

Price Discrimination against Tourists: Is It Ethical?

Yingyot Chiaravutthi*

(Received : May 22, 2018 ; Accepted : June 27, 2018)

Abstract

Thailand is renowned as one of the world's most popular tourist destinations; yet, its reputation has been tarnished by the pervasive overcharging of foreign tourists. Theoretically though, price discrimination as a means of maximizing profits is possible when consumers can be grouped according to price elasticities; in this case, locals versus tourists. This study aims to explore the ethical perceptions of price discrimination, from the perspective of the stakeholders involved in the tourism sector of Thailand. Results indicate that price discrimination itself is viewed as being neither ethical nor unethical, it depends on the underlying motives and the nature of the situation. For example, the practice of price discrimination is more acceptable if its motive is for the survival of the business, or when the practice is focused on wealthy tourists. It is the framing, and the intensity of the price difference, however, that play important roles in the ethical perceptions of price discrimination.

Keywords: Price Discrimination, Business Ethics, Tourist, Perceived Fairness, Thailand

* Associate Professor of Business Administration - Business Administration Division, Mahidol University International College, Salaya, Nakhonpathom, 73170, Thailand - Email: yingyot.chi@mahidol.ac.th

จริยธรรมของการเลือกปฏิบัติทางราคา ต่อนักท่องเที่ยว

ยิ่งยศ เจียราชาณิ*

(รับวันที่ : 22 พฤษภาคม 2561 ; ตอบรับดีพิมพ์ : 27 มิถุนายน 2561)

บทคัดย่อ

ประเทศไทยมีชื่อเสียงระดับโลกในฐานะหนึ่งในจุดหมายปลายทางของนักท่องเที่ยว อย่างไรก็ตาม ชื่อเสียงนี้ได้ถูกกระบวนการจากการที่ผู้ขายสินค้าและผู้ให้บริการจำนวนมากกำหนดราคาสูงเกินไปต่อนักท่องเที่ยวชาวต่างชาติ ในทางทฤษฎีแล้ว การเลือกปฏิบัติทางราคาเป็นกลยุทธ์ในการสร้างกำไรสูงสุดเมื่อลูกค้าถูกจัดกลุ่มตามความยึดหยุ่นทางราคา ซึ่งในกรณีนี้หมายถึงนักท่องเที่ยวไทยและนักท่องเที่ยวชาวต่างชาติ งานวิจัยนี้มีวัตถุประสงค์เพื่อศึกษาความคิดเห็นด้านจริยธรรมของการเลือกปฏิบัติทางราคาในมุมมองของผู้มีส่วนได้เสียต่างๆ ที่เกี่ยวข้องกับอุตสาหกรรมท่องเที่ยวในประเทศไทย ผลจากการศึกษาพบว่าการเลือกปฏิบัติทางราคาต่อนักท่องเที่ยวไม่ได้ถูกมองว่าถูกหรือผิดจริยธรรมในตัวเอง แต่ในมุมมองด้านจริยธรรมนี้ขึ้นกับแรงจูงใจของการเลือกปฏิบัติทางราคาและสถานการณ์ที่เกิดขึ้นมากกว่า ก่อให้เกิดการเลือกปฏิบัติทางราคาจะได้รับการยอมรับทางจริยธรรมมากขึ้นหากแรงจูงใจคือการอยู่รอดของธุรกิจ หรือพัฒนาระบบการเลือกปฏิบัตินั้นจำกัดเฉพาะกลุ่มนักท่องเที่ยวที่มีฐานะ เป็นต้น ปัจจัยสำคัญที่มีผลต่อความคิดเห็นด้านจริยธรรมของการเลือกปฏิบัติทางราคาคือกรอบการนำเสนอการเลือกปฏิบัติและความรุนแรงของความแตกต่างด้านราคา

คำสำคัญ: การเลือกปฏิบัติทางราคา, จริยธรรมธุรกิจ, นักท่องเที่ยว, มุมมองด้านความเป็นธรรม,
ประเทศไทย

* รองศาสตราจารย์ - ภาควิชาบริหารธุรกิจ วิทยาลัยนานาชาติ มหาวิทยาลัยมหิดล ศาลายา นครปฐม 73170 - Email:

yingyot.chi@mahidol.ac.th

1. Introduction (ນາທິກຳ)

Thailand is renowned as being one of the top tourist destinations, and the tourism sector is vital to the country's economy. The World Travel & Tourism Council calculated that the tourism sector contributed more than 20 percent towards the country's Gross Domestic Product (GDP) in 2014 (Bangkok Post, 2014). Furthermore, the sector is expected to grow 6.4 percent annually, pushing its GDP contribution to almost 23 percent in 2024. Unfortunately, the "land of smiles," as Thailand likes to call itself, does not always meet expectations. During the past few years, the issue of overcharging foreign tourists has come under extensive media coverage and public attention. It is not uncommon to observe these tourists paying higher prices for products and services, compared to local Thais. This practice is prevalent all over Thailand, ranging from popular tourist attractions to the street vendors selling their wares. Some refer to this practice as "dual pricing," or as a "two-tier pricing" system, and it is believed to have a negative effect on the image of the country (The Nation, 2014).

Many complaints have been directed at taxi drivers in Bangkok, even though taxi services are governed by the regulated use of a taxi meter. It is common practice for some taxi drivers to try to negotiate a lump-sum fare with foreign tourists, which could be several times higher than the meter fare. Complaints have also been received about local restaurants reportedly overcharging foreign tourists by adding a 10 percent additional service charge; yet it should be pointed out that mandatory tipping is not a normal custom for Thai customers (Chinmaneewong & Arunmas, 2015). Other notable examples include popular privately owned tourist attractions located in Bangkok which demand higher entrance rates from foreign tourists, compared to Thai visitors. One attraction's Facebook page was quickly swamped with so many negative messages that the operator decided to adopt a one-price policy because of the bad publicity.

The issue has now escalated to the level that certain websites have sprung up dedicated to revealing the "scam" of price discrimination practice in Thailand. Nevertheless, based on the researcher's own survey, several tourist attractions in Thailand still continue their practice of price discrimination, see Table 1. Most tourist attractions in Thailand display the fee for Thais by using Thai language or Thai numbers, whilst the fee for foreign tourists is usually written in English in order to prevent non-Thai tourists from making direct price comparisons which would invoke immediate negative reactions.

Table 1: Examples of Admission Fees in Thailand (ตัวอย่างค่าเข้าชมสถานที่ท่องเที่ยวในประเทศไทย)

Type of Attraction	Thai	Foreign Tourist
Temple A	0 Baht	100 Baht
Temple B	0 Baht	400 Baht
National Park C	20 Baht	100 Baht
National Park D	40 Baht	400 Baht
Private Zoo E	60 Baht	300 Baht
Public Zoo F	70 Baht	100 Baht
Private Zoo G	150 Baht	450 Baht

Source: The researcher's own survey, conducted in 2016. The actual names of the attractions have been concealed.

Several governmental offices or government-sponsored attractions in Thailand, such as museums or temples, typically set lower or no admission fees for Thai visitors. Unlike privately owned attractions, these places usually claim that subsidies come from taxpayers; therefore, the setting of lower prices to Thai visitors is justified. Theoretically, sellers do not price discriminate when charging different prices to different groups of consumers, due to cost differences. Since the cost of providing services to Thai visitors is lower due to government subsidies, charging Thais a lower price is justified because of the cost differences; as such, this is not price discrimination.

In economics, this practice is referred to as "third-degree price discrimination," which occurs when a seller or producer sets different prices to different groups of consumers. Consumers are usually classified based on their elasticities or willingness to pay. The ones with the higher willingness to pay will be charged higher, whilst the lower willingness to pay consumers pay cheaper prices for the same product or service. This allows producers and sellers to maximize profits from both groups of consumers. It should be noted that first-degree price discrimination (in which the seller sets prices according to the highest willingness to pay of each and every consumer), and second-degree price discrimination (which involves charging different prices by means of offering discounts depending on the quantities purchased) are beyond the scope of this study.

Consider a hypothetical case of a foreign tourist taking a taxi service from the airport to downtown Bangkok, assuming that all Thais are willing to pay only 500 Baht for such a trip; whilst foreign tourists on the other hand, are willing to spend as much as 1,000 Baht. If taxi drivers decide to adopt a one price strategy for all customers, a so-called uniform pricing policy, they have to choose to set either a 500 Baht or 1,000 Baht fare. If the drivers set a fare of 500 Baht, both foreign tourists and Thais would elect to go by taxi, but the drivers would be 500 Baht worse off, in situations where they would have had the opportunity to charge 1,000 Baht to foreign tourists who are willing to pay higher. However, if the driver sets a 1,000 Baht fare, Thais would choose other means of transportation, and taxi drivers would only serve foreign tourists. Thus, the only way to enjoy higher profits, whilst keeping both groups served, is price discrimination.

Carlton and Perloff (2005) highlighted the necessary conditions for successful price discrimination. Firstly, there must not be a resale market, in which the ones who buy the product at a lower price re-sell it at a higher price to consumers with a higher willingness to pay. Usually services cannot be resold, and this is why it is easier for service providers to introduce a policy of price discrimination. The case of taxi services satisfies this condition. Secondly, producers or sellers must be able to distinguish between consumers, in terms of their willingness to pay. Identifying who are Thai and who are foreign tourists is an easy task for service providers, particularly in the tourism sector. A simple means of classifying consumers is whether or not they are Asian and in their local language ability, since it is assumed that tourists are not able to fluently communicate or read Thai language.

The last condition is the fact that producers or sellers have to possess some market power. Without such power, consumers can easily switch to other sellers, and cause price discrimination to fail. For foreign tourists, market power may not come from insufficient sellers or service providers, as there are usually several taxis waiting to serve tourists, particularly at major tourist attractions. Instead, market power would stem from the tourists' lack of perfect information about the market price, or about the fare regulations of the taxi services. This allows taxi drivers to take advantage of foreign tourists, by charging them higher prices.

Not restricted only to tourist attractions, the tourism industry often employs a dynamic or demand-based pricing scheme, which could be described as a form of price discrimination. Dynamic pricing allows firms to adjust their prices according to the up-to-date demand and

supply situation. The growth of the Internet has facilitated the capability of airlines and hotels to apply different prices to different types of consumers. For example, weekday customer prices focusing predominantly on businesspeople, tend to be cheaper the nearer the date they plan to arrive (Abrate et al., 2012). On the other hand, weekend customers are charged higher if reservations are made closer to the date that they wish to check in. In the airline industry, also, price discrimination is based on whether tickets are purchased on weekdays or at weekends (Puller & Taylor, 2012).

Although the practice of price discrimination in the tourism sector is pervasive, both in Thailand and in many other countries, studies on the stakeholders' ethical viewpoints on this practice have largely been ignored. Several previous studies relate to the theoretical aspects of price discrimination; and whilst there are studies on this topic, they do not focus on the price differences between locals and tourists. This study is not intended to be normative, it aims to fill in the existing research gaps by exploring the ethical perceptions of price discrimination from the perspectives of the stakeholders involved in the tourism sector of Thailand. The research questions are whether price discrimination against tourists is perceived as being ethical, and which pricing conditions affect such perceptions. According to the researcher's knowledge, there is no study that specifically focuses on the ethics of price discrimination against tourists.

The issue is a critical one, especially when photos and negative feedback can instantaneously be spread through social networks. The negative externalities could tarnish the reputation of the prosperous tourism industry; thus, the impacts of unethical or unfair practices cannot be underestimated. The study's results will not only carry important policy implications, but could also benefit stakeholders and service providers in the tourism sector when they are designing their pricing policies.

2. Background (ความเป็นมา)

Earlier studies did not pay much attention to the ethics of price discrimination, but focused instead on its consequences to societal welfare. Schmalensee (1981) stated that for price discrimination to be desirable, it has to raise total output, compared to non-discriminatory cases. It is worth pointing out that when a producer decides to switch to discriminatory pricing, higher output is expected to be supplied to the elastic group of consumers, and less to the inelastic group. Thus, an increase in total output is possible, but only under certain restrictions

on the demand curves. However, in situations where the introduction of price discrimination motivates the producer to supply to the new segments that were originally omitted, it is more likely to generate higher welfare (see also Varian, 1985; Pepall, Rihcard, & Norman, 2008).

In addition, since elastic consumers are usually poorer, price discrimination could end up redistributing income from the rich to the poor, which could justify the practice. Furthermore, Baumol and Swanson (2003) claim that without the adoption of price discrimination, certain producers may not be able to survive in a situation of competitive challenge, especially when all consumers have different demand patterns.

The ethical aspects of price discrimination have attracted many scholars' interest, especially over the last decade. Marcoux (2006) theoretically rejected the claim that price discrimination is unfair because it does not treat all consumers equally, and also the claim that unitary pricing ensures equal treatment. When consumers have a different willingness to pay, but are faced with the same price, their consumer surplus or utility will not be equal. Therefore, it is necessary for sellers to opt for price discrimination, in order to ensure that each consumer enjoys similar utility. In that sense, price discrimination actually promotes fairness, rather than hindering it.

Elegido (2011) also maintains that price discrimination is ethical, conditional on the fact that the discriminating seller is not seeking excessive profits, and the discrimination is adopted to ensure the seller's continued existence. The researcher claims that for certain businesses, revenues from inelastic consumers are necessary, as without them they would not survive; the product's unavailability justifies the adoption of price discrimination. The researcher also mentioned situations which would be classified as essentially unethical, namely price discrimination based on the seller's motive of contempt or hatred for a group of individuals, or that would violate the customers' privacy. However, these intentions or behavior are beyond the scope of this study.

Empirically, Kahneman, Knetsch, and Thaler (1986) were the very first to explore consumers' perceptions of price discrimination. They conducted a survey on randomly selected residents in Canada and asked them to provide a judgment on fairness. One of the questions was related to price discrimination, in which a landlord decides to raise the rent of one of the tenants, after learning that the tenant's workplace was close to the rented house. More than 90Percent of the respondents rated this price discriminating behavior as unfair. The researchers also

claimed that unfair pricing could result in consumers' adverse reactions. Other studies include Campbell (1999), for example, who mentioned price discrimination, but in the context of the sellers' motives; claiming that negative motives lead to perceived unfairness.

Several studies on the perceived fairness of price differences focus on the service industry, particularly on the practice of demand-based pricing as part of the firms' yield management. Kimes (2002) defines yield management as the method of assigning a limited supply to existing demand, in order to maximize the firm's revenues or profits. In the airline industry, for example, yield management involves a tradeoff between offering discounts in order to attract more bookings earlier and ensuring sufficient seats are available for last-minute passengers. Kimes and Wirtz (2003) claim that successful yield management in certain industries such as airlines and hotels are due to the fact that firms are able to apply variable pricing to their services which have a stated or predictable duration. Yield management relies on both "physical fences" such as amenities and "nonphysical fences" such as time and the location of the reservation, in segmenting consumers (Wirtz & Kimes, 2007). In other cases, consumers' demographics and consumption characteristics could also be classified as determinants of segmentation.

Yield management could bring about higher short-run gains, whilst sacrificing long-term profits, and give rise to consumers' perceptions of unfairness. These perceptions not only lead to lower satisfaction and disloyalty, but could also result in complaints, negative publicity, and a loss of market share (Wirtz & Kimes, 2007).

Several approaches have been developed for the purposes of assessing fairness perceptions (Xia, Monroe, & Cox, 2004). In equity theory and distributive justice, the outcomes of an exchange between two parties should be comparable (see Homans, 1961; Adams, 1965). On the other hand, the theory of procedural justice places emphasis on the underlying procedures behind those outcomes (Thibaut & Walker, 1975). The dual entitlement principle proposed by Kahneman, Knetsch, and Thaler (1986) focuses on both the seller's and buyer's fair entitlements in a transaction, and it has been adopted as a basis for evaluating price fairness in several empirical works. However, this study does not distinguish between which is "ethical" and "fair" in measuring consumers' perceptions, similar to the research by Kimes (1994). In the study by Kahneman, Knetsch, and Thaler (1986)'s, both "acceptable" and "fair" measures were employed interchangeably.

2.1 Price Discrimination and Perceived Fairness (การเลือกปฏิบัติทางราคาและความคิดเห็นด้านความเป็นธรรม)

In the proposed dual entitlement principle of Kahneman, Knetsch, and Thaler (1986), consumers believe that they are entitled to a fair price, whilst sellers are entitled to make a fair profit. As a result, when an increase in price is due to higher cost, consumers may not perceive the seller's behavior as unfair. The perception of fairness is comparative, since consumers have to relate the existing transaction to a point of reference. Judgments have to be made against prices paid by others for the same product or service (Martins & Monroe, 1994), highly similar transaction (Xia et al., 2004), or reference transactions (Kimes & Wirtz, 2003). The social comparison theory suggests that people assess their own entitlement by identifying with others who are similar to themselves as a reference (Wood, 1989). Although locals and foreigners are demographically different, they are indifferent in their role as a tourist attractions' customer. Additionally, with identical services provided to both locals and foreigners, foreign tourists could view lower prices charged to locals as a point of reference, and as a result perceive the price discrimination against them as being unethical.

H1: Price discrimination against tourists is perceived as being unethical.

According to the principle of dual entitlement, when consumers believe that firms have raised their prices in order to increase profits, they would interpret the firms' practice as exploitation. Price discrimination allows firms to maximize profits by setting higher price for a consumer group with an inelastic demand or a higher willingness to pay. If tourists believe this to be the underlying reason for price discrimination, the degree of perceived unfairness is expected to intensify. In addition, if the gap between the reference price and the offered price is wider, the more likely it will be that such behavior is not justified. As pointed out in Table 1, there are no written rules or guidelines regarding appropriate markups for foreign tourists, so markups of 1,000 percent or higher are not uncommon in Thailand. Consequently, it is expected that the larger the discrepancy, the higher the level of dissatisfaction and the higher the perception of unethical treatment amongst foreign tourists. Three scenarios with markups of an unspecified percentage, 200 percent, and 1,000 percent were used in order to capture such discrepancies.

H2: Price discrimination against tourists is perceived to be less ethical, when the sellers' justification for it is to generate higher profits.

H3: Price discrimination against tourists is perceived to be less ethical, when the intensity of the price difference is larger.

People are more acceptable in situations where firms behave for the reason of profit protection rather than profit seeking; for example, employees may not perceive a wage cut as unfair in situations where the firms' reference profit is threatened (Kahneman, Knetsch, and Thaler, 1986). As pointed out by Elegido (2011), price discrimination could be ethical in situations where it is essential in order for the business to survive, and the discriminator does not make excessive profits. Business survival is especially relevant in the area of tourism, which is a seasonal industry. During the peak season, when foreign tourist numbers are high, the excess profits can be utilized to cover costs during the low season. Also by charging Thais a lower price, it will ensure a regular supply of visitors the whole year round, provided they are charged the same low price throughout the year.

H4: Price discrimination against tourists is perceived to be less unethical, when the sellers' justification for it is the survival of the business.

Although the social comparison theory suggests that consumers look to other similar consumers as a reference, foreign tourists from developed countries with significantly higher income levels may not view locals as being "similar". Martins and Monroe (1994) propose that consumers take income levels of other consumers into consideration, when making a judgment on price discrepancies. Specifically, consumers may not view price discrimination as unethical if poorer consumers are being charged lower prices.

H5: Price discrimination against tourists is perceived to be less unethical, when the tourists are from richer countries.

2.2 Inequality Position and Perceived Fairness (ตำแหน่งของความไม่เท่าเทียมกันและความคิดเห็นด้านความเป็นธรรม)

When firms set unequal prices to two groups of consumers, the disadvantaged price inequality consumers are the ones who pay higher prices whilst those in the advantaged group are charged lower prices (Xia, Monroe, & Cox, 2004). Consumers who are treated differently are expected to view the same practice from different perspectives. Xia, Monroe, and Cox (2004) and Kimes and Wirtz (2003) suggest that the degree of perceived unfairness will be less

severe for the price-advantaged consumers since they have the advantage of cheaper prices. For Thais who pay lower rates compared to foreign tourists, are in an advantageous position and could therefore perceive price discrimination as less unethical. In the rare cases where foreign tourists are charged lower prices than the locals, they are not likely to consider themselves as being disadvantaged.

H6: Price discrimination against foreign tourists is perceived to be less unethical when locals are in an advantageous position, from a local's perspective.

H7: Price discrimination against foreign tourists is perceived to be less unethical when foreigners are in an advantageous position, from a foreigner's perspective.

2.3 Framing and Perceived Fairness (กรอบการนำเสนอและความคิดเห็นด้านความเป็นธรรม)

Economically equivalent, price discrimination could occur as a surcharge to foreign tourists or offered as a discount to locals. Prospect Theory claims that discounts are more acceptable than premiums (see Kahneman & Tversky, 1979; Thaler, 1985; Chen et al., 1998). Kimes and Wirtz (2003) and Wirtz and Kimes (2007) found that consumers view discount offers as fairer than premiums, in restaurant and hotel settings. Therefore, price discrimination framed as a discount to Thais, rather than imposing a surcharge on foreign tourists, could be more acceptable.

H8: Price discrimination against foreign tourists is perceived as being less unethical, when sellers' offer discounted prices to local visitors.

3. Methodology (วิธีดำเนินการวิจัย)

A survey was conducted amongst participants attending the Creative Academy for Cultural and Heritage Tourism's training programs in 2015 and 2016; which was arranged by Mahidol University International College (MUIC) and was funded by Mahidol University in Nokhon Pathom, Thailand. The Academy was established with the purpose of promoting cultural and heritage tourism in Thailand, through consultation and in the provision of training. Over the past few years, the Academy has organized annual nationwide training programs to stakeholders involved in Thailand's tourism sector.

Out of approximately 350 participants who took part in the programs in 2015 and 2016, 114 returned the survey. The average age of the respondents was 43 years old while 63 percent of them were female. As for their professions, 56 percent of the respondents are in the private sector of the tourism industry, 24 percent are in academia, and the remaining are local government officials. Foreign students who took part in the exchange program between MUIC and its partner universities served as proxies for foreign tourists. Although these exchange students did not visit Thailand primarily for leisure purposes, they were treated as foreign tourists when they were away from the campus due to their appearance and the language barrier. Of all the inbound students coming to MUIC in 2016, 49 returned the survey. Compared to Thai stakeholders, these foreign students are younger with an average age of 23 years old. 65 percent of them were female and 86 percent came from countries with higher per capita incomes than Thailand; namely, Singapore, the United States, Germany, Japan, and South Korea.

The survey required all respondents to provide ethical judgments to ten different fictitious scenarios of price discrimination practices, in which they were assigned the role of tourist. Similar to Wirtz and Kimes (2007) and Campbell (1999), a 7-point scale ranging from 1 (very ethical) to 7 (very unethical) was employed. The term price discrimination was not explicitly stated in the survey; rather, a scenario where tourists are priced differently is presented instead. Specifically, Thai respondents were asked to assume the role of a foreigner traveling in an unspecified country. Price discrimination against tourists is conceptualized in the survey as a tourist attraction which sets the price for foreign tourists at a higher level than the locals.

4. Results and Discussion (ผลการวิจัยและอภิปรายผล)

The results from the survey of stakeholders in Thailand and foreign students are presented in Table 2. Interestingly, t-tests reveal that there is no statistical difference between Thai stakeholders' and foreign students' ethical opinions on price discrimination, as shown in the last column of Table 2.

Table 2 : Descriptive Statistics of Ethical Judgments under Different Scenarios (สถิติพารามาตรของการตัดสินใจเชิงจริยธรรมภายใต้สถานการณ์ต่าง ๆ)

Scenarios	Thais	Foreigners	t-test
	Mean [SD]	Mean [SD]	[p-value]
(1) A tourist attraction that sets the price for tourists at a <u>different</u> level than the locals.	4.94 [1.58]	4.61 [1.37]	1.27 [0.21]
(2) Suppose that you are traveling in a foreign country, and you find out that a tourist attraction in this foreign country sets the price for foreign tourists at a <u>higher</u> level than the locals.	4.55 [1.60]	4.76 [1.38]	0.82 [0.41]
(3) Suppose that you are traveling in a foreign country, and you find out that a tourist attraction in this foreign country sets the price for foreign tourists, <u>twice</u> as much as they are charging the locals.	5.64 [1.52]	5.88 [1.44]	1.08 [0.28]
(4) Suppose that you are traveling in a foreign country, and you find out that a tourist attraction in this foreign country sets the price for foreign tourists, <u>ten times</u> as much as they are charging the locals.	6.58 [0.98]	6.63 [1.03]	0.65 [0.52]
(5) Suppose that you are traveling in a foreign country that has a lower income per person than your country, you find out that a tourist attraction in that country sets the price for foreign tourists at a <u>higher</u> level than the locals, by giving <u>the reason that it needs to charge foreign tourists more because foreign tourists are willing to pay more</u> .	5.06 [1.61]	4.96 [1.73]	0.29 [0.77]
(6) Suppose that you are traveling in a foreign country that has a lower income per person than your country, you find out that a tourist attraction in that country sets the price for foreign tourists at a <u>higher</u> level than the locals, by giving <u>the reason that it needs to charge foreign tourists higher in order to cover its fixed costs/investment, otherwise the tourist attraction may have to close down its business</u> .	4.00 [1.88]	3.69 [1.36]	1.18 [0.24]
(7) Suppose that you are traveling in a foreign country that has a <u>higher income per person than your country</u> , and you find out that a tourist attraction in that country sets the price for foreign tourists at a higher level than the locals.	4.95 [1.56]	5.14 [1.40]	0.76 [0.45]
(8) Suppose that you are traveling in a foreign country that has a <u>lower income per person than your country</u> , and you find out that a tourist attraction in that country sets the price for foreign tourists at a higher level than the locals.	4.11 [1.62]	4.02 [1.55]	0.31 [0.76]
(9 for Thais) A tourist attraction in Thailand sets the price for foreign tourists <u>higher</u> than Thais. You are Thai.	4.27 [1.79]	N/A	N/A
(9 for Foreigners) Suppose that you are traveling in a foreign country, and you find out that a tourist attraction in this foreign country sets the price for foreign tourists at a <u>lower</u> level than the locals.	N/A	5.10 [1.58]	N/A
(10) Suppose that you are traveling in a foreign country that has a lower income per person than your country, you find out that a tourist attraction in that country sets the price for foreign tourists at a higher level than the locals, by giving <u>the reason that it needs to provide discounts to locals due to their lower income</u> .	3.33 [1.84]	3.20 [1.19]	0.60 [0.55]

Note: From a 7-point scale, which ranges from 1 (very ethical) to 7 (very unethical).

With the average rating of 4.94 for Thai and 4.61 for foreigners, price discrimination falls

slightly on the unethical side, although most Thai respondents neither perceive price discrimination as ethical or unethical, with a mode of 4. The results from the t-test presented in Test 1 of Table 3 does not reject the first hypothesis, that price discrimination against tourists is perceived to be unethical. It should be noted that the robustness of the statistical tests could highly depend on the use of the 7-point scale.

Table 3 : T-Test Statistics from Ethical Ratings of Price Discrimination (ผลการทดสอบทางสถิติตัวอย่าง T-Test โดยอาศัยคะแนนด้านจริยธรรมของการเลือกปฏิบัติทางราคา)

Test	Details	Thais	Foreigners
1	Ethics of price discrimination	6.323	3.136
2	“Tourists’ WTP” and “unstated reason”	5.367	3.921
3	“Unspecified markup” and “200Percent markup”	7.363	5.895
	“Unspecified markup” and “1,000Percent markup”	12.242	9.233
	“200Percent markup” and “1,000Percent markup”	6.651	4.612
4	“Business survival” and “unstated reason”	0.581	1.374
5	“Higher income per person”	5.003	4.369
6	“Advantage position” and “disadvantaged position”	1.950	1.181
7	“Local’s discount” and “unstated reason”	4.683	3.933

Note: p-values are in parentheses.

When sellers charge foreign tourists higher prices than locals and the tourists believe that the underlying reason is the sellers' motive of taking advantage of foreign tourists' higher willingness to pay, the degree of unethical perception goes up to 5.06 for Thais and 4.96 for foreigners in scenario (5). Both Thai stakeholders and foreign tourists judge this profit maximizing behavior as exploitation and unacceptable, as confirmed by the t-test results in Test 2 of Table 3.

It is to be expected that when the price differences between foreign tourists and Thais are wider, unsatisfactory feelings would be stronger. When the markup is not explicitly specified, the average scores are 4.55 for Thais and 4.76 for foreigners in scenario (2). But when the surcharges to tourists are as high as 2 times and 10 times as those for locals, the levels of perceived unfairness rise to 5.64 and 6.58, respectively for Thais; and 5.88 and 6.63, respectively for foreigners. For the 1,000 percent markup, most respondents rated this behavior as extremely unethical (with a mode of 7). According to the results from t-tests, as presented in Test 3 of Table 3; the higher the markups, the more unethical the price discrimination is.

The fourth hypothesis claims that price discrimination is more acceptable when the seller's reason is to ensure the survival of the business. In scenario (6) presented to respondents, the business operator has to charge tourists higher prices in order to cover the initial fixed investment; and the business will not survive without the revenues from tourists. As shown in Table 2, this case receives an average score of 4.00 for Thais and 3.69 for foreigners, which does not statistically differ from the same case, but without the stated reason as shown in Test 4 of Table 3. As claimed by Kahneman, Knetsch, and Thaler (1986) and Elegido (2011), when the justification of price discrimination is for profit protection and business survival, consumers assess the practice as more acceptable.

Scenarios (7) and (8) are opposite in the sense that the first is when the respondents visit a country with a higher per capita income, whilst the latter is where the destination is a poor country. When individuals travel to a richer country (than their own) and face price discrimination in which they are in a disadvantaged position, Thais rate this behavior as unethical with a mean of 4.95 whilst foreigners rate it as unethical with a mean 5.14. But when they travel to a country with a lower income level and are asked to pay higher prices, price discrimination seems more acceptable, with means of 4.11 for Thais and 4.02 for foreigners. This finding supports Martins and Monroe (1994) who proposed that consumers take the income level of other consumers into consideration. The hypothesis that price discrimination is perceived to be less unethical, when tourists are from richer countries, is not rejected, as presented in Test 5 of Table 3.

The results from the scenario (9) reveal that a different degree of perceived unfairness exists when consumers face different pricing conditions. When Thai respondents were asked to imagine themselves as observing foreign tourists in Thailand having to pay higher prices, whilst they themselves paid less, the average rating was 4.27. From the perspective of foreign tourists who were treated favorably, by being charged cheaper prices compared to locals; unexpectedly, they view this practice as more unethical with the average score of 5.10. Contrary to the proposals of Kimes and Wirtz (2003) and Xia, Monroe, and Cox (2004), stakeholders who gain an advantage from price discrimination do not consider this practice as acceptable. The advantaged inequality does not influence consumers' ethical perceptions, and the sixth and seventh hypotheses are not supported. As shown in Test 6 of Table 3, H6 and H7 compare the ethical perceptions between advantaged and disadvantaged positions of Thai stakeholders and foreigners, respectively.

When price discrimination is framed as a discount to Thais under scenario (10), rather than a surcharge to tourists; the tourists' ethical judgment increased to 3.33 for Thais and 3.20 for foreigners, which are the highest ethical score amongst all of the scenarios. Similar to the findings of Kimes and Wirtz (2003) in a restaurant setting, framing price differences as a discount statistically raises the ethical acceptance, as shown in Test 7 of Table 3. The last hypothesis, which states that discount is perceived as being more ethical than a premium, is supported.

5. Conclusions (สรุปผลการวิจัย)

The issue of unethical pricing is not a trivial matter to business operators, since consumers seek to punish firms that conduct unfair practices (Kahneman, Knetsch, & Thaler, 1986). Businesses that depend on repeated custom from local visitors have a strong incentive to be seen as ethical. But when major customers are foreign tourists, business operators do not rely on long-term relationships and as a result do not expect loyalty; thus short-term profits could be a priority for them instead. This is especially true for certain services and products such as souvenirs. Nevertheless, on a broader scale, the negative publicity and bad reputation that arise from this could create negative externalities and jeopardize the country's image.

The results of the study show that stakeholders in Thailand's tourism industry, including foreign tourists, generally have a neutral ethical view of price discrimination. However, if tourists believe that they are being charged higher prices because of the sellers' profit maximization motive, they would evaluate the price discrimination practice as being unfair. But when the underlying motive is not profit seeking, but for business survival instead, the degree of perceived unfairness eases. In addition, the ethical perceptions of price discrimination are not fixed, but depend on the conditions of the situation; the income level of foreign tourists plays an important role in the ethical judgment decision. In cases where tourists are from countries with higher income levels than Thailand, such as the United States, certain European countries, Japan, or Korea, price discrimination against them may not be perceived negatively. But when a growing number of tourists come from countries of similar or lower income levels, the widespread adoption of price discrimination against all tourists (regardless of their nationalities) could result in a backlash and negatively affect the long-term profitability.

When the listed prices for Thais are obscured by the use of Thai language, or Thai numbers, Thai sellers can get away with overcharging, since immediate price comparisons cannot be made. But when direct comparison is possible, the results from the study suggest that tourists find it more acceptable when price discrimination is framed as a discount to local visitors, rather than a surcharge to foreigners. As such, posted prices should be set at the higher price, to show that this is the figure that applies. Then, when the locality of the customers is verified, certain percentages of discount can be deducted from the listed prices, which ensures that the procedures used to segment consumers is fair. This study limits the intensity of the price differences to be only 200 percent and 1,000 percent so the appropriate markup to be set for tourists in Thailand is still inconclusive. However, the results from this study do confirm that the larger the price difference, between local visitors and foreign tourists, the more it is perceived as being unfair. In addition, since many tourist attractions in Thailand actually charge foreign tourists more than Thais by at least 1,000 percent, these surcharge rates are undeniably viewed as being unethical.

The problem of price discrimination against tourists deserves more attention from both the government sector and the various business sectors in Thailand. For government-subsidized tourist attractions, the benefits in the form of extra revenue from charging foreign tourists more than Thais have to be weighed against the costs of perceptions of unethical treatment; although the underlying costs are different and the practice is not theoretically price discrimination.

Similar analysis should also be conducted by other business operators in Thailand. A uniform pricing policy could be preferable when all or most of the revenues are from either foreign tourists or local customers, where uniform “high” and “low” prices can be applied, respectively. But in cases where price discrimination is unavoidable, the framing and the intensity of the price differences have to be carefully considered.

It should be pointed out that the results presented here should not be generalized to the entire stakeholders of the tourism sector, since the samples employed in this study were participants from a specific training program. Further studies using larger and more representative samples are required to confirm the findings.

References (បររាយអក្សរម)

Abbate, G., Fraquelli, G., & Viglia, G. (2012). Dynamic pricing strategies: evidence from European hotels. *International Journal of Hospitality Management*, 31(1), 160-168.

Adam, J.S. (1965). Inequity in social exchange. In *Advances in Experimental Social Psychology*, Vol. 2, L. Berkowitz, ed. New York: Academic Press, 267-299.

Bangkok Post. (2014, March 19). Tourism income to hit B2.42 Trillion. *Bangkok Post*. Retrieved September 1, 2015, from <http://www.bangkokpost.com/most-recent/400701/tourism-as-gdp-to-rise-by-0-1-in-2014>.

Baumol, W.J. & Swanson, D.G. (2003). The new economy and ubiquitous competitive price discrimination: Identifying defensible criteria of market power. *Antitrust Law Journal*, 70(3), 661-685.

Campbell, M.C. (1999). "Why did you do that?" The important role of inferred motive in perceptions of price fairness. *Journal of Product & Brand Management*, 8(2), 145-152.

Carlton, D.W. & Perloff, J.M. (2005). *Modern industrial organization*, 4th Edition. Pearson.

Chen, S.S., Monroe, K. B., & Lou, Y. (1998). The effects of framing price promotion messages on consumers' perceptions and purchase intentions. *Journal of Retailing*, 74(3), 353-372.

Chinmaneewong, C. & Arunmas, P. (2015, May 18). Swift action urged against overpriced restaurant. *Bangkok Post*. Retrieved September 1, 2015, from <http://www.bangkokpost.com/news/general/564995/swift-action-urged-against-overpriced-restaurant>.

Elegido, J.M. (2011). The ethics of price discrimination. *Business Ethics Quarterly*, 21(4), 633-660.

Homans, G.C. (1961). *Social behavior: Its elementary forms*. New York: Harcourt, Brace & World.

Kahneman, D., Knetsch, J.L., & Thaler, R.H. (1986). Fairness as a constraint on profit seeking: entitlements in the market. *American Economic Review*, 76(4), 728-741.

Kahneman, D. & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica*, 47(2), 263-292.

Kimes, S.E. (1994). Perceived fairness of yield management. *Cornell Hotel and Restaurant Administration Quarterly*, 29(1), 22-29.

Kimes, S.E. (2002). Perceived fairness of yield management: An update. *Cornell Hotel and Restaurant Administration Quarterly*, 43(1), 21-30.

Kimes, S.E. and Wirtz, J. (2003). Has revenue management become acceptable? *Journal of Service Management*, 6(2), 125-135.

Marcoux, A.M. (2006). Much ado about price discrimination. *Journal of Markets & Morality*, 9(1): 57-69.

Martins, M. & Monroe, K.B. (1994). Perceived price fairness: A new look at an old construct. In *Advances in consumer research*, Vol. 21, eds. Chris T. Allen and Deborah Roedder John, 75-78.

Pepall, L., Richards, D., & Norman, G. (2008). *Industrial organization: contemporary theory and empirical applications*. Blackwell Publishing.

Puller, S.L. & Taylor, L.M. (2012). Price discrimination by day-of-week of purchase: evidence from the U.S. airline industry. *Journal of Economic Behavior & Organization*, 84(2012), 801-812.

Schmalensee, R. (1981). Output and welfare implications of monopolistic third-degree price discrimination. *American Economic Review*, 71(1), 242-247.

Thaler, R.H. (1985). Mental accounting and consumer choice. *Marketing Science*, 4(3), 199-214.

Thibaut, J.W. & Walker, L. (1975). *Procedural justice: A psychological analysis*. Hillsdale, NJ: Lawrence Erlbaum Associates.

The Nation. (2014, September 4). Dual-pricing is scaring tourists away. *The Nation*. Retrieved September 1, 2015 from <http://www.nationmultimedia.com/opinion/ Dual-pricing-is-scaring-tourists-away-30242446.html>.

Varian, H. (1985). Price discrimination and social welfare. *American Economic Review*, 75(4), 870-875.

Wirtz, J. & Kimes, S.E. (2007). The moderating role of familiarity in fairness perceptions of revenue management pricing. *Journal of Service Research*, 9(3), 229-240.

Wood, J.V. (1989). Theory and research concerning social comparisons of personal attributes. *Psychological Bulletin*, 106(2), 231-248.

Xia, L., Monroe, K.B., & Cox, J.L. (2004). The price is unfair! A conceptual framework of price fairness perceptions. *Journal of Marketing*, 68(4), 1-15.