

Strategic consumer behavior in online hotel booking

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Abstract

The widespread of dynamic pricing in the hotel industry has opened up new opportunities for strategic consumers. Free-cancellation policies enable them to re-book the hotel room at a later time, which is particularly attractive in the case of a future price drop. Building on expected utility and risk attitude theories, this study aims to analyze strategic consumer behavior in online hotel booking. A discrete choice experiment is used to unveil consumer preferences for free-cancellation rate (vs non-refundable rate) under different scenarios (i.e., probability of a price drop, time window and availability of an automatic re-book service). A cluster analysis further helped to identify segments of consumers characterized by different preferences. Interestingly, risk seeking consumers show preference for free-cancellation rate that increases with the availability of an automatic re-book service. Although the time window increases the utility of the free-cancellation rate, such impact is lower as risk propensity increases. The identification and profiling of six distinct consumer segments provide clear implications for industry practitioners.

Keywords: *strategic consumer; hotel booking; risk attitude*

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