Conceptualization of perceived value pricing in strategic marketing

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ABSTRACT

Perceived value pricing is an important price setting procedure. Perceived value pricing indicates the importance of providing benefits and functionalities to the consumer and the simultaneous need to price it effectively so that the firm can take appropriate value. Perceived value pricing is effective in pricing of premium goods and services with a large intangible component. Perceived value pricing are emerging as a third alternative to skim pricing and penetration pricing strategies. The study conceptualizes the construct of perceived value price, examines methods to build perceived value, discusses issues in management of perceived value and lays out implications for pricing strategists through an empirical study that suggests 'money for value' is acceptable to the consumer.

Keywords: Consumer perceived value, marketer judged offered value, money for value, economic value, differential value, monetary value, consumer surplus.

INTRODUCTION

Perceived value pricing is an important price setting procedure. Perceived value pricing indicates the importance of providing benefits and functionalities to the consumer and the simultaneous need to price it effectively so that the firm can take appropriate value. Perceived value pricing is effective in pricing of premium goods and services with a large intangible component. Other product categories include innovations, high image goods, and high quality goods. An example in case is a one year warranty versus a lifetime warranty whose economic values and psychological values are both different. Traditionally skim price strategies and penetration pricing strategies are seen as the generic alternatives of pricing strategies. Perceived value strategies are emerging as a third alternative wherein the firm attempts to appropriate the best price giving due consideration to the fact that the consumer can get a fair surplus.

RESEARCH QUESTIONS

a. Conceptualize the construct of perceived value price
b. Examine methods to build perceived value
c. Issues in management of perceived value
d. Empirical study
e. Implications for pricing strategists

PERCEIVED VALUE PRICING CONSTRUCT

The conceptualization starts with the conventional price line as given below

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RPS RPB

RPB – RPS = Zone of agreement

RPB is the reservation price of the buyer which is the maximum willingness to pay price of a consumer. This is a judgment on the part of the consumer which the firm can get to know through consumer research. RPS is the reservation price of the seller and is the minimum price which the firm wants to realize on exchange through the market. This is largely determined by cost considerations and as such the best reservation price of seller that the consumer can get is the marginal cost of the product to the firm. Value is captured in both volume and margin; the goal of pricing would be to decide on the right combination of margin and market share so to maximize returns over the long term. Effective pricing strategists should continuously manage this balance between profitability and market share. However in perceived value pricing we are looking at capture of value through margin rather than through volume; this is the concept of strategic pricing. It is to be noted that making pricing decisions for immediate sales objectives, reduces the perceived value.

Given the above, it is necessary to determine the ceiling and floor prices for a given product or service. The floor prices are to be understood on the basis of the concept that perceived value pricing structures have to be obtained with the best possible firm realizations. This could lead to floor prices being determined by economic value of the product or service. Further in perceived value pricing methods the consumer has to give money for the value he / she receives. The pricing strategist tries to capture the full value which as such is the ceiling price. It is also to be considered that no consumer would like to pay more than what he/she values. This maximum can also be called 'Money for Value'. In the case of perceived value products 'Money for Value' is itself the reservation price. As such:

Ceiling Price = Money for Value = Reservation price of the Buyer.

As an aside it can be mentioned that for value pricing methods, the consumer psychology would only permit the ceiling price to be much less than the reservation price.

It can be thus inferred that the price window occurs between the ceiling price and the floor price detailed above. The excess of the floor price to the reservation price of the seller could thus be termed as the perceived value cushion.

The economic value of a given product has to be determined to understand the perceived value pricing construct. Economic value is the cost basis of the product. In judging economic value, it is important that estimation methods should be clear and simple. .

For perceived value pricing the price considerations also necessitate the determination of the differentiation value by itself. Such a differentiation value would be composed of the psychological values that are perceived and the feature-benefit-value linkage.

The psychological values refers to ways that a product or service creates satisfaction and delight for a customer through psychological parameters and have to be assessed for a given marketing offering and monetized to enable obtain the differentiation value. One of the popular psychological values is perceived quality. This monetization is also called by researchers as Customer Value Modeling. Some of the other psychological values are outlined in section 4.2. In addition to the psychological values delineated above, the differentiation value has to be accounted by the feature – benefit – value linkages. As an example we can note that superior performance such as next day delivery by Fed Ex is a benefit as much as cavity protection of Colgate Toothpaste is a feature. Some other value linkages of feature benefit are quick response time in service guarantees, better reliability.

Once the differentiation value has been assessed, then

Differentiation value = psychological values + feature – benefit – linkage value.

In addition to the differentiation value the tangible cost savings to the customer or the income enhancements to the consumer can be considered as monetary value. Monetary value thus occurs as either cost savings or income enhancements. This means monetary value is tied to the customer's financial outcomes. Some cases of cost savings are – reduction in procurement costs, discounts and allowances, usage savings such as fuel efficiency, lower maintenance costs, lower start up costs, labor savings. Some income enhancements are new contracts and orders and increased throughput such as aircraft utilization time as in industrial markets. Business intelligence could be regarded as a monetary value enabler. Quantification of monetary value should be possible from the business data of the firm.

In assessing the perceived value of a product or service, it is important to note that the pricing has to give in to a certain extent of consumer surplus so that the price is meaningful to the consumer. This is the concept of 'Fair Price' which even perceived value products have to cater to: This means the perceived value price construct is defined as:

Perceived value = Max {Economic value, Differential value} + Monetary value – Consumer surplus

In a 'Fair Price' setting, the use value exceeds the perceived value price. The maximum of the economic value and differential value can be called the exchange value.

Use value = Ceiling price = Exchange value + Monetary value

Thus the management of consumer surplus is an important aspect of perceived value pricing. It has to be noted that as the consumer surplus is reduced, the product will be considered more expensive. Leveraging of such surplus as has been decided is important as the consumer is getting his value for the price he pays even though he is paying a premium price under perceived value pricing methods.

The price setting in perceived value pricing is done at the preferred perceived value of the product or service. The price setting also takes into account the firm's business strategy in the product market, price volume trade-offs if any and the customer response to the price set. The customer response could include the relative share of expenditure to the wallet and the concept of fairness of price.

BUILDING OF PERCEIVED VALUE

Determination of economic value

Economic value is also called as exchange value in the conceptualization of perceived value pricing. This is the price that a marketer would like to recover from the supply side. Any cost basis pricing method is good for assessing economic value. Cost based methods include cost plus margin or full cost prices, target cost prices, contribution value prices. The minimum economic value that a marketer would base his price on is the marginal cost which the firm has to recover. Prices below marginal cost would be referred to as dumping or predatory pricing. In the case of perceived value pricing the minimum economic value which is the floor price is much higher than the marginal cost.

Assessment of psychological values

The psychological values as earlier said, refers to ways that a product or service creates satisfaction and delight for a customer through psychological parameters, and have to be assessed for a given marketing offering and monetized to enable obtain the differentiation value. Psychological value could also be imputed to those marketing elements which have no direct monetary implication but provides a value to the customer. For example priorities on room reservation within a 72 hour notice of arrival. Another way this could occur is when the product benefits are linked with very useful beliefs, values and attitudes. For example a bottle of packaged drinking water may cost Rs. 20/- however another bottle of drinking water may command a premium of Rs. 20/- all other costs being covered, if the consumer is told that the water is pristine and got from the Himalayas or the Alps.

One of the popular psychological values is perceived quality. This monetization is also called by researchers as Customer Value Modeling. Apart from perceived quality some of the other psychological values are:

a. Consumer complaints that are favorably handled. This leads to loyalty.

b. Brand value. This can be measured as an additional attribute in conjoint analysis. This can be monetized as price premium.

c. Service failure recovery system, manifested as warranties monetized as warranty charges. The guarantees are backed up by some kind of promise that is valuable to the consumer.

d. Better selection manifested as choice

e. Quicker search

f. Favorable customer reviews
g. Prestige and esteem value

Assessment of feature – benefit – linkage values

The most important and fundamental reference to feature value linkages is the product specification that are outlined by the marketer. This specification refers to the expected product and the value monetized would be the expected value (EV) of the product. Additional features are called augmentations and the resulting monetization could be called augmented values (AV). The ability of the marketer to provide the potential product and the linkages to complementary products, accessory products and product systems through suitable upgradability, versioning, scalability, compatibility, user network externality, could be called the potential benefit linkage value (PBLV). Thus feature benefit linkage value (FBLV) is given as:

FBLV = EV + AV + PBLV

Monetization

Monetization done by the marketer leads to reflected values of ‘value offered’. Obtaining monetization from the consumer would lead to customer value or ‘customer value perceived’. In perceived value pricing it has to be noted that the customer pays money for value and that he / she has to pay the maximum of everything that he / she needs to pay.

The important issue is whether the market clearance can be effected at the final perceived value of the product or service offering and if so the resulting play that the marketer has in his control.

One way of monetization of psychological values is through symbolic analysis. If the symbolic value cannot be appropriately leveraged then the firm will find it difficult to obtain margin or profit. . Monetization can also be done through depth interviews and techniques such as conjoint analysis. Conjoint gives relative weights of different features, psychological values / benefits. The easiest psychological value is first monetized and then proportionately the other values are monetized through the relative importance of the various attributes or values.

Reference prices

Reference prices of the consumer are a proxy and a comparator for the total differential value. This can be uncovered by consumer research. Some view reference price as the price a customer pays for next best alternative offering. Substitute product prices could also lead to a reference price. Competitor prices are another method of arriving at the reference price.

Communication of perceived value.

Marketing communication, service delivery, moments of truth, price partitioning are few of the elements that marketers use to communicate perceived value. Creating a value based price structure will be useful only if the firm is able to communicate the value to the customer and the customer is able to recognize the value. The value messages should be able to convey both the differentiation value and the monetary values. This means that it is as important to communicate the differentiation value as much as it is important to build them. Specific points of differentiation will be communicated for search goods whereas for experience goods there might be demonstrations that the value proposition is delivered.

Assessment of psychology of consumption.

One of the important aspects of building perceived value is to understand the psychology of consumption (Dolan 2008). It can be generally hypothesized, that consumers will repeatedly pay higher perceived value prices provided they have used the paid for products and services more regularly and feel satisfied with the products they have purchased. Further consumers will pay higher prices if they judge that these products and services have a higher perceived cost. An up market restaurant charges more for the same bottle of drinking water and the consumer pays it because he judges the increased cost of providing the ambience that goes along with it.

For long inter purchase interval products such as cars, the consumer dissonance has to be constantly managed so that the consumer perceives that he has valued right.

Consumption also helps build or establish switching costs; customized software providers make more money on upgrades then on initial product /service. A color printer manufacturer makes more money on the sale of cartridges than on the printer itself; the repeat purchase prices of color cartridges are as high as 80% of the original cost of printer.

Consumption and price charges should go together if the consumer's attention should be drawn to its increased price and for the consumer to associate the product /service to its high perceived cost. Products such as a bottle of water served in high ambience are immediately paid for and the consumer notes the increased price paid for the service; he perceives the value. However if a high price is charged for using sports and gymnasium facilities in a up market club then as they are paid once a year the consumer fails to assign the perceived cost to the price charged; this means he consumes the facilities less and as such he perceives the value provided to be less. Thus the club sports/gymnasium service marketer finds it difficult to increase the perceived price whereas the bottled water marketer finds it easier to charge a higher perceived price.

Price bundling on products also has a propensity to decrease consumption and as such consumers fail to assign a higher perceived cost to the service; this means the marketer's ability to a higher perceived price is reduced. For example, a season ticket to a tennis grand slam event such as the Wimbledon may induce the customer to only attend the star studded matches and as such the season ticket prices should be much lower.

Target market:

Contracted price decisions are determined after judging the target market. Different targets could have different perceptions and as such different price realizations. In such a case, customization of the market offering needs to be made along with the appropriate price adaptation. Innovatively different consumer groups could be:

- heavy users, medium users, light users
- loyals, profitable loyals, split loyals, shifting loyals, switchers
- search intensive consumers, experience intensive consumers
- potential users, first time users, regular users, competing product users
- complaining consumers who need to be guided by specific service failure recovery mechanisms, satisfied consumers

- innovators, early adopters, mainstream market consumers, late majority, laggards
- value conscious, luxury conscious
- savvy consumers, novice consumers, limited knowledge consumers, information sensitive consumers, cues processing consumers
- cognoscenti, opinion leaders, followers, mass market
- prosumers, value added resellers
- one time consumers, limited time transaction consumers, relationship consumers
- price sensitive consumers, not so price sensitive consumers
- quality seekers, brand seekers, rugged product users
- satisfaction and delight seeking consumers, service requirement consumers
- risk averse consumers, risk prone consumers
- utility seeking consumers, pleasure and style seeking consumers

PRICE DYNAMICS IN PERCEIVED VALUE MANAGEMENT

Raising ceiling price

Ceiling price is the money for value, which is the reservation price of the buyer. Price increase justifications on the basis of cost escalations are possible. In this case, the perceived value is said to undergo a modification of not only the economic value but also there is a rise of the differential values. The preceding would be a case of perceived value reformulations.

Ceiling price could also be managed by newer versions of the product / service offer. Firms may also be able to introduce newer brands that technologically leapfrog earlier generation products.

Ceiling price could be raised whenever there is an increase of value to the consumer that can be perceived by the consumer. Ceiling price could also be raised whenever there is an upward movement of prices in the market place. This would mean that the consumer is ready to pay more for the same benefit / feature or psychological value.

Raising reference price

Reference prices which are used as useful comparators of total differential value can be modified by customer education and consistent consumer communication. Reference prices could also be raised by providing experience value of the product or service in a better manner and thus demand an increase in justified prices. Whenever there is a change in tastes and preferences of a target market, there is an opportunity to change the rules of the game. Demonstrating scarcity value is another way of raising reference prices.

Raising contracted price - Proportional price realizations

A raise in contract perceived value price has to be understood with reference of Weber-Fechner effect (Nagle, 2011). According to this effect each contracted price has price indifference bands around it, wherein consumers do not notice changes. Also the price differences are perceived by proportional difference rather than absolute sums. This means a price increase of $ 5/- for a product that costs $ 10 is seen as a very high rise in price as contrasted to same increase of $ 5/- for a product that costs $ 100/-

Demonstrations of 'Fair pricing' would depend on how well the firm manages its proportional price changes. Such changes should remain within price indifference band or be manageable / bearable change to consumer. This means that research has to uncover the band of price indifference / bearable price and the firm should maintain its changes within the band. At the same time it is possible that firms reach beyond such price indifferences bands, by keeping an increase within the band but effecting sequence of such prices spread over time.

Raising contracted price - Leveraging perceptions.

Perception of value is not only at the evaluation stage but also during gratification stage. This needs to be taken into account when the pricing strategist examines various possibilities to build positive perceptions. The leveraged perceptions are readily paid by consumer and value propositions are protected from competitive encroachment. Perception leveraging also enables increase of the likelihood of purchase as customers move through the buying process. What differential value is not leveraged that part of price is charged on basis of trust.

Raising contracted price - Managing dissonance and regret

Both dissonance and regret have to be managed when raising contracted prices. The marketer has to be able to justify that the consumer is still paying a 'Fair Price'. The underlying transaction has to be carefully examined to enable the price increase match up with improvements or modifications so that the consumer perceives that he is still right at buying the product at the increased price. In case of regret products where the hygiene factors are affected, the marketer should demonstrate that the increases enable the consumer to face lower regret if any.

Raising contracted price - Price competition

Price competition is a negative sum game. However it can foster greater economic benefit to the marketer when the sheer volumes are on the rise in a decreasing price situation as in the market development of the mobile market of India. The consumers in this case rose a few million subscribers in the first few years to around 700 million subscribers within a decade and half. Perceived value priced products innately tend to avoid this price war situation. This means that the value proposition is guided by non price factors and the fructification of competitive advantages to deliver better customer functionality is the focus of attention to the marketer.

Price Sensitivity analysis

Price sensitivity is an important aspect of perceived value pricing, as it establishes a guide to the variations of demand to the price variable. In the absence of competition, managers can anticipate the effect of price change entirely by analyzing price sensitivity.

Elasticity is one kind of price sensitivity. Price indifference bands are another kind of sensitivity. Change in brand preference utilities or brand choice probabilities due to a change in price is a third kind of sensitivity. Response coefficients of price in marketing models could be another kind of price sensitivity.

Heightened price awareness could modify price sensitivity. Non-value factors could also drive price sensitivity e.g. proportion of cost of item compared to total cost as in battery-car.

Trade-off analysis is proving highly useful to predict at least that portion of price sensitivity determined by unique value effect. It is also important to study trade-offs between perceived value and price (3 year warranty as against one year warranty)

Study of price sensitivity and its changes over time is a useful aspect of perceived value pricing strategy. If elasticity is used as a measure of price sensitivity, then it can be postulated that the price increase elasticity is different from the price decrease elasticity. It could be thus said that price elasticity is not symmetric at a given equilibrium price. If price decrease elasticity and price increase elasticity are terribly high then there would be a volatile consumer meaning volatile markets as in the case of commodities. It is the objective of branding exercise to dampen the volatility of the consumers, by suitable marketing offers. Branding in marketing strategy should attempt to keep the price decrease elasticity reasonably high so that the purchase acceleration effect could be observed as in the case of promotions, special sale days. Further the branding exercise also attempts to keep the price increase elasticity to lower values so that there is no major drop in demand when the price increases, and the firm selling the brand is cushioned. In branded market each firm makes a price decision of how much to charge and the quantity gets cleared based on the marketing effort; the objective being to maximize sales given a price decision.

The other aspect to be observed is about the variation of price sensitivity/ elasticity over time. If price decrease elasticity increases over time it means that consumers are loosening up, while if it decreases over time, it means that consumers are tightening up. Similarly if price increase elasticity increases over time, consumers are tightening up while if it decreases over time then it means that consumers are loosening up.

In emerging markets, firms like consumers to loosen up over time and as such price decrease elasticity should increase over time and price increase elasticity decrease over time. If however, the alternate situation occurs – i.e. price decrease elasticity decrease over time and price increase elasticity increase over time then the consumers would be tightening up; this situation needs to be avoided.

Leveraging consumer surplus

Leveraging consumer surplus in the firm's favor can be better done through fair value pricing. Fair value pricing becomes explicit when there is heightened awareness or high need for cognition. The price partitioning approach (Burman et. Al, 2007 and Bertini, Marco et. Al, 2008) enables the need for cognition to be more explicit and standardizable. As such price partitioning approaches could be used to demonstrate fair value pricing under conditions of heightened awareness.

Under conditions of low need for cognition, an important aspect of leveraging consumer surplus is the concept of reputation. Reputation is regarded as the goodwill or utility that is developed by a firm through repeated transaction in the market place, that include dignity or effective price-quality clearance, effective servicing at touch point, adequate communication. Higher the reputation of a company more is the ability of the company to appropriate surplus in its own favor.

EMPIRICAL STUDY

To examine the perceived value pricing conceptualization, a hotel property – ITC Royal Gardenia was selected. ITC Royal Gardenia belongs to the luxury hotel collection of ITC WelcomGroup a multinational company. ITC is also well known for its cigarettes and FMCG goods.

ITC WelcomGroup has nearly 100 hotels spread over 90 destinations across India. It is also in collaboration with the worldwide group Sheraton and has four properties with Sheraton collaboration. As of 2011, ITC Hotels had eight hotels in the luxury collection of which the property studied ITC Royal Gardenia is one of them.

ITC Royal Gardenia offers around 292 generously sized and well equipped rooms including 13 select spacious suites with the largest Presidential Suite in India. The hotel property has a helipad and offers 7 star ultra green contemporary experiences.

Target market

ITC Royal gardenia at Bengaluru has the following segments of clientele:

a. IT Sector and IT enabled services sector is the biggest chunk of the market with around 40% of customer base. Firms mainly in R&D and outsourcing are their customers. IBM their biggest customer belongs to this sector. Other firms with R&D establishments including Intel, Google, Dell are their main customers

b. Manufacturing sector is the next biggest segment and includes firms from heavy machinery to textiles. Buyers of global retail chains such as Sears, Wal-Mart and specialized buying houses for the retail sector are customers to ITC in this segment

c. Automobiles firms are another segment with customers such as Toyota

d. Leisure travelers

e. Conferences market

Pricing Dynamics

Perceived value pricing is the likely strategy for hotel properties in the 5 star and 7 star categories. By design this strategy aims at obtaining maximum margin. However the practice of this strategy in the industry called the preferred rate depends on volume. As such the pricing set for each price segment is based on the volume of business generated by that segment.

The main price segments in descending order (as of July 2011) are:

a. MRP or maximum retail price which is the published list price. For a luxury room in this hotel property belongs to the 'Towers' category, the MRP is Rs. 21,000/- plus 17.15% taxes

b. BAR or best available rate or daily rate. This floats on a daily basis. As of the assessment time, this BAR price is Rs. 13,340/-

c. The online rate is 10% lower than BAR rate and is promoted to encourage online business. This is 12,090/-. In addition booking online leads to award points and complimentary room night.

d. Corporate tariff also called contracted rate or rooms booked on rate contract for a one to two year period. Contracted rates are customized to delight different corporate segments based on volume vs. yield. Two basic categories of contracted rates are (i) 10% lower than BAR and (ii) greater than 10% lower than BAR. This ranges from Rs. 9500/- to Rs. 12000/-

e. Commission based prices to travel agencies such as Expedia, Travelocity. These prices are dynamically decided by the revenue manager based on his reading of the pulse of the market.

The current pricing practice is to take the biggest customer and assess how much he is willing to pay. Based on this, the lowest contracted rate to corporate is fixed. The other price segments would appropriately be valued upwards in ascending order.

This Study

The perceived value price would thus be assessed for a couple of customers taking into account all benefit and values accorded to this customer. The assessed value could then be compared to the market clearing price and judgments made on fairness or expenditure nature of prices and the recommendations to be made for the future.

To enable the above ITC Royal gardenia 'Towers' room is chosen with MRP of Rs. 21000/- plus 17.15% taxes. The hotel brochures, the frequent guest program brochure – WelcomAward, the customer feedback attributes, the guest preference card and rate contract documents to the corporate are all examined in detail and the value elements pertaining to the following value categories are made. This is documented in APPENDIX I to APPENDIX V and these categories are:

a. Differential value – feature benefit value
   1. Expected value – APPENDIX I
   2. Augmented value – APPENDIX II
   3. Potential benefit linkage value – APPENDIX III
   4. Psychological value – APPENDIX IV

b. Monetary value – Income enhancements and savings – APPENDIX V

Marketer Monetization

The marketer was then requested to monetize and the following are his presumptions:

1. All services have been taken at running cost and converted onto a per room per day basis at a load factor of 56.85%. This is of comparable industry standard. As such for services which are charged such as a florist, the consumer pays a price at a premium over the actual direct cost incurred for the service. For services which are not charged such as incoming fax, there is no premium and the service is provided at cost.
2. The base value of the room is based on a total project cost of Indian Rupees 386/- crores or Rupees 3.86 billion, with a 10% cost of capital and a 56.85% load factor.
3. The only psychological value that has a value is brand value at Rupees 500/- which the marketer expects as a premium over the next best alternative. Incidentally ITC is regarded as a blue chip firm in the market place. All the remaining psychological values are monetized at zero rupees (APPENDIX IV).
4. All elements of Potential benefit linkage value has been monetized at zero rupees (APPENDIX III)

The following are the monetized values:

1.	Base value of room :	Rs. 6370/-
2.	Other elements of expected value:	Rs. 6315/-
3.	Augmented value:	Rs. 2800/-
4.	Psychological value:	Rs. 500/-
5.	Potential benefit linkage value:	Rs. 0/-
6.	Monetary value:	Rs. 5096/-

Total Marketer judged 'Value Offered':	Rs. 21081/-
Consumer surplus over published prices:	Rs. 81/-
Consumer surplus over preferred rates:	
BAR rate	Rs. 7741/-
Online rate	Rs. 8991/-
Minimum corporate rate	Rs. 11, 581/-

Customer Monetization

Obtaining customer value assessment of the same room was not easy as the Hotel did not cooperate to put the researcher to the guests. Two guests were finally obtained through direct society sources to make value assessments and a value assessment guideline was used to enable the customers make their value judgments. The value assessment guideline is given in APPENDIX VI.

Customer 1: Customer judged perceived value: Rs. 11,950/-

Comments of Customer 1: Value elements can fetch money and therefore the conceptualization of perceived value pricing holds. Psychological elements have a money value. As regarding the consumer surplus, the customer expects to pay 80% of value perceived and 20% to be given in by the marketer as surplus
.

Customer 2: Customer judged perceived value Rs. 16,950/-

Comments of Customer 2: In the Indian context, the following are the characteristics of the market –
Segment 1 is corporate and here there is the top management sub segment with small volume of business and the grade or position eligibility sub segment with large volume of business. For the top management sub segment (MD, CEO...) price is not relevant and feedback of the top manager (who is the guest in the hotel) is very important for the corporate administration to evaluate and fix up the hotel. In the grade or position eligibility sub segment expected value elements also called hygiene factors is very important to prevent de-selection of the considered hotel; once the hotel is selected, then hotel price and competitor's prices are very important. Segment 2 is the personal travelers which are again divided into (1) the elite sub segment for whom perceived value plays a higher role and price is not that important; and (2) the experience stay customers for whom word of mouth is very important.

IMPLICATIONS FOR PRICING STRATEGISTS

Money for value is a concept that is acceptable to the customer. Viewed in this context, the marketer judged 'value offered' is a justified approach to perceived value price setting of published list prices. Perceived value pricing is a conceptualization that can give insight to the pricing strategist with regards to the differential value of a product or service. Monetary value helps the marketer build his product's perceived value to demonstrate superior value provision to the customer. In perceived value pricing approach, the marketer can discern the perceived value with respect to the market clearing price and obtain an indication of the surplus that is required by the customer and hence the pricing strategist can guide the price setting in a subtle way. Clearly in perceived value pricing for high image goods, the concept of the market gets split into a segment that emphasizes ‘Value to Luxury’ and a segment that emphasizes ‘Luxury to Value’. The marketer has to constantly battle with a final price setting that balances these two segments and gives the corporate the optimal volume of business.

APPENDIX I

Differential value: feature-benefit linkage value --- expected value

Value element	Value assessed (Rs.)
1. Room	
a. Base value of room	
b. Air-conditioning	
c. Cleanliness	
d. Quiet and restful	
e. Sleep comfort	
f. Internet	
g. Digital cable TV	
h. INCOMM Digital assistant control – temperature, telephone access	
i. In room dining	
j. Breakfast along with bed	
2. Cuisine	
a. Signature restaurants	
b. Pubs / bars	
c. Six restaurants	
3. Hotel facilities	
a. Luxurious stay	
b. World class standard (six sigma company)	
c. Traditional hospitality	
d. Travel and Currency exchange desk	
e. Beauty salon	
f. Fitness centre	
g. Swimming pool	
h. Complimentary full buffet breakfast at coffee shop	
i. Concierge service	
j. 24 hour butler service	
4. Hygiene factors	
a. Efficient reservation	
b. Efficient check in	
c. Efficient check out	
d. Luggage assistance	
e. Laundry	
f. Warm and Courteous staff	
g. Knowledgeable and responsive staff	
h. Problem resolution empowerment to staff to enable fast response	

5. Brand Philosophy
   a. Unique Indigenous Experiences
   - Palaces, forts, havelis, resorts

APPENDIX II

Differential value: feature-benefit linkage value --- Augmented Value

Value element	Value assessed (Rs.)

1. Services
   a. Business Centre
   b. Banquet facility (12 spaces – 500 sqft to 7320 sqft)
   c. Conferencing facility / board room
   d. Kaya Kalp Spa
   e. Florist
   f. Personalization of small elements servicing
   1. Magazine, flower, fruit, beverage
   g. Extended check out facility till 4 pm
   h. In room check in
   i. Cutting edge safety and security systems
   j. Round the clock baby sitting

2. Promotions
   a. Complimentary in room internet access
   b. Complimentary in room welcome amenity
   c. Frequent Guest Programme – WelcomAward
   d. WelcomAward Online

APPENDIX III

Differential value: feature-benefit linkage value --- Potential benefit Linkage Value

Value element	Value assessed (Rs.)

1. 100 hotels spread over 90 destinations across country
2. Fortune full service properties across country
3. Redemptions
   a. Wills lifestyle
   b. Kitchens of India culinary delights
   c. HiDesign leather
   d. Domestic Frequent airline program
      - Jet Airways, KingFisher, Air India
   e. Travel house
4. Located in Bangalore central business district

APPENDIX IV

Differential value: psychological value

Value element	Value assessed (Rs.)

1. Brand Value
2. Priority on room reservation within 72 hour notice of arrival
3. Access to exclusive Towers Club as bon resident guest
4. 50% off on published tariff of suites over weekends
5. Complimentary upgrade to best rooms including suites on availability
6. Complimentary membership to Gold Tier King Club
7. Complimentary membership to frequent flyer programme of Kingfisher Airlines
8. Suite upgrade voucher on completion of 8th stay
9. Complimentary use of board room up to 4 hrs once during stay subject to availability
10. Exclusive access to Towers lounge
11. Inspired Ambience
    a. Exotic Holiday environment
    b. Garden Hotel in Garden City
    c. Luxurious stay
        i. High ceiling sunlight
        ii. Windcool lobby
        iii. Majestic service centers such as Lotus Pavilion
12. LEED Platinum rated hotel – leadership in energy and environmental Design along with motto – green forward back to nature
13. Domestic / International Airport – 35 km, 45 minutes

APPENDIX V

Monetary value

Value element	Value assessed (Rs.)

A. Income enhancements

1. Welcom Award Gold Select 4.5% of total eligible spends and a gift voucher of Rs. 750/-. Eligible spends are all expenses on your room or restaurant bill excluding paid cuts, taxes, tips, service charges and banquet billing
2. Earnings for restaurant usage on a nonresident guest (minimum bill of Rs. 1000/-)
3. Free Weekend night voucher on completion of 12th stay

B. Savings

1. No extra charge on room for accompanying spouse (Welcom Award Gold Select)
2. On demand complimentary tea / coffee throughout stay
3. Complimentary mineral water – additional one bottle during stay
4. Complimentary club hour daily from 1800 hrs to 2000 hrs

with cocktail and hors d'oeuvres
5. Complimentary internet use at Lounge – 30 minutes
6. Complimentary 4 pieces of laundry / ironing per stay
7. Daily fruit platter compliments

APPENDIX VI

Customer value assessment guideline - Academic Study on Perceived Value Pricing

Dear Customer

This is an academic study on perceived value pricing for high image goods such as five star and seven star hotels in which you are the guest. Perceived value pricing is a technique of pricing wherein the customer pays everything of whatever can be paid by the customer for the value / service provided. Enclosed are APPENDIX of value elements provided by star hotels that includes services such as florist, Wi-Fi connection, extended check facility, complimentary in room fruit platter etc.

You are requested to assess the value you are ready to pay for each of these value elements / services. You can use the following categorization to guide you in the valuation process. All values assessed are for per room per day basis:

a. Value assessed for this value element is Rs……………………..
b. Value assessed is as per the cost paid on services such as a florist, but you are ready to pay a premium of Rs… for the value provision in the hotel. Call such value elements as COST+PREMIUM
c. Value assessed is as per the cost paid on services such as a florist, but you are NOT ready to pay a premium for the value provision in the hotel. Call such value elements as COSTNOPREMIUM
d. Value can be assigned for this value element but you cannot clearly indicate a value. Call such elements as VACANTINDICATE
e. Value can be assigned for this value element but you are not ready to pay for this service. Call such value elements as VANOPAY
f. Value cannot be assigned for this value element, as it is not of value to a customer – NOVALUE
g. Value cannot be assigned for this value element, as it is difficult to judge. Call such value elements as VADIFFICULTJUDGE.

Thanking you and appreciating you in advance for your cooperation

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