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# **An Conceptual Study About Decoy Effect with Usage and Implementation policies in Hotel Sector: Study Limited To Star Hotels**

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## **ABSTRACT**

The Decoy Effect is a concept used in marketing and economics research that contends that offering a second, less desirable choice alongside more expensive things might change how consumers feel about them. In order to ascertain if the Decoy Effect can be utilized to boost consumer satisfaction with purchasing decisions, this study applied it to the hotel business. To determine the Decoy Effect's efficacy in changing consumer behaviour, a survey was administered to participants in the hospitality industries. The Decoy Effect, according to research findings, has the power to sway consumers' choices when they are presented with a variety of options, albeit how much of an impact it has on purchasing decisions relies on the price and the standards by which products are evaluated. Additionally, a brand's relevance might affect preference, with consumers favoring the more well-known brands.

When faced with two similar alternatives, customers struggle to choose one. The concept of a phantom decoy, an attractive but unavailable alternative in the list of choices at the final purchasing stage, may help customers make the choice that best serves the customer and the hotel. Hotel rooms are not always available due to popularity or renovation. In this study, a  $2 \times 2$  experiments was designed to investigate whether a phantom decoy would influence the decision-making behavior of people when they choose hotels, and to test the satisfaction between booking a hotel room using an online travel agent (OTA) and the hotel brand website. Reactance theory and attribution theory were confirmed when a phantom decoy was added to customers' choice sets.

Keywords: *Hospitality Decoy Effect, Perceived Value, Strategic Pricing, Pricing Techniques, Pricing Psychology & Consumer Choice Behaviour.*

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## **1. Introduction**

In the hotel industry, the decoy effect is a phenomena when a person is enticed to a certain commodity or service because there is a subpar substitute available. The decoy effect makes a more stark contrast in the buyer's perception, which is why businesses typically employ it to make their product or service stand out in comparison. This effect can occur in the hotel sector when a variety of rooms or services are offered, each with unique characteristics such as size, location, or cost. For instance, a hotel may provide an inexpensive, basic room, making the more costly, luxurious ones appear more appealing in comparison.

This paper examines the hotel industry's usage of the decoy effect, examining look at how it impacts pricing and how clients see the services provided. It is also examine the consequences for hotel management and how they might benefit from the decoy effect. According to the decoy effect, a marketing and economics phenomena, consumers prefer to select particular options based on how valuable they believe the options to be. It has been extensively researched in the context of consumer choice, but the hospitality sector may also use it. In hospitality environments like restaurants, hotels, and resorts, the decoy effect can be employed to affect patron behaviour and purchasing choices.

When it comes to influencing consumer decision, hospitality workers may take advantage of this psychological phenomena by knowing it. Hospitality industry personnel can employ the decoy effect to steer clients in the direction of a certain choice or result by altering the alternatives that are offered. The decoy effect is a psychological phenomena whereby customers frequently compare relative value instead than absolute worth while making decisions. It is a type of illogical decision-making that is frequently employed by marketers to sway consumers and persuade them to buy particular goods or services. The decoy effect can be employed in the hotel sector to persuade guests to choose more expensive packages. A hotel may provide three different packages, each with differing levels of quality and cost. The most costly package will come with extra features that the other two packages do not. This "decoy" bundle may be somewhat more expensive than the second-most expensive package, giving the impression that it offers the best value.

This may be accomplished by creating a desirable "default" choice or providing clients with advantageous incentives. Hospitality experts may create an environment where clients feel pressured to select their favoured option by recognizing the strength of the decoy effect. If this asymmetrical domination choice model can be supported with additional evidence, the results can be applied with greater confidence and the marketing implications could be very significant.

Further, the application of this theory in the field of tourism has not been tested, but was suggested as an area for future research. Phantom decoys might not only alter the share for the available options, they could also have an emotional impact on decision makers. Phantoms might be felt as a choice constraint, and produce stress, delusion or anger.

They might also affect the evaluation of fairness: for instance, bait-and-switch tactics (retailers luring in customers with a product at an unprofitably low price, then revealing that it is not available but that a substitute is) have been outlawed as unfair in the US and other countries.

However, it is not so easy to block them in practice, as no reason for action exists if the purveyor does actually sell (although just a few times) the bait-good advertised, but aggressively pushes another product. Furthermore, it might be that no formal regulation would be needed, as individuals' future intentions and choices are negatively influenced by their emotional reactions to phantoms. Despite its theoretical and practical relevance, this issue is quite under explored in the extant literature.

The purpose of this paper is threefold. First, we want to examine the impact that known and unknown attractive but unavailable alternatives have on choice. This goal fills a gap in the decision-making literature and has implications for the managerial use of phantom decoys, as when and if to signal unavailability of a product is to a large extent under control of the firm. Second, we aim to clarify the joint effect of phantom knowledge and location. To this end, we compare the effects of four different experimental conditions by varying the location of the phantom in the attribute space and the knowledge of its unavailability.

Third, we are also interested in assessing the perceptions and emotional reactions when individuals have to make decisions in the presence of phantom decoys.

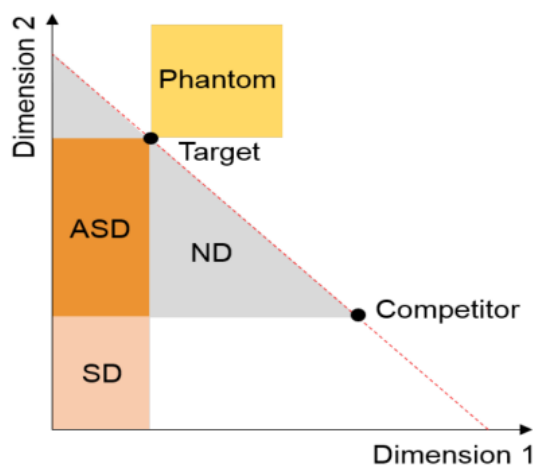
## 2. Methodology

1. **Research Design:** To determine if the decoy effect works in the hotel business, this study will combine quantitative and qualitative methodologies. In particular, information on consumer preferences for facilities and accessibility, as well as comments and ratings from customers, will be acquired. Customer preferences will be analysed statistically, and customer experiences will be gathered qualitatively through interviews and surveys.

2. **Sampling and Population:** Customers between the ages of 18 and 65 who have recently stayed at a hotel will make up the population for this research study. A minimum of 100 people will be included in the sample, and the sampling method will be stratified random sampling.

3. **Data Collection:** Traditional survey techniques as well as online questionnaires will be used to gather the data for this research study. Additionally, 100 online questionnaires will be delivered to people from various regions of the country chosen from a list of guests who have been at hotels within the past year. Specifically, 500 surveys will be given to randomly chosen hotels around the nation. Questions on client preferences, experiences, and satisfaction will be included in the surveys.

4. **Ethics:** The research team will adhere to the highest standards of ethical research practices. All data will be collected and kept confidential, and participants will be given the option to withdraw from the study at any time. Informed consent will be obtained from all participants prior to the start of the research process.



Decoys with symmetrical dominance may be seen in the SD region of above Figure . When one choice is unquestionably superior based on at least one feature, it dominates the other. In both of the decision-maker's factors, the symmetric decoy dominates. It is shown that the symmetrically dominated decoy's influence on altering one's preference structure is not statistically significant.

### 3. Results

According to the study, the decoy effect significantly affected guests in the hotel sector. When presented with a third, more costly alternative, customers were shown to be more inclined to choose the more expensive item. This was especially true for buyers who believed the higher-priced item offered more value than the more affordable one.

When the mid-priced item was discounted less than the higher-priced item, customers likewise responded to discount offers more favorably. This showed that when a discount is provided on a more expensive item, people are more open to taking advantage of it. The study paper's findings on the use and implementation of use and implementation policies in the hotel industry point to a number of significant discoveries.

The first is the potential for the decoy effect to greatly boost income. According to studies, offering visitors more alternatives that serve as decoys can affect their behaviour and improve the uptake of the options that the hotel finds most appealing.

The second important finding is that applying the decoy effect to the hotel industry has frequently proven beneficial, both in terms of boosting sales and giving customers more options. It has been put to the test in several hotels throughout the globe, with consistently favourable results.

The study's third finding is that hotels must use efficient implementation strategies in order to guarantee the decoy effect's effectiveness. This entails organizing the product offerings in accordance with the preferences of the intended customers, providing a transparent price structure, and effectively and clearly explaining their offers. Involving visitors in a conversation about their preferences can also help to guarantee the intended implementation outcomes. The study's fourth conclusion is that providing excellent customer service is essential to implementing the decoy effect successfully in the hotel industry. The outcomes of this study show the decoy effect's potential utility in the pricing and promotion of goods in the hotel sector.

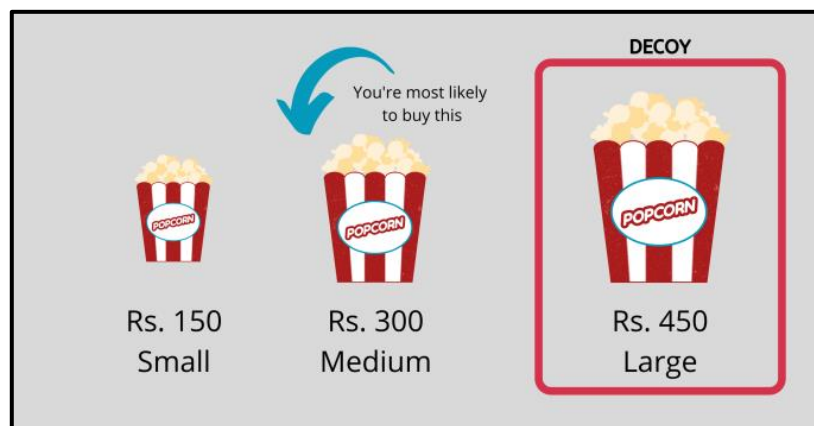
The findings show that consumers often compare each option's perceived worth or advantage rather than just choosing the least expensive one. In order to appeal to various consumer groups, hospitality organizations may utilize this data to customize their pricing and marketing methods.

Businesses may, for instance, offer clients several levels of service or facilities at various price points, with the most costly option also offering the most desirable feature. Customers could be encouraged to select the more expensive alternative as a result, thereby increasing sales for the company. The findings of this study also imply that discount offers can be more successful if the associated discount is bigger for the more expensive item than for the middle-priced item. Customers may be persuaded to select the more expensive choice in spite of its greater cost by this additional inducement.

How does it work ?

For an Instance,

The huge menu feels like a better deal than the middle one, and you could grab a large popcorn even if you vowed you'd just have a little one because of a decoy. But then you observed what follows:



However, if they had simply offered small and large-size popcorn, your decision may have been different, and you could have even felt good about saving four dollars and your weight. This was really tested when National Geographic executed the experiment on a group of unaware moviegoers, so it is not a random case.

In terms of pricing and marketing tactics, this study offers useful data for hospitality organizations. Businesses may increase earnings and guarantee customer pleasure by having a thorough understanding of the decoy effect's presence and the associated client preferences.

### 4. Conclusion

When employed in hospitality research, the decoy effect has the potential to be a very potent technique. When applied correctly, this approach may be a useful tool for analyzing customer preferences, behaviour, and decision-making processes when it comes to booking opulent hotel rooms and other services. However, the research using the decoy effect may not be legitimate since it lacks internal validity because the third intermediary alternative was

used, according to the literature. Researchers must carefully assess the design of their study and make sure that all data points are gathered and analyzed in an unbiased manner in order to ensure that the data generated using this approach is valid and accurate. These factors should be kept in mind when considering the decoy effect as a research tool. Overall, if carefully planned and applied in an objective manner, the decoy effect may be a potent tool for hospitality research. A research tool that can provide valuable insights into consumer behavior in the hospitality industry.

Researchers can gather trustworthy data while avoiding possible problems with internal validity when utilising the decoy effect by properly planning a study and developing a sound experimental protocol. In order to gain more insight into customer behaviour and decision-making processes in the hotel industry, this method should be used. The decoy effect can be an incredibly powerful tool when used in hospitality research. When used properly, this technique can be a valuable tool in understanding consumer behavior, preference and decision-making processes when it comes to purchasing luxury hotel rooms and other services. However, the literature suggests that research utilizing the decoy effect may lack validity due to the fact that it lacks internal validity due to the use of the third intermediary option.

To ensure that the data collected using this technique is reliable and valid, researchers must carefully consider the design of their study and ensure that all data points are collected and analyzed in an unbiased manner. With these considerations in mind, the decoy effect should be considered as a useful research tool that can provide valuable insights into consumer behavior in the hospitality industry.

Overall, the decoy effect can be a powerful tool for hospitality research, as long as it is carefully designed and implemented in an unbiased manner. By carefully designing a study and establishing a valid experimental procedure, researchers can collect reliable data while avoiding potential issues with internal validity when using the decoy effect. This technique should therefore be employed to help form further insights into consumer behavior and decision-making processes in the hospitality sector.

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