceived by individuals who took the survey with a discount frame (M= 4.21, SD=1.83), $t(206)$=-7.43, p=.000. However the contrary can be observed when the afternoon case is considered: perception of fairness of individuals who took the survey with a premium frame (M=4.54, SD=1.86) is significantly higher than perception of fairness perceived by individuals who took the survey where situations were presented with a discount frame (M=3.97, SD=1.67), $t(204)$=2.33, p=.021. See Figure 3 for a graph of these results. Also in the case of pricing according to available skiing area, perception of fairness of individuals who took the survey with a premium frame (M=4.48, SD=1.64) is significantly higher than perception of fairness perceived by individuals who took the survey where situations were presented with a discount frame (M=3.97, SD=1.78), $t(209)$=2.16, p=.032). In the case of pricing according to distribution channel used for the purchase, perception of fairness of individuals who took the survey with a premium frame (M=2.83, SD=1.54) is significantly lower than perception of fairness perceived by individuals who took the survey with a discount frame (M=4.50, SD=1.71), $t(202)$=-7.34, p=.000. See Table 2 for more details.

Conclusion

Discussion and implications

When customers' perception of fairness of RM practices applied to the ski industry is analysed, results show that in general individuals perceive day-of-week pricing, pricing according to time of transaction, and pricing according to weather characteristics as neither fair nor unfair. Pricing according to duration of the service is perceived as fair, pricing according to available skiing area and pricing according to time of the day (afternoon case) are perceived as somewhat fair, while pricing according to distribution channel is perceived as somewhat unfair. The analysis of the framing effect yielded results in line with previous literature (Catoiu *et al.*, 2010; Chen *et al.*, 1998; Choi *et al.*, 2015; Kahneman and Tversky, 1979; Kimes and Wirtz, 2002; Noone and Mattila, 2009; Thaler, 1985): when perception of price fairness of participants assigned to a questionnaire with positive framing is compared to perception of price fairness of participants assigned to a questionnaire with negative framing, the difference among results is statistically significant in 9 of the 12 scenarios suggested, proving that the way a pricing policy is described (discount vs premium) has an influence on customers' perception of price fairness.

Limitations and future research

Findings should be applied with caution for several reasons: firstly, the data collection of this research took place mainly in the Italian-speaking part of Switzerland (Ticino), therefore results may not be generalized to the overall Swiss population or, more broadly, to wider populations. To make results generalizable, it would be desirable to collect data from multiple other sources and, if possible, from a wider pool of participants. Secondly, in order to have a questionnaire of reasonable length, the same item was not asked multiple times with different wording, therefore no test of answers' reliability could be computed (Cronbach's alpha). Thirdly, due to time constraints it was not conceivable to perform all the possible data analysis that could have been run with the data available. Further analysis could be conducted to uncover possible links between customers' perception of fairness and individuals' demographic characteristics and skiing habits. Finally, further research could be conducted to determine whether there is a rationale behind the pattern uncovered by this study and why some of the RM policies studied, contrary to the general trend, are considered fairer when presented with a premium frame.

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Appendices

Appendix 1 – Questionnaire Version A

Dear participant, thank you in advance for your participation.

I'm a student at *Ecole Hôtelière de Lausanne,* collecting data for my bachelor thesis on pricing policies of ski resorts. It will take you about 7 minutes to answer the survey. Your responses will be treated confidentially and individual responses will not be reported. The results of this study will be used for educational purposes only. Thank you in advance for your contribution. Mara LEIDI

Please read the situations below and define how you feel about the fairness of the policy.

	Very Unfair						Very Fair
Price of the ski pass based on the day of week **(e.g. price *X* on weekdays vs. price *Y* on weekends)**	1	2	3	4	5	6	7
Price of the ski pass based on the timing of purchase **(e.g. price *X* for a ticket purchased 2 weeks in advance vs. price *Y* for a ticket purchased on day of use)**	**1**	**2**	**3**	**4**	**5**	6	7
Price of the ski pass based on booking channel used **(e.g. price *X* for a ticket purchased through the ski resort's website vs. price *Y* for a ticket purchased at the ski resort's counter)**	**1**	**2**	**3**	**4**	**5**	6	7
Price of the ski pass based on duration of the use **(e.g. price *X* for a 3-hours pass vs. price *Y* for a full-day pass)**	1	2	3	4	5	6	7
Price of the ski pass based on the timing of arrival - morning **(e.g. price *X* charged to early visitors arriving before 10:00 AM vs. price *Y* charged to visitors arriving later)**	1	2	3	4	5	6	7
Price of the ski pass based on the timing of arrival - afternoon **(e.g. price *X* charged to late visitors arriving after 3:00 PM vs. price *Y* charged to visitors arriving before)**	1	2	3	4	5	6	7
Price of the ski pass based on the number of available routes	1	2	3	4	5	6	7

(e.g. price *X* for a ticket allowing multiple access to one route only vs. price *Y* for a ticket allowing multiple access to several routes)							
Price of the ski pass based on the weather forecast **(e.g. price *X* during sunny days vs. price *Y* in case of cloudy weather with frequent snowfalls)**	1	2	3	4	5	6	7

Please read the situations below and define how you feel about the fairness of the policy.

	Very Unfair						Very Fair
A day pass purchased on-site on day of consumption is CHF 15 more expensive than a day pass purchased one month in advance	1	2	3	4	5	6	7
When weather conditions are good, a day ski pass is 28 % more expensive than a ski pass purchased on a day with overcast but without snowfalls	**1**	**2**	**3**	**4**	**5**	6	7
A day pass purchased on-site on day of consumption is CHF 10 more expensive than a day pass purchased 14 days in advance	**1**	**2**	**3**	**4**	**5**	6	7
When weather conditions are good, a day ski pass is 18% more expensive than a ski pass purchased on a sunny day with occasional snowfalls	1	2	3	4	5	6	7
A 5% premium is charged to customers arriving after 10:00 AM	1	2	3	4	5	6	7
When weather conditions are good, a day ski pass is 50 % more expensive than a ski pass purchased on a cloudy day with frequent snowfalls	1	2	3	4	5	6	7
A 20% higher price charged for skiing on Saturday and/or Sunday	1	2	3	4	5	6	7
A 10% higher price charged for online purchase through indirect channels (e.g. railways web site)	1	2	3	4	5	6	7
A 1-day pass is CHF 15 more expensive than a 3-hours pass	1	2	3	4	5	6	7
A day pass allowing multiple access to every route is CHF 15 more expensive than a one-route day pass (pass	1	2	3	4	5	6	7

allowing multiple use of a limited number of slopes)							
A day-pass purchased on-site on day of consumption is CHF 5 more expensive than a day pass purchased 7 days in advance	1	2	3	4	5	6	7
A day pass purchased before 1:30 PM is charged CHF 15 more than day passes for customers entering after 1:30 PM	1	2	3	4	5	6	7

For each of the following situations, please <u>indicate the degree of likeliness according which you may change your original decision</u>.

	Very Unlikely					Very Likely	
A 20 % lower price for skiing on Monday through Friday	1	2	3	4	5	6	7
A day pass purchased one month in advance is CHF 15 cheaper than a day pass purchased on-site on day of consumption	**1**	**2**	**3**	**4**	**5**	6	7
A day pass purchased 14 days in advance is CHF 10 cheaper than a day pass purchased on-site on day of consumption	**1**	**2**	**3**	**4**	**5**	6	7
A day pass purchased 7 days in advance is CHF 5 cheaper than a day pass purchased on-site on day of consumption	1	2	3	4	5	6	7
A 10% lower price charged for online purchase through the resort's website (direct channel)	1	2	3	4	5	6	7
A 3-hours pass is CHF 15 cheaper than a 1-day pass	1	2	3	4	5	6	7
A 5% discount applied to customers arriving before 10:00 AM	1	2	3	4	5	6	7
A day pass purchased after 1:30 PM is charged CHF 15 less than day passes for customers entering before 1:30 PM	1	2	3	4	5	6	7
A one-route day pass (pass allowing multiple use of a limited number of slopes) is CHF 15 cheaper than a day pass allowing multiple access to every route	1	2	3	4	5	6	7
On a sunny day with occasional snowfalls a day ski pass is 18% cheaper than a ski pass purchased when	1	2	3	4	5	6	7

weather conditions are good							
On a day with overcast but without snowfalls a day ski pass is 28% cheaper than a ski pass purchased when weather conditions are good	1	2	3	4	5	6	7
On a cloudy day with frequent snowfalls a day ski pass is 50% cheaper than a ski pass purchased when weather conditions are good	1	2	3	4	5	6	7

Please indicate your level of agreement with the following statements.

	Strongly disagree						Strongly agree
I am very concerned about low prices, but I am equally concerned about product quality	1	2	3	4	5	6	7
When I buy products I like to be sure that I am getting my money's worth	**1**	**2**	**3**	**4**	**5**	6	7
When purchasing a product, I always try to maximize the quality I get for the money I spend	**1**	**2**	**3**	**4**	**5**	6	7
I am not willing to do extra effort to find lower prices	1	2	3	4	5	6	7
The money saved by finding low prices is usually not worth the time and effort	1	2	3	4	5	6	7
I would never shop at more than one store to find low prices	1	2	3	4	5	6	7

Respondent

Gender	**❒ M**	**❒ F**	**❒ I do not want to say**
Age	**__________ years old**		
Nationality	__________		
Highest level of education completed	**❒ High school or less** **❒ Bachelor degree** **❒ Doctoral degree**	**❒ Apprentice** **❒ Master degree** **❒ Others: __________**	
Household income per month	**❒ CHF 3,000 or less** **❒ CHF 5,001 ~ 7,000**	**❒ CHF 3,001 ~ 5,000** **❒ CHF 7,001 ~ 9,000**	

	❐ CHF 9,001 ~ 11,000	❐ CHF 11,001 and above
The total number of days spent on the ski slopes last season	❐ Less than 1 ❐ 4 to 6 days ❐ 10 to 12 days ❐ I have a seasonal ticket	❐ 1 to 3 days ❐ 7 to 9 days ❐ more than 12 days
Average days spent per visit	❐ 1 day ❐ 3 days ❐ 5 days ❐ 7 days or more	❐ 2 days ❐ 4 days ❐ 6 days
Average hours spent per day	❐ 0~2 hours ❐ 4~6 hours	❐ 2~4 hours ❐ more than 6 hours
Ski pass purchase	❐ Onsite, the day of consumption ❐ Onsite, before the day of consumption ❐ Advanced purchase (Channel: __________ /__________ days before) ❐ Others: __________	
Average price spent for ski pass	❐ __________ (CHF) per day ❐ __________ (CHF) per week ❐ __________ (CHF) per season	
Location of the ski vacation **(multiple answer possible)**	❐ Switzerland ❐ Other countries in Europe ❐ Others countries outside Europe	

Appendix 2 – Questionnaire Version B

Dear participant, thank you in advance for your participation.

I'm a student at *Ecole Hôtelière de Lausanne,* collecting data for my bachelor thesis on pricing policies of ski resorts. It will take you about 7 minutes to answer the survey. Your responses will be treated confidentially and individual responses will not be reported. The results of this study will be used for educational purposes only. Thank you in advance for your contribution. Mara LEIDI

Please read the situations below and define how you feel about the fairness of the policy.

	Very Unfair						Very Fair
Price of the ski pass based on the day of week **(e.g. price *X* on weekdays vs. price *Y* on weekends)**	1	2	3	4	5	6	7
Price of the ski pass based on the timing of purchase **(e.g. price *X* for a ticket purchased 2 weeks in advance vs. price *Y* for a ticket purchased on day of use)**	**1**	**2**	**3**	**4**	**5**	6	7
Price of the ski pass based on booking channel used **(e.g. price *X* for a ticket purchased through the ski resort's website vs. price *Y* for a ticket purchased at the ski resort's counter)**	**1**	**2**	**3**	**4**	**5**	6	7
Price of the ski pass based on duration of the use **(e.g. price *X* for a 3-hours pass vs. price *Y* for a full-day pass)**	1	2	3	4	5	6	7
Price of the ski pass based on the timing of arrival - morning **(e.g. price *X* charged to early visitors arriving before 10:00 AM vs. price *Y* charged to visitors arriving later)**	1	2	3	4	5	6	7
Price of the ski pass based on the timing of arrival - afternoon **(e.g. price *X* charged to late visitors arriving after 3:00 PM vs. price *Y* charged to visitors arriving before)**	1	2	3	4	5	6	7
Price of the ski pass based on the number of available routes **(e.g. price *X* for a ticket allowing multiple access to one**	1	2	3	4	5	6	7

route only vs. price *Y* for a ticket allowing multiple access to several routes)	
Price of the ski pass based on the weather forecast **(e.g. price *X* during sunny days vs. price *Y* in case of cloudy weather with frequent snowfalls)**	1 2 3 4 5 6 7

Please read the situations below and define how you feel about the fairness of the policy.

	Very Unfair						Very Fair
A day pass purchased one month in advance is CHF 15 cheaper than a day pass purchased on-site on day of consumption	1	2	3	4	5	6	7
A 10% lower price charged for online purchase through the resort's website (direct channel)	**1**	**2**	**3**	**4**	**5**	6	7
On a sunny day with occasional snowfalls a day ski pass is 18% cheaper than a ski pass purchased when weather conditions are good	**1**	**2**	**3**	**4**	**5**	6	7
On a cloudy day with frequent snowfalls a day ski pass is 50% cheaper than a ski pass purchased when weather conditions are good	1	2	3	4	5	6	7
A 5% discount applied to customers arriving before 10:00 AM	1	2	3	4	5	6	7
A 3-hours pass is CHF 15 cheaper than a 1-day pass	1	2	3	4	5	6	7
A day pass purchased 14 days in advance is CHF 10 cheaper than a day pass purchased on-site on day of consumption	1	2	3	4	5	6	7
A 20 % lower price for skiing on Monday through Friday	1	2	3	4	5	6	7
A day pass purchased after 1:30 PM is charged CHF 15 less than day passes for customers entering before 1:30 PM	1	2	3	4	5	6	7
On a day with overcast but without snowfalls a day ski pass is 28% cheaper than a ski pass purchased when weather conditions are good	1	2	3	4	5	6	7
A one-route day pass (pass allowing multiple use of a	1	2	3	4	5	6	7

limited number of slopes) is CHF 15 cheaper than a day pass allowing multiple access to every route	
A day pass purchased 7 days in advance is CHF 5 cheaper than a day pass purchased on-site on day of consumption	1 2 3 4 5 6 7

For each of the following situations, please <u>indicate the degree of likeliness according which you may change your original decision</u>.

	Very Unlikely						Very Likely
A 20 % lower price for skiing on Monday through Friday	1	2	3	4	5	6	7
A day pass purchased one month in advance is CHF 15 cheaper than a day pass purchased on-site on day of consumption	**1**	**2**	**3**	**4**	**5**	6	7
A day pass purchased 14 days in advance is CHF 10 cheaper than a day pass purchased on-site on day of consumption	**1**	**2**	**3**	**4**	**5**	6	7
A day pass purchased 7 days in advance is CHF 5 cheaper than a day pass purchased on-site on day of consumption	1	2	3	4	5	6	7
A 10% lower price charged for online purchase through the resort's website (direct channel)	1	2	3	4	5	6	7
A 3-hours pass is CHF 15 cheaper than a 1-day pass	1	2	3	4	5	6	7
A 5% discount applied to customers arriving before 10:00 AM	1	2	3	4	5	6	7
A day pass purchased after 1:30 PM is charged CHF 15 less than day passes for customers entering before 1:30 PM	1	2	3	4	5	6	7
A one-route day pass (pass allowing multiple use of a limited number of slopes) is CHF 15 cheaper than a day pass allowing multiple access to every route	1	2	3	4	5	6	7
On a sunny day with occasional snowfalls a day ski pass is 18% cheaper than a ski pass purchased when weather conditions are good	1	2	3	4	5	6	7

On a day with overcast but without snowfalls a day ski pass is 28% cheaper than a ski pass purchased when weather conditions are good	1	2	3	4	5	6	7
On a cloudy day with frequent snowfalls a day ski pass is 50% cheaper than a ski pass purchased when weather conditions are good	1	2	3	4	5	6	7

Please indicate your level of agreement with the following statements.

	Strongly disagree						Strongly agree
I am very concerned about low prices, but I am equally concerned about product quality	1	2	3	4	5	6	7
When I buy products I like to be sure that I am getting my money's worth	**1**	**2**	**3**	**4**	**5**	6	7
When purchasing a product, I always try to maximize the quality I get for the money I spend	**1**	**2**	**3**	**4**	**5**	6	7
I am not willing to do extra effort to find lower prices	1	2	3	4	5	6	7
The money saved by finding low prices is usually not worth the time and effort	1	2	3	4	5	6	7
I would never shop at more than one store to find low prices	1	2	3	4	5	6	7

Respondent

Gender	**❒ M**	**❒ F**	**❒ I do not want to say**
Age	__________ **years old**		
Nationality	__________		
Highest level of education completed	**❒ High school or less** **❒ Bachelor degree** **❒ Doctoral degree**	**❒ Apprentice** **❒ Master degree** **❒ Others:** __________	
Household income per month	**❒ CHF 3,000 or less** **❒ CHF 5,001 ~ 7,000** **❒ CHF 9,001 ~ 11,000**	**❒ CHF 3,001 ~ 5,000** **❒ CHF 7,001 ~ 9,000** **❒ CHF 11,001 and above**	

The total number of days spent on the ski slopes <u>last season</u>	❒ Less than 1 ❒ 4 to 6 days ❒ 10 to 12 days ❒ I have a seasonal ticket	❒ 1 to 3 days ❒ 7 to 9 days ❒ more than 12 days
Average days spent per visit	❒ 1 day ❒ 3 days ❒ 5 days ❒ 7 days or more	❒ 2 days ❒ 4 days ❒ 6 days
Average hours spent per day	❒ 0~2 hours ❒ 4~6 hours	❒ 2~4 hours ❒ more than 6 hours
Ski pass purchase	❒ Onsite, the day of consumption ❒ Onsite, before the day of consumption ❒ Advanced purchase (Channel: __________ /__________ days before) ❒ Others: __________	
Average price spent for ski pass	❒ __________ (CHF) per day ❒ __________ (CHF) per week ❒ __________ (CHF) per season	
Location of the ski vacation (multiple answer possible)	❒ Switzerland ❒ Other countries in Europe ❒ Others countries outside Europe	

Appendix 3 - Detailed Demographic Data

		Premium Version			Discount Version			Total		
		N	*%*	*Valid %*	*N*	*%*	*Valid %*	*N*	*%*	*Valid %*
Gender	Male	56	51.4	53.3	45	43.3	44.1	101	47.4	48.8
	Female	46	42.2	43.8	53	51.0	52.0	99	46.5	47.8
	Undisclosed	3	2.8	2.9	4	3.8	3.9	7	3.3	3.4
	Missing data	4	3.7		2	1.9	-	6	2.8	-
	Total	**109**	**100**	**100**	**104**	**100**	**100**	**213**	**100**	**100**
Age	0-19	18	16.5	16.5	42	40.4	41.6	60	28.2	28.6
	20-39	36	33.0	33.0	27	26.0	26.7	63	29.6	30.0
	40-59	35	32.1	32.1	24	23.1	23.8	59	27.7	28.1
	60-79	18	16.5	16.5	8	7.7	7.9	26	12.2	12.4
	80-99	2	1.8	1.8	-	-	-	2	0.9	1.0
	Missing data	-	-	-	3	2.9	-	3	1.4	-
	Total	**109**	**100**	**100**	**104**	**100**	**100**	**213**	**100**	**100**
Nationality	Swiss	89	81.7	90.8	85	81.7	87.6	174	81.7	89.2
	Italian	2	1.8	2.0	7	6.7	7.2	9	4.2	4.6
	Other countries in Europe	3	2.8	3.1	3	2.9	3.1	6	2.8	3.1
	Other countries outside Europe	4	3.7	4.1	2	1.9	2.1	6	2.8	3.1
	Missing data	11	10.1		7	6.7	-	18	8.5	-
	Total	**109**	**100**	**100**	**104**	**100**	**100**	**213**	**100**	**100**

Education	High school or less	35	32.1	32.4	47	45.2	47.0	82	38.5	39.4
	Apprentice	11	10.1	10.2	6	5.8	6.0	17	8.0	8.2
	Bachelor degree	18	16.5	16.7	11	10.6	11.0	29	13.6	13.9
	Master degree	18	16.5	16.7	20	19.2	20.0	38	17.8	18.3
	Doctoral degree	20	18.3	18.5	8	7.7	8.0	28	13.1	13.5
	Other	6	5.5	5.6	8	7.7	8.0	14	6.6	6.7
	Missing data	1	0.9	-	4	3.8	-	5	2.3	-
	Total	**109**	**100**	**100**	**104**	**100**	**100**	**213**	**100**	**100**
Income	CHF 3'000 or less	9	8.3	9.4	8	7.7	9.2	17	8.0	17
	CHF 3'001 to 5'000	6	5.5	6.3	10	9.6	11.5	16	7.5	16
	CHF 5'001 to 7'000	19	17.4	19.8	17	16.3	19.5	36	16.9	36
	CHF 7'001 to 9'000	18	16.5	18.8	20	19.2	23.0	38	17.8	38
	CHF 9'001 to 11'000	14	12.8	14.6	13	12.5	14.9	27	12.7	27
	CHF 11'000 or more	30	27.5	31.3	19	18.3	21.8	49	23.0	49
	Missing data	13	11.9	-	17	16.3		30	14.1	-
	Total	**109**	**100**	**100**	**104**	**100**	**100**	**213**	**100**	**100**

Appendix 4 - Detailed Skiing Habits Data

		Premium Version			Discount Version			Total		
		N	*%*	*Valid %*	*N*	*%*	*Valid %*	*N*	*%*	*Valid %*
Skiing days per season	Less than 1 day	21	19.3	19.6	27	26.0	26.7	48	22.5	23.1
	1 to 3 days	25	22.9	23.4	16	15.4	15.8	41	19.2	19.7
	4 to 6 days	35	32.1	32.7	28	26.9	27.7	63	29.6	30.3
	7 to 9 days	10	9.2	9.3	3	2.9	3.0	13	6.1	6.3
	10 to 12 days	9	8.3	8.4	9	8.7	8.9	18	8.5	8.7
	more than 12 days	4	3.7	3.7	13	12.5	12.9	17	8.0	8.2
	Seasonal ticket	3	2.8	2.8	5	4.8	5.0	8	3.8	3.8
	Missing data	2	1.8	-	3	2.9		5	2.3	-
	Total	**109**	**100**	**100**	**104**	**100**	**100**	**213**	**100**	**100**
Number of days per visit	1 day	35	32.1	32.7	23	22.1	24.2	58	27.2	28.7
	2 days	10	9.2	9.3	10	9.6	10.5	20	9.4	9.9
	3 days	15	13.8	14.0	21	20.2	22.1	36	16.9	17.8
	4 days	5	4.6	4.7	4	3.8	4.2	9	4.2	4.5
	5 days	26	23.9	24.3	17	16.3	17.9	43	20.2	21.3
	6 days	4	3.7	3.7	7	6.7	7.4	11	5.2	5.4
	7 days or more	12	11.0	11.2	13	12.5	13.7	25	11.7	12.4
	Missing data	2	1.8	-	9	8.7	-	11	5.2	-
	Total	**109**	**100**	**100**	**104**	**100**	**100**	**213**	**100**	**100**

Number of hours per day	0-2 hours	5	4.6	4.7	6	5.8	5.9	11	5.2	5.3
	2-4 hours	20	18.3	18.7	15	14.4	14.9	35	16.4	16.8
	4-6 hours	66	60.6	61.7	53	51.0	52.5	119	55.9	57.2
	More than 6 hours	16	14.7	15.0	27	26.0	26.7	43	20.2	20.7
	Missing data	2	1.8	-	3	2.9		5	2.3	-
	Total	**109**	**100**	**100**	**104**	**100**	**100**	**213**	**100**	**100**
Ticket Purchase	Onsite, the day of consumption	90	82.6	83.3	73	70.2	74.5	163	76.5	79.1
	Onsite, before the day of consumption	14	12.8	13.0	22	21.2	22.4	36	16.9	17.5
	Internet, more than 7 days in advance	1	0.9	0.9	2	1.9	2.0	3	1.4	1.5
	Seasonal ticket	3	2.8	2.8	1	1.0	1.0	4	1.9	1.9
	Missing data	1	0.9	-	6	5.8		7	3.3	-
	Total	**109**	**100**	**100**	**104**	**100**	**100**	**213**	**100**	**100**
Price Range	0-19	-	-	-	2	1.9	2.8	2	0.9	1.2
	20-29	3	2.8	3.3	1	1.0	1.4	4	1.9	2.5
	30-39	10	9.2	11.0	8	7.7	11.3	18	8.5	11.1
	40-49	7	6.4	7.7	9	8.7	12.7	16	7.5	9.9
	50-59	28	25.7	30.8	14	13.5	19.7	42	19.7	25.9
	60-69	21	19.3	23.1	20	19.2	28.2	41	19.2	25.3
	70-79	10	9.2	11.0	7	6.7	9.9	17	8.0	10.5

	80-89	8	7.3	8.8	7	6.7	9.9	15	7.0	9.3
	90-99	1	0.9	1.1	-	-	-	1	0.5	0.6
	100-119	-	-	-	2	1.9	2.8	2	0.9	1.2
	120 or more	3	2.8	3.3	1	1.0	1.4	4	1.9	2.5
	Missing data	18	16.5	-	33	31.7	-	51	23.9	
	Total	**109**	**100**	**100**	**104**	**100**	**100**	**213**	**100**	**100**
Location	Switzerland	81	74.3	74.3	67	64.4	66.3	148	69.5	70.5
	Switzerland and other countries in Europe	16	14.7	14.7	22	21.2	21.8	38	17.8	18.1
	Other countries in Europe	9	8.3	8.3	12	11.5	11.9	21	9.9	10.0
	Other countries outside Europe	1	0.9	0.9	67	64.4	66.3	1	0.5	0.5
	Switzerland and other countries outside Europe	2	1.8	1.8	22	21.2	21.8	2	0.9	1.0
	Missing data	-	-	-	3	2.9		3	1.4	-
	Total	**109**	**100**	**100**	**104**	**100**	**100**	**213**	**100**	**100**

Wafflemeisters International:

Should the Netherlands be considered as part of their International Franchise Portfolio?

Ida Kristin Wilhelmine Davidsen

Executive Summary

This paper provides an in-depth country analysis of the Netherlands to ascertain if it is a country that Wafflemeisters should add to their country portfolio? Using the PEST business model it is clear that the Netherlands has a strong and stable landscape that encourages foreign investment. Franchising as a business model is explored and considered to be a successful way for hospitality organisations like Wafflemeiter expand their business rapidly without dipping into cash reserves or taking bank loans. By enlisting both corporate and franchisees, Wafflemeister has shown comprehensive and rapid growth in a short period of time with 21 outlets in 5 counties; and plans for 10 more outlets. The paper recommends Wafflemeister consider the Netherlands and add it to their international franchise portfolio.

Introduction

Hospitality organisations often seek to expand their business using the franchising model to remain dynamic in a highly competitive environment and fulfil growth objectives using a relatively small amount of their own capital. Nevertheless, strategic choices such as this are influenced by a very strong commitment to the brands vision, avoidance of risk and control over brand values (Baena and Cervino, 2012)

Franchising as an entry mode has proven to be both successful and popular in the hospitality industry (Clarke and Chen, 2007). Indeed, this concept contributes to important internal and external economic factors such as creating strategic assets and labour creation in markets where organisations choose to expand (Sun and Lee 2018, Hoffmann, Watson and Preble, 2016). Wafflemeister are already a successful international franchise chain and will continue to grow internationally.

The aim of this study therefore, is to evaluate if the Netherlands; a mid-to-high income, low risk country, is a suitable country to add to Wafflemeister's international franchise portfolio.

International expansion beyond borders is a strategy adopted by many hospitality organisations who wish to explore opportunities beyond their domestic markets. This expansion strategy has developed through the force of globalisation and provides opportunities for the exchange of products and services (Yoder, Visich and Rustambekov, 2015). Naturally, expansion involves risk factors such as lack of knowledge about new markets, supply chains and national culture. Therefore, it is necessary to understand Wafflemeister's growth intentions and whether the Netherlands is a suitable country in which Wafflemesither could operate. The objectives of this study are: (1) to provide an external enquiry of the Netherlands using a PEST analysis, (2) to provide an internal analysis of Wafflemeister via the SWOT business model together with a discussion of their franchising operations and (3) to recommend Wafflemeister consider the Netherlands as a country in which to export their brand (Chen et al., 2015)

The Netherlands

Wafflemeister are keen to grow their business internationally. As a consequence they are likely to identify 'countries of interest'. What is vital is that they explore the political, economic, social and technological (PEST) aspects of those countries and how the PEST factors might affect their business; the full PEST analysis can be seen in Appendix A.

Political Factors

The political environment surrounding the Netherlands makes them a low-risk country which is desirable for any hospitality organisation looking to establish one or several franchised businesses in a country (Allouche and Schlentrich, 2011). Specifically, IHS Global considerers the Netherlands to be a lower risk country Islamist terrorism than other Eurozone countries. They go on to say that the Netherlands is of moderate risk regarding government and policy instability and this was solidified as the country continued to develop government transparency, stability and harmony in the lead up to the 2017 general election (Marketline, 2016). It is important that Wafflemeister do take into consideration the complex employment laws that the Netherland's government has in place. As with all businesses beyond the borders of the Netherlands franchise; an other, businesses find it difficult to negotiate their minds around employment law and thus will need to consult local solicitors to ensure they do not breach regulations and fall into any traps that would lead to subsequent legal action (L&G Global 2016). According to Alon (2006) high levels of corruption in a country has a negative impact on franchise chains like Wafflemeister who want to ensure they enter a country on which they can depend on trust, honesty and respect for the law by all businesses on the supply chain. Therefore, it is comforting to know that the Netherlands has consistently shown low levels of corruption within the global context and in particular as part of the European Union (EU), where levels of corruption are constantly being monitored and benchmarked (European Commission, 2016) and the Netherlands excellent form is not expected to change. The low risk, open and honest persona that the Netherlands has formed was enhanced further in 2016 when the Dutch government collaborated with the franchise sector to produce a code of conduct showing that it is not only 'open for inward investment'; but is championing cohesive collaborations that are of benefit to all franchise businesses be they home or; like Wafflemeister, from overseas (Government of the Netherlands, 2016).

Economic factors

The open and affluent economy is beneficial and attractive to Wafflemeister as the Ministry of Foreign Affairs promotes the Kingdom abroad encouraging foreign trade and investment (Economy Watch 2-10). Other very positive aspects that will be of interest to Wafflemeister is the fact that the Netherlands ranks high on country attractiveness and competitiveness indices, indicating good market growth, strong economy opportunities for competition and high level of stability (Lymbersky, 2010)(2016 (Groh et al 2016). These rankings show the country to be highly attractive, innovative and further the Netherlands enjoys a buoyant economy with a GNI per capita is 11.86% slightly higher than the UK World Bank Group (2016a). Having said that the Dutch corporation tax operates at a higher level than Wafflemeister experiences in the UK, which may have a negative impact (Hoffman, Munemo and Watson, 2016). Further, Numbeo (2009) indicates that consumer prices are 5.17% higher in the Netherlands compared to the UK on general 'basket' items. There is an indication from the IMF (2016) that these prices will see a 0.9% increase in consumer prices during 2017; which may affect current Wafflemeister's pricing practices. Overall The Netherlands seems to be an attractive, affluent and open country. However, Wafflemeister must consider the aforementioned tax pricing and employment law complexities.

Social factors

Turning to more of the social factors; which are particularly pertinent to hospitality businesses, citizens of the Netherlands have elements of both high and low context culture. The Netherlands scores low on power distance, meaning that businesses organisational pyramids and hierarchy are rare as the Netherlands tends to work on a flat structure and thus communication flows throughout all levels of the organisation (Lymbersky, 2010). Additionally, the Netherlands is a feminine culture thus work/life balance is respected; which means operations in Wafflemeister's stores would need to accommodate for this expectation when employing the local workforce.

Wafflemeister will also need to consider how it communicates its products locally as a low context culture prefers specific advertisements to included descriptions and prices of products rather than abstract imagery, parody or playful use of language. Socially, the Wafflemeister will certainly appeal to the Dutch population as they offer desserts and sweet treats with locations in high footfall areas. This is a good product offer as the Dutch finds it important to spoil themselves and socialise regularly (World Values Survey) and as the vast majority of the population are located in urban areas (United Nations 2014) Wafflemeister strategically place outlets branches in high footfall areas; such as shopping centres and high street locations (Foottit, 2015); ideal for the Dutch consumer.

Technological Factors

The Netherlands is a highly connected area as reflected in the high level of Internet access, mobile penetration and frequency of using mobile phones and personal computers; joint top in Europe in terms of domestic internet access (Eurostat, 2016c); with 78% of individuals suing mobile internet whilst on the move. The connectedness is particularly beneficial to Wafflemeister who use Facebook, Twitter and Instagram to develop and maintain brand awareness and attract customers. The Dutch population are socially interconnected with 40% stating they use their mobile phone as a source of information and 62.8% stating they use the internet to gather information. This gives Wafflemeister opportunities to connect through social media networks and allows consumers to order and have their sweet treats delivered.

Wafflemeister should consider expanding their franchise network to the Netherlands. The Netherlands is a country which is low risk and has high potential. The next section will contextualise franchising and then provide details of Wafflemeister's current franchise network.

Franchising

The concept of franchising is considered to be a business agreement between two independent bodies, such as firms or organisations that gives the franchisee the right to produce, trade and operate under the franchisors business model and brand name, in return for financial and expansion benefits (Czakon 2012, Velentzas and Broni 2013). Wafflemeister's franchising approach complies with this concepts as they give the franchisee the right to use brand name, business concept, marketing tools, purchasing discounts and are provided with training in return for regular franchising and marketing fees.

The strategic benefits of franchising for an organisation such as Wafflemeister is to grow their business successfully through the combination of local market expertise of the franchisee and their brand and proven business model in new or existing markets. (Ribelro and Akehurst, 2014). From the franchisees point of view they are able to open a business with the guidance and trust of a successful brand, that know their target market, is innovative in terms of product development will help the franchisee in terms of audits, recruitment and advertising. Further, Park (2014) highlights the benefits that a local franchisee brings in terms of “knowing the area” and supply chain. And from a consumer’s point of view product and service uniformity provides consistency for consumers in whichever outlet they are visiting; which in turn adheres them to the brand. From an economic point of view, franchising is of benefit to Wafflemeister in terms of lower level of frictional costs, allowing for market expansion with lower capital requirement which culminates in a reduction of risk for the franchising company. (Hoffman, Munemo and Watson, 2016)

As with many business strategies there are disadvantages to consider. When all is going well the franchising model is beneficial for the of the format most commonly highlight the potential conflict between parties. (Wood and Brotherton, 2008). Bowie and Buttle (2011) agree with that notion as hypothesis there can potential tension between franchisor and franchisee often stemming from financial disagreements such as marketing budgets. Further, tension can be caused from failure to comply with the quality standards outlined in the agreement or lack of support from the organisation (Wood and Brotherton, 2008). The advantages and disadvantages of franchising from the point of view of the Frachisor and Franchisee are summarised in Table 1 and Table 2 respectively.

Table 1. Franchisee point of view

Advantages	*Disadvantages*
1. Established products (Wood and Brotherton, 2008) *2. Existing brand image (Clarke and Chen, 2007)* *3. Proven concept (Bowie and Buttle, 2011)* *4. Training and marketing support (Waflemeister, 2014h)* *5. Operational documents and support (David et al., 2008)* *6. Regular advice and assessment (Wafflemeister, 2014h)* *7. Limited capital investment (Clarke and Chen. 2007)* *8. Benefit from national franchise organizations (NFL, 2016)* *9. Expansion opportunities (Clarke and Chen, 2007)* *10. Reduced risk (Czakon, 2012)*	*1. Fees applicable (Clarke and Chen, 2007)* *2. Little room for individuality, lack of control over operation (Clarke and Chen, 2007)* *3. Potential tension with franchisor (Bowie and Buttle, 2011)* *4. Chances of unsatisfactory training and support from organization (Clarke and Chen, 2007)*

Table 2. Franchisor point of view

Advantages	*Disadvantages*
1. Rapid expansion, low capital investment (Clarke and Chen, 2007) *2. No daily management (Clarke and Chen, 2007)* *3. Fees and royalty create base for income (Clarke and Chen, 2007)* *4. Higher brand recognition (Wu, 2015))* *5. Limited risk (Wood and Brotherton, 2008)* *6. Reduced staffing costs (David et al., 2008)* *7. Benefit directly from productivity of unit (Clarke and Chen, 2007)*	*1. Risk of not maintaining quality standards (Clarke and Chen, 2007)* *2. Damages to company reputation (Wood and Brotherton, 2008)* *3. Tension with franchisee (Bowie and Buttle, 2011)* *4. Complicated selection process (Velentzas and Broni, 2013)* *5. Changes in external environment leading to failure (Hoffman, Munemo and Watson, 2016)*

Table 4.c. Franchisor point of view

Despite the advantages and disadvantages for the franchisor and franchisee Wafflemeister has already proven success with the franchising concept because the threats of damage and risk to brand and quality are assessed as low (Wafflemeister, 2014) and as stated above franchising is an already popular in the Netherlands and the number of outlets, employees and revenue (Netherlandse Franchise Vereniging (Translated) 2016) has been growing over the last few years.

The available figures in terms of turnover and contribution to GDP from the U.S. Department of Commerce (2013) highlights that franchising revenue totalled at approximately $40 billion in 2013. This equals more than 5% of the country's total GDP. Operational facts and highlights from the franchise industry in the Netherlands can be seen in tables 3a-3d below.

Number of Employees

Sector	2013	2014	2015
Retail (Food)	121,400	127,400	134,400
Retail (Non-Food)	73,100	73,400	64,900
Hospitality	41,100	42,800	41,600
Services	32,300	30,300	24,600
Care	(Included in Services)	(Included in Services)	11,200
Other	11,600		11,700
Total	**279,500**	**286,600**	**288,400**

Table 3.a. Number of Employees

Number of Franchises

Sector	2013	2014	2015
Retail (Food)	5,894	5,620	6,683
Retail (Non-Food)	10,649	10,095	9,277
Hospitality	2,458	2,585	2,613
Services	9,371	8,985	7,191
Care	(Included in Services)	(Included in Services)	2,002
Other	2,338	2,365	2,496
Total	**30,710**	**29,650**	**30,262**

Table 3.b. Number of Franchises

Number of Franchisors

Sector	2013	2014	2015
Retail (Food)	86	86	91
Retail (Non-Food)	194	193	186
Hospitality	92	92	93
Services	319	315	277
Care	(Included in Services)	(Included in Services)	45
Other	56	54	52
Total	**747**	**740**	**744**

Table 3.c. Number of Franchisors

Revenue ex VAT (Million €)

Sector	2013	2014	2015
Retail (Food)	13,500	13,400	13,700
Retail (Non-Food)	9,900	9,800	9,000
Hospitality	1,900	1,900	2,000
Services	4,300	4,200	3,500
Care	(Included in Services)	(Included in Services)	1,300
Other	1,700	1,900	2,100
Total	**31,300**	**31,200**	**31,600**

Table 3.d. Revenue

(Adapted from: Netherlandse Franchise Vereniging 2016)

Wafflemeister: "Get your waffle on!"

In order to ascertain Wafflemeister's business as it stands now and its growth potential a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats, see appendix B for a full analysis). The Opportunities and Threats from the SWOT analysis are specific to the opportunities in the Netherlands

Strengths

Wafflemeister has already gathered considerable knowledge in international franchising by expanding to several countries namely United Kingdom, Saudi Arabia, Bharain, Malaysia and Qatar with 21 outlets and 10 in the pipeline (Gulf Daily News, 2015; Pereira, 2015; Tsim, 2013). When expanding to a new market, a firm must make a decision if the offering should remain completely standardized or if some adaptation to local taste should be made (Schilke, Reimann and Thomas, 2009). A major strength of Wafflemeister is that they have enabled franchisees to co-create menu items by submitting suggestions to be 'tested and tasted'. This shows Wafflemeister adapt to the cultural differences in food choice/food types. Further, Wafflemeister`s general products can be offered all year is not blighted by seasonal limitation a factor many hospitality businesses face (reedcommercial, 2017)

Weaknesses

As a business Wafflemeister shows few weaknesses. The company is still growing, meaning that at present little attention has been given to company analysis from external bodies. However, the company has been assessed to have limited market share on the basis of number of branches established (Wafflemeister, 2015). Despite Wafflemeister engagement with social media a weakness of their Facebook page is that the content is repetitive and feedback on customer comments is low.

Opportunities

If Wafflemeister choose to enter the Netherlands it would be crucial for them to launch a social media campaign there is high mobile penetration and Internet access which provides a wide audience (The World Bank Group 2016a; World Value Survey 2012e).

The Netherlands has recorded an increasing number of tourist arrivals (World Tourism Organisation, 2016). It is important to consider tourists when calculating target markets and refining the local offering. Mccormick and America Alliance (2007) recommends monitoring menu items tourists most commonly purchase, in order to better understand consumers. Offering items that are locally sourced and exclusive to the destination, could attract more tourists to the brand.(Amuquadoh and Asafo-Adjei, 2013). Wafflemeister, therefore, should therefore adapt or add menu items as they have done in other countries they have entered to attract local consumers and tourists to experience products specific to the Netherlands.

2.1.4. Threats

High labour costs in the Netherlands are classed as unattractive to potential franchisees. However, IHS Global (2015) additionally reports high level of labour productivity with suggests that although the employees are of higher cost, they are also of higher quality. Another threat to the profitability is the high level of household debt in the country (HIS Global 2015), indicates a price conscious consumer that may show more caution when spending on products not classed as a necessity. As stated previously the complex Dutch employment laws prior to recruiting employees. Further Wafflemeister are not yet established in the Dutch market, the franchisee should be aware that local consumers are not familiar with the brand and therefore investment and focus should be placed on marketing prior to opening of the outlet.

Wafflemeister is using the franchising model for expansion both nationally and internationally. (Foottit, 2015, Wafflemeister, 2014b) and the company is currently 80% franchised (Wafflemeister, 2014a) In terms of international growth, the company has enlisted The HDC to open branches in Qatar. (Catering News Middle East, 2015) On a national level, Seeds consulting had in mid-2016 enlisted 16 new UK franchisees. (Seeds Consulting, 2016)

IN SUMMARY

This report set out to evaluate Wafflemeisters should consider the Netherlands as a country in with to expand their franchise business. The country analysis of the Netherlands highlighted the country's strong economic landscape, support for foreign investment and strong social development which represents a market that is deemed to be attractive for Wafflemeister to seek investment and establishment in.

The Netherlands is a low risk country that has an open and honest persona; which welcomes franchise businesses. The main difficulty Wafflemeister would face is the complex employment laws. The product offered by Wafflemeister would seem appropriate to the Dutch who like to treat themselves and like to socialise. Therefore, it is recommended that Wafflemeiseter consider the Netherlands if they decide to expand further into different countries.

Appendix A – PEST Analysis

Political Factors	Economic Factors
- Moderate risk regarding government and policy instability. (IHS Global, 2016) - Lower risk of Islamist terrorism than other countries in the Eurozone (IHS Global, 2016) - Benefits from a strategic geographic location in the heart of the EU. (IHS Global, 2016) - Low levels of corruption, ranking joint 5th globally in 2015 (Transparency International, 2016) - Among the founding countries of world institutions such as UNO, NATO, IMF, World Bank and the EU (Eurostat, 2010) - The government and the franchise sector has created a code of conduct (Government of the Netherlands, 2016)	- Government finances improving (IHS Global, 2016) - Open, affluent economy model that depends on foreign trade (EconomyWatch, 2010) - GNI per capita (US$) in 2017 measured at $48,940 (The World Bank, 2017) - Corporate investment and consumption increasing (IHS Global, 2016) - Geopolitical tensions in Ukraine and Russia could be a risk to economic expectations in the Eurozone (IHS Global, 2016) - Real GDP forecasted growth of 1.7% in 2017 (IMF, 2016) - High labour costs (IHS Global, 2016) - High levels of household debts and mortgages (IHS Global, 2016) - Export dominated economy, relies on global demand (IHS Global, 2016) - Ranked 16th on the World Attractiveness Report in 2016 (Groh et al., 2016) - Private consumption on the rise, expected to continue to see strong growth (IHS Global, 2016) - Recorded just over 15 million tourist arrivals in 2015, and 8% growth (World Tourism Organisation, 2016) - Housing market in strong growth, expected to reach record highs (IHS Global, 2016) 170 million European consumers within a 300-mile radius (IHS Global, 2016) - High labour productivity rate (IHS Global, 2016) - High labour participation rate (IHS Global, 2016) - Unemployment rate one of the lowest in the EU (IHS Global, 2016) - Ranked 4th on the Global Competitive Report in 2016. (World Economic Forum, 2016) - The 2017 Dutch budget includes efforts to reduce overall public debt.

	HS Global, 2016) • In the category of high income countries (The World Bank, 2017) • Cost of living: Amsterdam number 67 out of 209 cities on the rankings (Mercer LLC, 2016) • Consumer prices projected to increase by 0.9% from 2016 to 2017 (IMF, 2016) • Corporation tax applicable to private and public companies (Government of the Netherlands, 2014)

Social Factors	Technological Factors
• High degree of social stability (IHS Global, 2016) • Aging population represents a threat to the pension systems (IHS Global, 2016) • Retirement age intended to be raised from 65 to 67 by 2021 (IHS Global, 2016) • In 2013, 31.3% of GDP was spent on social protection (Eurostat, 2016a) • More than 90% of the population lives in areas classed as urban (United Nations, 2014) • The population growth rate was estimated at 0.40% in 2016 (CIA, 2002) • 43.8% of the participants in a survey disagreed strongly to being a lazy individual, suggesting good work ethics among the population (World Value Survey, 2012a) • Outgoing and sociable society (World Value Survey, 2012b) • Ranked 5th on the United Nations Human Development Index in 2015. (Selim, 2015) • The population tend to be proud of their nationality (World Value Survey, 2012c) • The World Value Survey reveals that participants' occupation status include a high number of retired individuals (29.8%) (The World Value Survey, 2012g) • The majority of participants in the World Value Survey are satisfied with their lives and finds it somewhat important to spoil themselves (The World Value Survey 2012i; The World Value Survey, 2012h) • Low score on power distance in the Dutch society (itim International & Hofstede, 2010) • Individualist society (itim International & Hofstede, 2010) • Feminine culture (itim International &	• Ranks joint top in Europe (1st, shared with Luxembourg and Norway) in level of internet access at home, with 97% of households being connected in 2016. (Eurostat, 2016c) • 78% of individuals uses mobile devices to access internet on the move (Eurostat, 2016b) • 40% of participants in the World Value Survey uses their mobile phone as a source of information on a daily basis (World Value Survey, 2012d) • 62.8% of participants in the World Value Survey uses internet as a source of information on a daily basis. (World Value Survey, 2012e) • 80.5% of participants in the World Value Survey uses a personal computer on a daily basis (World Value Survey, 2012f) • Mobile penetration measured at 123.538 per 100 people (The World Bank Group, 2016a) • 2294 patent applications in 2014 (The World Bank Group, 2016b) • Excellent infrastructure on roads, airports and ports (Marketline, 2016) • High expertize in water engineering and environmental technology (Marketline, 2016) • Highly ranked for innovation (9th) (The Global Innovation Index, 2016) • The most connected country in the world according to the DHL Global Connectedness Index 2016. (Altman & Ghemawat, 2016) • Programmatic advertising adoption higher in Netherlands than in anywhere else in Europe (U.S. Department of Commerce, 2016)

Hofstede, 2010) • Focus on indulgence (itim International & Hofstede, 2010) • Ranks 1st on the European Health Consumer Index 2015 (Health and Consumer Powerhouse, 2015) • Slight favor of uncertainty avoidance (itim International & Hofstede, 2010)	

List of Abbreviations

CIA - Central Intelligence Agency

EPI - Environmental Performance Index

EU - European Union

GDP - Gross Domestic Product

GNI - Gross National Income

IMF - International Monetary Fond

NATO - The North Atlantic Treaty Organization

NVF - Nederlandse Franchise Vereniging

POS - Point Of Sales

UK - United Kingdom

UNDP - United Nations Development Programme

VAT - Value Added Tax

WEC - World Energy Council

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