

Marketing

The commercial cycle from the viewpoint of operant behavioral economics: effects of price discounts on revenues received from services

O ciclo comercial visto pela economia comportamental operante: Efeitos dos descontos nos preços sobre a receita recebida de serviços

El ciclo comercial desde la perspectiva de la economía conductual operante: efectos de los descuentos de precio en los ingresos de servicios

Rafael Barreiros Porto *

Universidade de Brasília, Brasília, DF, Brazil

Received 23 January 2014; accepted 11 February 2016

Abstract

The relationship between supply and demand generates commercial cycles. Operant behavioral economics explain that these cycles are shaped by three-term bilateral contingencies – situations that create supply and demand responses and which, in turn, generate reinforcing or punitive consequences that can maintain or mitigate these. Research shows how the commercial cycle of a company occurs and investigates how price discounts affect basic and differentiated service revenues according to seasonality. Based on a longitudinal design, two time-series analyses were performed using the ARIMA model, while another was carried out using a Generalized Estimating Equations divided into seasonal combinations. The results show, among other things, (1) that a company handles most of the marketing context strategies and programmed consequences of services used by consumers, creating a new commercial situation for the company, (2) the effects of price discounts on sophisticated services have a positive impact and produce higher revenues during the low season, while those related to basic services have a greater impact and produce greater revenue during the high season; and (3) the seasonality of the greatest purchasing intensity exerts a more positive influence on revenues than the seasonality of demand characterized by heterogeneous reinforcements. These findings are useful for the administration of price discounts to generate maximum revenue and make it possible to have a better understanding of the way the commercial cycle of a company functions.

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Keywords: Commercial cycle; Behavioral economics; Revenue; Price discount; Seasonality; Service marketing

Resumo

As relações entre oferta e demanda geram ciclos comerciais. A economia comportamental operante explicita que eles são formados por contingências bilaterais de três termos – contextos criadores de condições às respostas do ofertante e demandante que, por sua vez, geram consequências reforçadoras ou punitivas capazes de mantê-las ou atenuá-las. A pesquisa demonstra como ocorre o ciclo comercial de uma empresa, averigua o efeito dos descontos de preço na receita de serviços básicos e diferenciados com diferentes sazonalidades. Com delineamento longitudinal, fizeram-se duas análises em séries temporais com modelo ARIMA e outra com Equações de Estimativas Generalizadas divididas em combinações de sazonalidades. Os resultados demonstram, dentre outros, que a empresa manipula boa parte dos contextos de marketing e das consequências programadas de uso de serviço pelos consumidores da empresa, cria um novo contexto comercial para ela; os efeitos dos descontos em serviços sofisticados são positivamente maiores na receita durante em baixa temporada, enquanto dos serviços básicos são positivamente maiores em

* Correspondence to: Universidade de Brasília, Campus Universitário Darcy Ribeiro, 70910-900 Brasília, DF, Brazil.

E-mail: rafaelporto@unb.br

Peer Review under the responsibility of Departamento de Administração, Faculdade de Economia, Administração e Contabilidade da Universidade de São Paulo – FEA/USP.

<http://dx.doi.org/10.1016/j.rausp.2016.06.005>

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alta temporada; e a sazonalidade de maior intensidade de compra exerce maior influência positiva sobre a receita do que a sazonalidade de heterogeneidade de reforços daqueles que compram. Os resultados auxiliam a gestão de desconto na geração da máxima receita e permitem compreender o comportamento do ciclo comercial de uma empresa.

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Palavras-chave: Ciclo comercial; Economia comportamental; Receita; Desconto em preço; Sazonalidade; *Marketing* de serviço

Resumen

Las relaciones entre oferta y demanda generan ciclos comerciales. La economía conductual operante explica que éstos se forman por contingencias bilaterales de tres términos - contextos que crean condiciones para las respuestas de oferta y de demanda que, por su parte, dan origen a consecuencias que refuerzan o punen, y que son capaces de mantenerlas o mitigarlas. El estudio demuestra cómo se produce el ciclo comercial de una empresa y averigua el efecto de los descuentos de precios en los ingresos de servicios básicos y diferenciados en distintas estacionalidades. Por medio de diseño longitudinal, se llevaron a cabo dos análisis en series de tiempo con modelo ARIMA y otro con ecuaciones de estimación generalizadas divididos en combinaciones de estacionalidad. Los resultados muestran que el ofertante maneja los contextos de marketing y las consecuencias programadas de la utilización de servicios por los demandantes, creando un nuevo entorno comercial para él; los efectos de los descuentos en servicios sofisticados son positivamente más altos en los ingresos durante la temporada baja, mientras que descuentos de servicios básicos son más altos y positivos en temporada alta; y la estacionalidad de mayor volumen de compras ejerce una influencia más positiva en los ingresos que la estacionalidad de heterogeneidad de refuerzos de los que compran. Los resultados contribuyen a la gestión de descuentos para generar mayores ingresos y permiten comprender el comportamiento del ciclo comercial de una empresa.

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Palabras clave: Ciclo comercial; Economía conductual; Ingresos; Descuento en precios; Estacionalidad; *Marketing* de servicios

Introduction

The differentiations of services are at the core of any debate about the exclusivity, luxury and sophistication that a company can offer consumers (Brun & Castelli, 2013; Veríssimo & Loureiro, 2013). However, in general, these services charge higher prices since they offer consumers greater benefits (Kohli & Suri, 2011). On the other hand, the supply of basic services that succeed in attracting a demand are less expensive and make it possible to match supply in relation to other competitor service suppliers (Abrate, Fraquelli, & Viglia, 2012). Between one extreme and another of a company's service portfolio, if the price discounts are well applied (Yao, Mela, Chiang, & Chen, 2012), these can increase more than proportionally the number of consumers as compared to the non-implementation of such actions. A company that offers a range of market products (Elmaraghy & Elmaraghy, 2014) that include differentiated and basic services, combined with an adequate discount policy, can increase their revenue and, in turn, their financial profits.

However, each service provided by the same company can involve different consumers. These may face restrictions as regards paying the contract price offered and depend on a price discount to be able to make purchases (Kohli & Suri, 2011). This, in turn, has a different impact according to the season surrounding the company offerings. Thus, the demand for a service tends to oscillate (Hanssens, Parsons, & Schultz, 2003), with low and high moments and with or without a heterogeneous structure. In order to meet demand, supply is therefore controlled by the availability of the number of services, their differentials, periods when these are offered and prices given to them. Thus, revenue

management (Talluri & Ryzin, 2005) ends up controlling the cash flows from the services and these can appeal to a larger segment of consumers, thereby ensuring profits.

In the hospitality industry, managers of hotels, resorts, flats and guesthouses experience this routine on a daily basis (Menezes & Silva, 2013). During the low season, reduced prices are usually offered to generate sufficient accommodation occupancy rates and thereby boost income, though this is not necessarily the case for all habitation units, especially as heterogeneity exists between different consumers. Price variations attract a certain group of consumers more than another and these may or may not be effective in generating the maximum possible revenue.

In addition to Service-Dominant Logic (SDL) in marketing (Lusch & Vargo, 2014), where interaction between the consumer and the company is essential in order to attain better company performances, the consumers and the companies co-create and co-produce the services offered. By means of knowledge and ability, manager can operationalize the supply of services, in the hope of generating greater revenues and profits for the company, which they will only do if consumers pay for their services. This research uses a theoretical framework that is both coherent and complementary to SDL. It is coherent because it meets all the basic SDL requirements and it complements SDL because it adds behavioral aspects to the consumer–company relationship, bringing together empirical findings on an individual analysis level with elements on an organizational and contextual level.

One of the difficulties in managing maximum revenue is how to recognize, during different periods of time, when a discount policy for each service will generate greater or less income

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