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**ROOM RATE PARITY VS. RATE FENCES
IN THE CONTEXT
OF PRICE DISCRIMINATION THEORY:
THE CASE OF THE POLISH HOSPITALITY MARKET**

Rate parity is still a very controversial issue, thus many researchers and industry professionals study it with respect to several aspects: whether it is beneficial for the hotel and/or for the customers. However, despite the necessity to respect rate parity, many hotels do not apply this requirement. Therefore, the authors have attempted to assess this phenomenon in the Polish hospitality market. The aim of the study was to determine the scope of applying rate parity by Polish hotels and using the price discrimination in a variety of direct and indirect channels of electronic distribution. The purpose was to state how the restriction to respect rate parity by the hotels affects the possibility of using price differentiation. The research material involved prices available on-line across various distribution channels. The research methods were based on a critical analysis of literature and on the observation of the prices on the websites of 311 hotels and e-intermediaries. The collected data were analyzed statistically by means of SPSS software. The relationships between the characteristics of the hotels (the category and belonging to a chain) and the variables were determined. The analysis indicates that the necessity of applying rate parity paradoxically often leads to using price differentiation and rate fences by the hotels. Among the hotels applying rate parity (i.e. the same standard room rate as in other distribution channels) as many as 61% of enterprises use rate fences (mainly non-physical – transaction features) in order to improve the competitiveness of their prices in relation to other distribution channels.

Keywords: room rate parity, price discrimination, rate fences, e-intermediaries, Polish hospitality market

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1. INTRODUCTION

Nowadays hoteliers use a variety of distribution channels, mainly electronic (Tso and Law, 2005; Law et al., 2015). The inherent feature of the market (Kędzior, 2005; Daszkowska, 1998) is that customers have the unlimited right to choose the contractor whose service or product they want to buy, and today they are increasingly turning to indirect distribution

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channels i.e. middlemen. In the literature there are a variety of terms that explain what involves acting as a middleman (Kracht, Wang, 2010). In this paper, e-intermediaries signify those firms which deliver tourist services from providers to the customers on the Internet.

As Ling, Guo and Liang (2011) noticed, in most cases there is a conflict between distribution channels because they compete for customers and their reservations. Due to the growing importance of hotel brokers (a high position in the search results in the most popular search engines, large expenditures on promotion, extensive databases enabling the customer to compare hotels and their prices, etc.), an increasing number of hotel bookings are made through indirect channels, which unfortunately means lower revenues for hotels. Hotels are trying to attract customers to their own website and induce them to make a reservation directly. At the same time, hotels, particularly the smaller ones, must get onto e-intermediaries to gain exposure (Toh et al., 2011).

The main factor that determines the choice of a booking channel by the customer is price (Tso and Law, 2005; Sipic, 2010) as customers are looking for a lower price. Unfortunately, the necessity to comply with rate parity significantly reduces the hotel's possibility to compete on price. Hotels are trying different methods to deal with this problem. Some of them, openly and clearly opposed to intermediaries, criticize and undermine the provisions of the agreement, some try to construct their list prices to "work around" these restrictions, others abandon the cooperation. The above kinds of behavior are the subject of the research discussed in this paper.

There are many publications (O'Connor, Frew, 2002; Shoemaker et al., 2007; Gazzoli et al., 2008; Guillet, Mohammed, 2015) that discuss the topic of rate parity, or refer to academic and industry discussions. Quite often researchers' attention (Sipic, 2010; Selveraj, 2011) focuses precisely on the analysis of prices across various distribution channels and on respecting rate parity by the hotels. This is probably due to the great interest in this topic of the environment and the disapproval increasingly expressed by hoteliers of the known solutions (HotRec..., 2012). However, there is too little research focused on the relationship between rate parity and price discrimination. This is probably caused by the idea of rate parity, which is to unify the prices, rather than to differentiate them.

The aim of the study is to determine the scope of using rate parity and price discrimination across a variety of direct and indirect channels of electronic distribution by the studied hotels in Poland. The impact of the need to apply rate parity by the hotels using price discrimination and the

possibility of price competition was analyzed. The theoretical purpose of the paper is to justify that the tool of rate parity paradoxically increases the range of price discrimination and using rate fences by the hotels.

The research hypotheses are:

- H1: Not all the studied hotels in Poland apply rate parity.
- H2: There are no significant differences in the compliance with rate parity between hotels of different categories.
- H3: Chain hotels apply rate parity more often than independent ones.
- H4: The average prices on the hotel website are lower than in direct channels.
- H5: The necessity of applying rate parity often becomes often the cause of price differentiation; rate fences become the tool used to differentiate prices across different distribution channels.

The research method used in this study was critical analysis of literature and content analysis providing an identification of the prices on hotel websites and reservation systems; then statistical analysis of the collected data was applied on the basis of SPSS software. The chi-squared test was used to determine the relationship between the characteristics of the hotels (the category and belonging to a chain) and the variables.

2. THE THEORY OF PRICE DISCRIMINATION AND RATE PARITY

Due to the growing number of websites offering hotel bookings, customers looking for accommodation often have a sense of information overload and difficulty in choosing the right provider (Hui, Law and Ye, 2009; Chen, 2014, Rohlfs and Kimes, 2007). This excess of information is the cause of information asymmetry (Israelli, 2014), when the provider has more comprehensive information than the potential client. Therefore, the number of people comparing different shops before booking is growing (Anderson, 2011; Toh et al., 2011a). In 2013 approximately 81% of customers compared hotel prices in various services (The 2013 Traveler's..., 2014). According to eMarketer research (Hotels Strive..., 2013), US tourists visit 17 travel sites and use more than 4 travel searches on average while looking for a hotel. Thanks to hotel search engines (price comparing websites), a list of online travel agencies (OTAs) can be easily generated and the prices can be compared while the cost of retrieving this information is nearly zero (Leung et al., 2014; Toh et al. 2011a).

The price discrimination occurs when providers offer different prices of the same service depending on the customer, location, product, the time of reservation etc. (Kimes and Wirtz, 2003). In the Internet era the multi-channel variation also appears, when firms charge different prices for an identical product (service) in different channels (Lii, Sy, 2009), but also price differentiation between channels is expected by clients. Moreover, price differentiation of services sold across various channels of distribution may be related to addressing offers made to different segments of buyers with a different level of price sensitivity (Waniowski, 2012). In theory, people often judge such practices as unfair (Chodak, 2010), but in practice they think so only until they find a channel with a lower price.

Price differentiation leads to a situation when instead of wondering what to buy, there appears a dilemma of where to buy in order to avoid frustration of poorly made choices (O'Connor, 2003; Lim, Hall, 2008). In addition, research shows (Global..., 2005) that within the framework of programs designed to facilitate this choice, offers like Best Rate Guarantee in practice rarely meet the promises contained in the name (Christodoulidou et al., 2007), which is hardly ever perceived as fair by the customers (Rohlf, Kimes, 2007). The research conducted by KPMG (2005) also revealed that 99% of hotels do not offer the same prices consistently across channels, and almost 50% of them show differences even within direct channels (e-mail reservation forms, call centers, etc.). But the opinions about the impact of the Internet as a distribution platform on the scale of price dispersion are divided. Hui, Law and Ye (2009) observed that the ease of comparing prices on the Internet makes online price dispersion much narrower than the offline one, where examining and comparing offers is more time consuming. By contrast, Murphy, Schegg and Qiu (2006) found in their studies that with the growing role of the Internet in hotel services distribution, price transparency and dispersion increase. Nevertheless, the still existing differences in prices prompt customers to explore the Internet to look for the cheapest deal (Law and Huang, 2006).

Another concept related to the price discrimination is rate fences. The rate fences cover some characteristics including room size, services, amenities, location etc. (physical rate fences) and the transaction features, i.e. timing of the booking, flexibility of the conditions, changes allowed to the reservation (non-physical rate fences). Among the fences based on purchase pattern, Zhang and Bell (2012) mention those used by firms to stop customers switching channels. This is especially important in the era of e-commerce, when more customers are willing to search the Web to find the

lowest price. Rate fences are used to indicate the terms and conditions of a discount rate that should never be offered without fences, like advance purchase required, minimum stay length, non-refundable, etc. The rate fences are the tools of price discrimination used by the hotels to segment guests and to justify using different prices for the same room per night. (Guillet et al., 2014; Wirtz, 2012)

Rate parity means offering the same price per night through all distribution channels (Demirciftci et al., 2010, Gazzoli et al., 2008). Rate parity can be defined as a kind of uniformity of prices offered across various distribution channels (from the direct through all intermediate channels of traditional and electronic distribution). Rate integrity means that the prices offered to the same customers in the same period are the same. Rate integrity is a kind of assurance that each discount offered by the hotel is objectively justified (Mourier, 2010). Rate consistency is defined as a combination of both the above ones, i.e. rate parity and rate integrity. Rate consistency (consistent price stability) is a concept in the context of the pricing policy of hotels on the Internet resulting in customer loyalty and their unwillingness to seek a better, lower price (Sipic, 2010; Tranter et al., 2009). Thus, customers expect price transparency which means they desire clear information on a particular hospitality product because they are able to retrieve the rates across various channels. When prices differ across channels, consumers' trust might be lost (Shoemaker et al., 2007, Cross et al., 2009). Rate parity is deemed by hotels as one of the main challenges of using indirect electronic distribution channels (Doan, 2013). But it is implemented because, according to Gazzoli et al. (2008), if rate parity is applied appropriately, customers' trust and confidence in the hotel website may increase. Applying rate parity also increases price transparency provided on the Internet and as a result it discourages their potential clients from looking for a lower price (Christodoulidou et al., 2007; Egger and Buhalis, 2008).

Rate parity began to appear in the pricing policy of hotels in the post-Internet era II, after 2005, while previously global distribution system (GDS) rates (pre-Internet era) and GDS/merchant rates (post-Internet era I) dominated (Varini, Murph, 2006). The necessity to apply rate parity largely limits the hotels' right to manage prices or to follow their own pricing policy. Some, like Alex Dietz (Gupta, 2013), believe that rate parity is bad for the customer because it distorts the functioning of the rules of competition and reduces market efficiency by not allowing the consumer to have an influence through purchasing choices on differentiating the market prices. However, there are also voices (Gupta, 2013) that the equality of

rates in retail sales has always been cared for and rate parity is not new, but a growing share of electronic distribution channels in the volume of sales and the imposition of their high commissions discourages hoteliers from cooperating because they have to give up a significant portion of their own revenue.

Tso and Law (2005) demonstrate that a decade earlier hotels did not comply with rate parity. There were not, however, so many controversies surrounding this topic. This was probably because the rates offered by e-intermediaries were lower than on the hotel website (Bieluszko, 2007; Thompson and Failmezger, 2005; Law, Chan and Goh, 2007). Today, when most e-intermediaries cooperate with hotels in agency models, applying rate parity is the only tool to level the chances of hotels and e-intermediaries and to prevent the transformation of OTAs into hotel search engines, which only offers the billboard effect to hoteliers (Anderson, 2009, 2011). Unfortunately for hoteliers, this is not a desirable practice for them because they cannot compete with OTAs by price and attract customers to their own websites. Hence one can observe increasing numbers of hoteliers' initiatives (HotRec..., 2012) aimed to influence e-intermediaries in conditions of cooperation. There are also examples of court sentences in various countries (e.g. Germany's Bundeskartellamt) questioning the rate parity policy, because it eliminates competition for lower room prices between providers and e-intermediaries and impedes the emergence of new suppliers with lower costs because they would be unable to attract consumers with lower prices (Edelman, Wright, 2015).

3. RESEARCH METHODOLOGY

The aim of the study was to determine the extent of using of price discrimination in luxury (four and five-star) and the average standard (three-star) hotels in Poland offered across various direct and indirect channels of electronic distribution. Thus, applying rate parity by the hotels was analyzed. The level of prices in selected channels available online was studied.

The study consisted of the following stages: identification of e-intermediaries, data collection (prices of services offered at a specific time through selected distribution channels), and an analysis and description of the results. Although applying rate parity can be examined by asking hotels if they do it (Nothofer, Remy, 2010), the authors also wanted to check price differentiation in both groups (those applying and non-applying rate parity),

so collecting prices directly from the Internet sources was chosen as the research method.

For the study exclusive and average-standard hotels in Poland (three, four and five-star) listed in the Central Registry of Hotel Facilities were selected. The selection of these standards is dictated by the huge advancement in the use of the Internet and indirect distribution channels. The list of hotels was based on the official list available at <http://turystyka.gov.pl/cwoh/index>. On 02/12/2015 there were 1,441 establishments (Figure 1). On this basis an alphabetical list of hotels was developed. To select hotels for the sample, the method of drawing lots was used, except for five-star hotels, where the small number of the population allowed for the examination of all of them. In the group of four-star hotels every second object was drawn (during the study it was found that nine of the randomly selected hotels did not exist or had changed their category, so the sample was 46%, rather than the originally assumed 50%). In the most numerous group of three-star hotels every eighth hotel (12.5%) of the prepared list was selected for the study. The precise structure of the study population and the selected sample is presented in Table 1.

Table 1
The structure of the study population and sample size

	***	****	*****	All
Sample size	142	120	49	311
Population size	1131	261	49	1441
Percentage of the tested hotels	12.5%	46%	100%	22%
Number of chain hotels in the sample	36	43	25	104
Percentage of chain hotels in the sample	25%	36%	51%	33%

Source: own research.

As all the five-star hotels (100%) and randomly selected four- and three-star hotels were examined, the results provide a general picture of the analyzed issue and can be treated as a prelude to a broader analysis of hospitality market in Poland.

Considering the previous studies in the analyzed area (O'Connor, 2002; Shaw and Adams, 2002; Sipic, 2010; Thompson and Failmezger, 2005), the specificity of the Polish hospitality market (Bieluszko, 2014b) and the Internet resources in Poland, the most popular e-intermediaries were selected: Expedia.com, Travelocity.com, Orbitz.com, booking.com, hotels.com, hrs.com, hotele.pl, agoda.pl, esky.pl and hotele.info. Then the number of Polish hotels in these systems was checked and on this basis three

OTAs (hrs.com, booking.com and hotele.pl) with the largest number of Polish hotels were chosen for the study.

While collecting data, accommodation for one person was chosen and prices for booking on 10/11 June 2014 were analyzed. Since the period between the date of booking and the date of arrival shortens, there is a growing tendency to apply the method of dynamic pricing and price change even several times a day, and moreover, often all the rooms are already sold out, a long lead time was selected (Bieluszko, 2014). To eliminate discrepancies between prices at weekends and on weekdays, the price of accommodation on a weeknight was chosen to study and out of the Christmas season, the holiday season and other significant events likely to generate a higher than usual demand for hotel services. The prices available only to preferred customers (regular, corporate, agents, etc.) were excluded from the study; only generally accessible offers were analyzed (O'Connor, 2003; Kim, Hall, 2008).

The data collection was carried out on 17 February 2015 and then repeated in sequence on 19 and 21 February. Because the differences were analyzed between the distribution channels and not between successive days of making the bookings, it was considered that the three-fold repetition of the study will be sufficient.

4. RESULTS AND DISCUSSION

4.1. The use of electronic distribution channels

The first analysis includes the use of electronic distribution channels – direct and indirect – by the surveyed hotels. All of the examined establishments have their own websites and offer an opportunity to make a reservation online or offline (by filling out the reservation form). Nothofer and Remy (2010) obtained the same results in their study of Swiss hotels. Unfortunately, despite the common use of indirect distribution channels, not all the hotels have included their room offer. As many as 23 three-star hotels (16.2%) and 4 four-star hotels (3.3%) do not use e-intermediaries (including other systems not chosen for the study). In the group of five-star hotels there was not one facility that would not be present in at least one of the studied reservation systems. If we look at affiliation to the hotel chain, we can see that among chain hotels only one (1% of respondents) does not use e-intermediaries, while as many as 26 of independent objects (12.6% of respondents) do not use them.

Subsequently, the basic descriptive statistics, i.e. average, minimum and maximum prices in the distribution channels for all the analyzed hotels were calculated (Table 2).

Table 2
Basic descriptive statistics of the analyzed group of hotels

		Room rate (in PLN)			
		Hotel website	Hrs.com	Booking.com	Hotele.pl
N	Valid	311	262	274	261
	Missing system	0	49	37	50
Average		296.23	306.69	300.28	309.28
Median		250.00	270.00	260.00	270.00
Standard deviation		165.77	173.13	168.02	163.81
Minimum		100	99	99	100
Maximum		1079	1079	1079	1004

Source: own research.

The above results show that while in the case of the minimum price, significant differences between the distribution channels are not observed, the maximum price of the most expensive of the surveyed hotels in one of the reservation systems is significantly (by approximately 7%) lower than that offered in other indirect channels and on their own website. However, the analysis of average prices for all the hotels shows that among all the distribution channels the direct channel is cheapest (PLN 296.23), while the average prices in indirect channels are as follows: PLN 300.28 on booking.com, PLN 306.69 on HRS.com and PLN 309.28 on hotele.pl.

4.2. Applying rate parity by the surveyed hotels

Further analyses related to hotels' compliance with rate parity (Figure 1). A case when the prices in all the distribution channels were the same or similar, i.e. the difference was not more than PLN 6, i.e. approx. 2% of PLN 300 as the average rate in the surveyed hotels, was considered as applying rate parity. Any differences in prices over PLN 6 were considered as a lack of rate parity. Gazzoli et al. (2008) proposed a similar solution in their research, assuming a 2% difference in the average price as the borderline of applying or not applying rate parity.

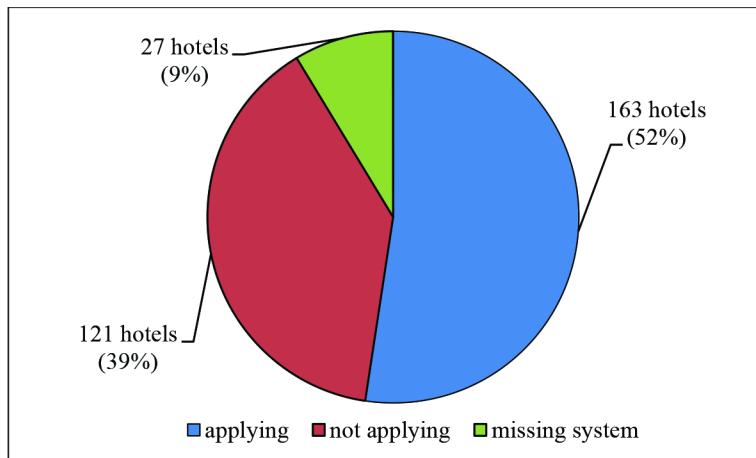


Figure 1. Rate parity in surveyed hotels

Source: own research.

It turns out that in the group under study a little more than half of the hotels (52%) respect agreements with intermediaries and consistently offer the same prices on their website and in OTAs. Excluding from the analysis the facilities that do not use e-intermediaries, this percentage rises to 57%, which is still not a high value. The other hotels use the differentiation of the prices of their services in various distribution channels, and do not comply with the principles of rate parity. Thus, the first hypothesis (H1) put for testing in this study was confirmed. For comparison, the results obtained by Gazzoli et al. (2008) in a similar study gave a percentage of 66% of the USA hotels applying rate parity and only 16% for international hotels, but it should be noted that it was study of chain hotels only. Doan (2013) found in his studies that as many as 81% of the surveyed hotels apply rate parity across various channels, while Toh et al. (2011) surprisingly stated that only 5 (out of the 13 analyzed) hotels applied rate parity. But it is necessary to consider the specificity of the Polish hospitality market, which is dominated by independent hotels in contrast to the American and other European markets. The present rate of “networking” hotels in Poland is approximately 13%, while in many EU countries it exceeds 30%, and in the USA it is approximately 70% (Polski..., 2012). Independent hotels are usually small and medium enterprises, which are particularly dependent on e-intermediaries due to their invisibility on the Internet, and their weak negotiating power (Bastakis et al., 2004; Toh et al., 2011).

Next it was investigated whether there is a relationship between the category of the hotel or belonging to a hotel chain and respecting rate parity. Among the surveyed hotels in all categories the percentage of hotels applying and not applying rate parity is similar (Figure 2). In the group of three-star hotels 62.5% of the facilities use rate parity, while the percentage for four and five-star hotels is 51.7% and 58.3%, respectively.

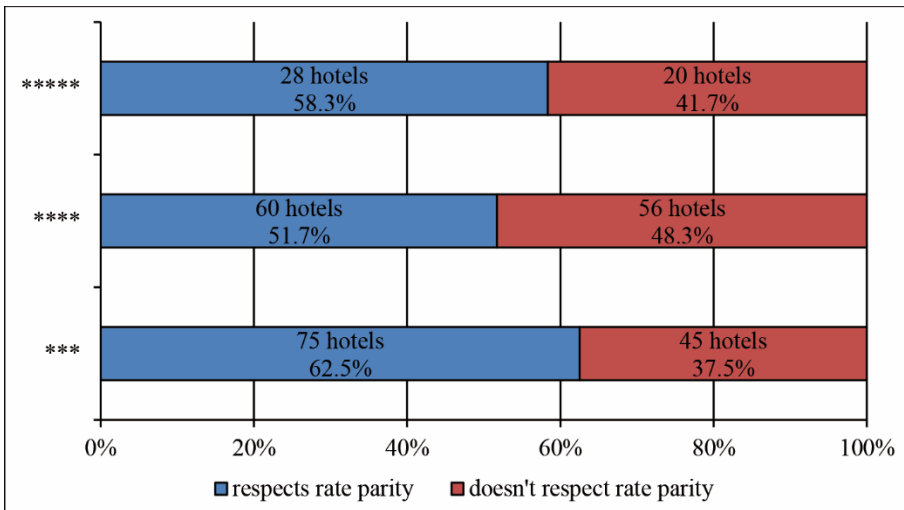


Figure 2. Rate parity and the hotel category

Source: own research.

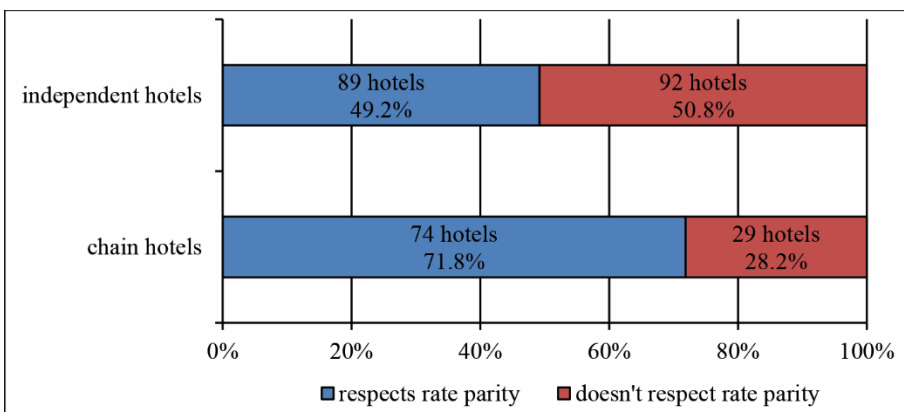


Figure 3. Rate parity – chain and independent hotels

Source: own research.

There are significant differences in applying rate parity by chain and independent hotels (Figure 3). Most chain hotels (71.8%) use rate parity and only 28.2% do not, while in the group of independent hotels approximately half of them (49.2%) use and the other 50.8% do not apply rate parity. The probable reason for this is the fact that top-down decision making prevails in chain hotels (including pricing and distribution). Agreements with intermediaries may be concluded by the management of the chain, and their terms must be held under threat of financial penalties. Some conditions on the pricing policy can also be included in franchise agreements, which means that these hotels have less autonomy in this area than non-affiliated hotels.

The two analyses above confirm the second (H2) and the third (H3) hypothesis adopted at the outset of this study.

4.3. Price discrimination in various distribution channels

Research has shown, however, that the reason for price differentiation in electronic distribution channels is not always the desire to offer the lowest price on the hotel website. It turns out that only 52% of the hotels which do not apply rate parity offer the lowest price in the direct channel (Figure 4). In the case of other enterprises (48%), their customers will get a more attractive price in indirect channels. Perhaps this is due to the desire to price competitiveness with other establishments available via these systems.

The analysis above confirms the fourth (H4) hypothesis adopted at the outset of this study.

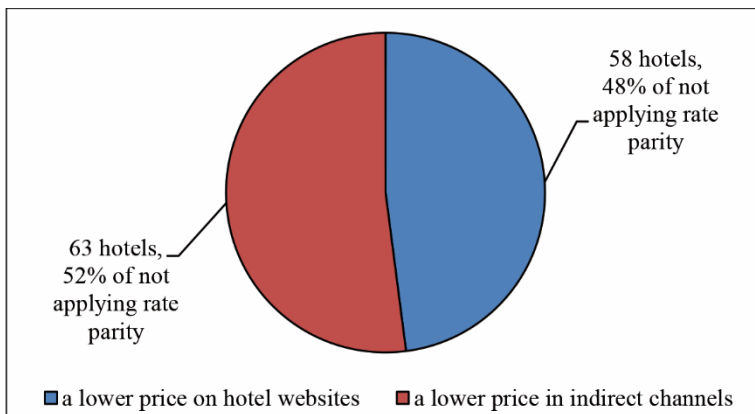


Figure 4. Prices on the hotel website vs. prices in booking systems. Hotels not respecting rate parity

Source: own research.

A more detailed analysis of these results shows that there is a relationship between belonging to a chain of hotels using price discrimination in various distribution channels and the trend of differentiation (increasing or decreasing) of these prices (Table 3). It turns out that most chain hotels (65.5%) offer the lowest prices on their websites, while among independent hotels the tendency is reversed, i.e. more enterprises (57.6%) offer lower prices in indirect rather than direct channels. Chain hotels usually offer programs like “Best Rate Guarantee” on their website, which forces them to offer the lowest price.

Table 3

The direction of price differentiation between distribution channels – chain vs. independent hotels

		Price on the hotel website vs. indirect channels		Total
		Lower	Higher	
Belonging to a chain	Chain hotels	19	10	29
		65.5%	34.5%	100%
	Independent hotels	39	53	92
		42.4%	57.6%	100%
Total		58	63	121
		47.9%	52.1%	100%

Source: own research.

We can suppose that independent hoteliers know that OTAs are more often the first place where the client looks for a hotel (Ricci and Werthner, 2002), and they want to encourage them to pay attention to their facility due to lower prices, but with the hope that they would visit their website. This may be related to the increase of using the pricing strategy called compensation prices of services or “drip pricing” (Roe and Repetti, 2013). This involves the publication of the price as several components, so as not to discourage customers by too high a level of prices (Schelanski et al., 2012). In the hotel industry this boils down to the presentation of the basic price as low as possible by removing all the components (from which the client is likely to benefit), such as breakfast, parking fee, wi-fi, spa services, and even the inclusion of air conditioning, etc. (Szafranski, 2012). This action is primarily aimed to get the lowest price as an opportunity to compete with other establishments in the reservation systems. Observations made by the authors on the analyzed market also show that sometimes hoteliers go

further, offering the net price or the price per person instead of per room. Such activities are heavily criticized by the hospitality industry (Letter..., 2012; Myung et al., 2009). Hoteliers using such practices may encourage a customer who is not fully aware to choose their hotel from a number of facilities available in the system and to make a reservation at a seemingly low price. Then, hotels get additional revenue from the customers benefiting from additional services (moreover, hotels do not have to pay commission to the e-intermediary from such income). What is most outrageous in this pricing strategy is that some hotels collect fees for services that are offered to customers, regardless of whether guests actually benefit from them or not. Thus, the customer is obliged to pay even for the opportunity to benefit from certain services.

In view of the hoteliers' common dissatisfaction with the requirement to respect rate parity, the authors decided to see how hoteliers try to attract customers to the direct channel and to urge them to make their bookings through the hotel website. Because the necessity of rate parity means the requirement to unify the standard rate in different distribution channels, on their websites, hotels use many categories of prices for the same rooms, i.e. use rate fences as a tool of price differentiation. Thus, by offering non-refundable bookings without the possibility of cancellation, with full prepayment, with no breakfast and other services, hotels finally may sell the rooms at a lower price. Observation of room rates for hotels that respect rate parity shows that such a practice is used by 61% of them (Figure 5).

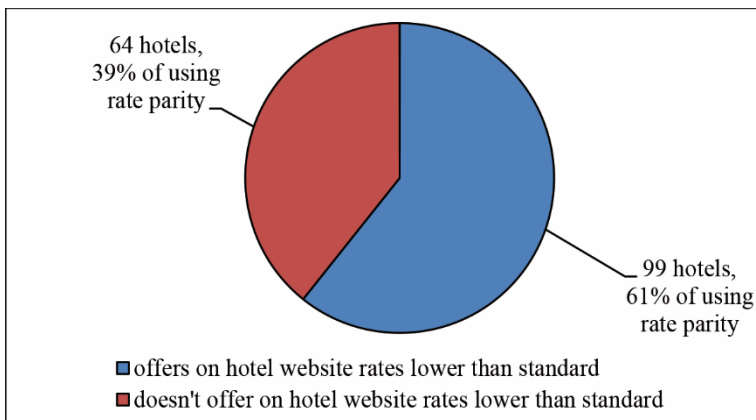


Figure 5. Use of lower rates than the standard ones – hotels respecting rate parity

Source: own research.

Switching the channels by customers is surely caused by looking for the lowest price, thus the hotels use such a kind of rate fence which helps them target the low-priced segment.

The analysis above confirms the fifth (H5) hypothesis adopted at the outset of this study.

These activities are targeted at people who admittedly compare hotels on OTAs, but they visit the hotel website to seek broader information about it where they find a discounted price and often decide to make a reservation. Also, in the case of these practices, offering discounted rates may be motivated by the strategy of “drip pricing”, but at the same time by the fulfillment of the contract to the e-intermediaries. The authors also noticed that sometimes hotels apply rate parity but encourage their potential clients to register on their website to be treated as regular customers so that the hotel can offer them lower prices than in other distribution channels (but still applying rate parity). It is very common that hotels encourage consumers to direct booking by promising additional benefits, like a free night’s stay after a few booked nights or rebates proportional to the customers’ hotel spending. But such solutions are also used by e-intermediaries to compete with others (Edelman, Wright, 2015). So, one can feel that by limiting price competition, rate parity paradoxically stimulates using price differentiation and rate fences. This means that rate parity becomes only a contract clause, because in fact the final prices for customers are not the same across various channels. Toh et al. (2011) even call it “the myth of rate parity” (although based on a study of only a few hotels).

5. CONCLUSIONS

The obligation to respect rate parity by hotels increasingly causes controversy. The hotel industry (organizations, hotel chains, hotels) has taken many steps to abolish this provision in contracts with intermediaries. Still, many facilities intending to cooperate with reservation systems have to customize the imposed requirements.

The study shows the scale of applying rate parity by Polish hotels and whether it affects significantly their pricing policies, including rate fences. The most important conclusions of the study are:

- All the surveyed hotels (100%) sell directly on their own websites, while 91% of them also use indirect channels.
- Approximately 57% (163 facilities) of the hotels using reservation systems comply with the provisions of rate parity, although chain hotels

do it significantly more often (72%) than independent hotels (49%). There were no statistically significant differences in this respect between hotels of different categories.

- In the group of the hotels that do not abide by the rules of rate parity, chain hotels more often (66%) offer lower prices on their websites in contrast to independent hotels, where the trend is reversed – more often (58%) prices offered on the hotel website are higher than in reservation systems.
- Among the hotels that adhere to rate parity there were as many as 61% of the establishments that use price discrimination (rate fences) offering on their websites prices lower than the standard in an effort to attract customers to direct channels.
- Rate fences (especially transaction features) are the tools used by analyzed hotels to target clients looking for the lowest price and to compete with e-intermediaries.

The assessment of applying rate parity by hotels is very difficult both for the stakeholders, i.e. e-intermediaries, and for researchers. This is mainly due to actions taken by hotels, such as constructing the prices of services sold through various channels that, on the one hand, do not violate the provisions of the agreement with the systems (i.e. to respect rate parity), and on the other hand, prices on the hotel website are more attractive to customers than those in indirect channels.

Due to the large number of e-intermediaries, and thus many different price categories, unfortunately, the client has a great difficulty to make a decision. The finding of this research is also that in order to sell through different channels (also indirect ones) and to apply rate parity (which is required by e-intermediaries), hotels use price discrimination depending on various criteria (rate fences), but indeed the aim is to offer a more attractive price on their own website to attract the customers to book directly. This is because people are more tolerant when the rate changes depending on demand conditions than on different channels (Toh et al., 2011). But this leads to an increase in price dispersion, which often makes the customer feel confused and finally make a reservation without being unaware of the terms and conditions of booking (Law and Wong, 2010). Then only upon arrival at the hotel the guest is told that she/he cannot shorten the stay, breakfast is not guaranteed, or local taxes must also be paid, etc. This significantly makes it difficult for both researchers and clients themselves to further analyze the prices.

Another phenomenon observed on the Internet is using the hotels' strategy to delete higher prices and offer lower ones by hotels, so the client

gains a sense of a great deal, while in fact the offered prices are standard, and the hotel never actually used the primary deleted rate (this method is often used in traditional retail trade in supermarkets, clothing stores, etc.).

Since it was found that often the prices in reservation systems offering “the lowest price guarantee” in fact are not the lowest on the Internet, it can be assumed that they count on the fact that in practice few customers will take up the challenge of searching the whole resources of the Internet to find lower prices than the offered ones. Even if they found such a rate, repayment of the excess made by the reservation system in compensation would be disproportionate to the benefits of the higher prices paid by clients tempted by such a statement.

6. LIMITATIONS AND APPLICABILITY OF RESEARCH RESULTS, DIRECTIONS FOR FURTHER RESEARCH

This article shows how investigated hotels in Poland behave in a very competitive market and how they use the Internet tools to gain a competitive advantage in a dynamically growing market.

A major limitation of this study and its analysis is its non-global character, but to some extent it shows the specificity of the Polish hospitality market structured by independent hotels. However, it would be worthwhile to look at the analyzed issue considering the whole European market, and certainly a comparative study of the European and the American markets would be of great value because the hotel ownership structure in these regions is different. The hotel market in Europe is highly fragmented, with a higher proportion of small independent establishments compared to the US, where the market is dominated by large hotel chains (Can..., 2013), and the obtained results show that belonging to a chain is crucial and determines the behavior of the hotels and their pricing policy. This paradoxically increases the value of the study because most of the available research is based on chain hotels (probably because of the ease of collecting data – such hotels are more willing to cooperate with researchers than independent facilities).

One can feel that rate parity in practice is not beneficial for the client because hotels which seem to apply it, more and more often use other tools to differentiate prices and to attract customers to the direct booking. Unfortunately, in effect it complicates the prices for the clients and their confidence and trust in the hotel decreases.

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