

A Theoretical Framework for Formulating Non-Controversial Prices for Public Park and Recreation Services

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Abstract

A conceptual framework is offered which guides public park and recreation managers on how to minimize resistance to pricing decisions from affected users. The fulcrum of the framework is reference price, which is the benchmark criterion used to evaluate whether or not a new or revised price for a service is acceptable to users. The paper defines reference price and explains its theoretical genesis. The discussion demonstrates how residual knowledge, a community's prevailing concept of equity, and context, which are the three shapers of reference price, evolved from that genesis. Finally, the role of framing in influencing users' reactions to pricing decisions is explained.

KEYWORDS: Park and recreation, reference price, adaptation level theory, assimilation contrast theory, equity, information messages

There is an aphorism that states, “There is nothing so practical as a good theory.” Traditionally, most prices in parks and recreation tend to be the product of history, precedent and inertia. In those cases where a guiding conceptual framework has been used, it most likely has been driven by neoclassical economic models of supply and demand. However, over the past quarter century it has become clear that this classic model with its central premise of utility maximization is implausible and incomplete. Observation of reactions to pricing decisions regularly contradicts it. Thus, in both the marketing and the leisure literatures there has been a movement away from neoclassical economic models and a movement toward a cognitive processing approach that considers the reactions and behavior of individuals to a given price or changes in price (McCarville, 1990).

Pricing is as much an art as it is a science, since judgment plays a key role in it. However, an understanding of the theory and conceptual framework that undergirds behavioral responses to pricing decisions is required before the art of pricing can be practiced effectively. Prices for public park and recreation services often have been set arbitrarily and intuitively. Managers who price purely on the basis of intuition or “feel of the situation” without any understanding of the theory that explains responses to pricing decisions do not necessarily have a poor pricing strategy. However, the chances are good that such managers do not have the best possible pricing strategy. Judgment is required, but it should be informed judgment and not merely a hunch.

This paper offers a behaviorally based theoretical structure that is designed to explain and predict responses to public park and recreation pricing decisions. If pricing decisions are not embedded in theory, then they are likely to focus on peripheral symptoms without understanding the core issues. Thus, fundamentally they are chimeral. The theoretical structure presented here explains how perceived acceptability of a price evolves and what managers can do to enhance it. Price acceptability is the well-spring from which a host of behavioral pricing strategies flow. These include: “nibbles not bites”, relationship pricing, introductory pricing, price-quality relationship, temporal reframing, service enhancement pricing, sunk cost effect, participant adjustment period, odd pricing, self-esteem pricing, and customary pricing (Crompton 2010).

The concept of internal reference price is the fulcrum upon which the model is centered. The flow and development of the paper are illustrated in Figure 1. First, internal reference price is defined and its theoretical genesis is explained. The genesis stems from three sources: adaptation-level theory, assimilation-contrast theory, and prospect theory. Second, the shapers of reference price are identified and described. These derive from adaptation-level theory which suggests that the interactions of three classes of stimuli determine people’s acceptability of a price: (a) an individual’s residual knowledge; (b) a community’s prevailing normative equity criterion; and (c) the context in which a pricing decision is made. Figure 1 lists the primary variables that comprise each of these classes of stimuli and the nature of the influence of each of them is discussed. Third, the role of positioning or framing in influencing users’ reactions to pricing decisions is described. This role stems from characteristics of the contextual shaper that enables managers to

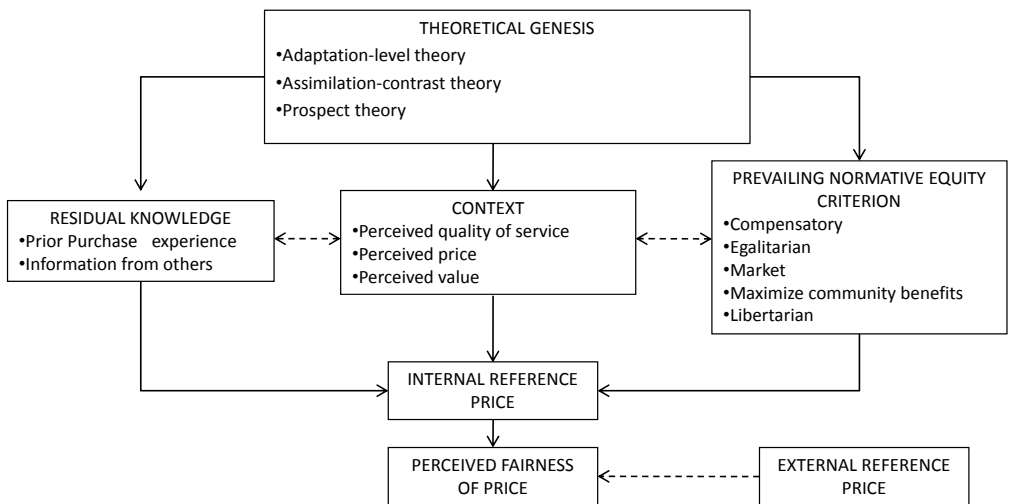


Figure 1. The Conceptual Framework Undergirding Reference Price Related Strategies

enhance perceptions of reference price by increasing perceptions of quality and/or decreasing perceptions of personal financial loss associated with price increases.

Figure 1 shows that price acceptability may also be influenced by external reference prices. Whereas interval reference price is a mental construct anchored by past experience and societal norms, external reference prices are used to create explicit comparison of a regular price with either competitors' prices or discounts of regular price designed to induce greater use. The influence of external reference prices is likely to be much less persuasive than that of internal reference price, and to be restricted to a relatively small number of tightly defined situations. The role of external prices is beyond the scope of this paper, but is discussed elsewhere (Crompton, 2011).

The Concept of Internal Reference Price and Its Theoretical Genesis

Defining Internal Reference Price

Figure I shows that internal reference price is the primary standard against which the acceptability of a purchase price is judged (Monroe, 1973). Its theoretical rationale emanates primarily from adaptation-level theory (Helson, 1964) which suggests that people judge a stimulus by comparing it with the level to which they have become adapted.

Sherif and Hovland (1961) recognized the function of a psychological reference point noting it “serves as a basis for comparison and appraisal of relevant stimulus items on subsequent encounters” (p. 13). Subsequently they elaborate on this: “The position within the [reference] scale represents his own stand on the issue and serves as a major anchor in judgment. If the issue is a significant one to him, he is willing to tolerate only slight deviation [latitude of acceptance] and find further deviation obnoxious [latitude of rejection](p. 13).

A common way of thinking about internal reference price is to view it as an expectation of what an acceptable price will be (Zeithaml & Graham, 1983). But what creates that expectation? There is widespread acceptance that it is multidimensional in nature (Winer, 1998). That is, consistent with Sherif and Hovland’s (1961) notion of a scale, no single price can capture it. In the private sector, the *prima facie* case in support of a reference scale rather than a reference point is clear: “Because consumers have observed and experienced variations in prices across brands, across stores, and at different times, it is unlikely that they would have clearly defined point estimates of price for a product” (Rao & Sieben, 1992, p. 257). It has been suggested that the parameters of the reference range may be the resistance price and the bargain price (below which there may be resistance because of concerns about quality) that delineate the boundaries of the latitude of price acceptance (Janiszewski & Lichtenstein, 1999).

Reference prices for, and within, each individual will be different because of people’s different responses to contextual, residual and normative stimuli (Figure 1). It is probably a “weighted mean” (Helson 1964, p. 61) comprised of an average of all prices paid in the past, but with the most recent price that was paid for a given service at an agency or at similar park and recreation agencies being given more influence than earlier prices. Thus, McCarville’s (1996) study of swimming pool users concluded, “For those who pay fees repeatedly over time, price last paid seems to represent a parsimonious indicator of price expectations” (p. 62). Certainly, prices paid on more recent occasions are likely to have a greater effect on reference price than earlier payments (Mazumdar et al., 2005). This has led to the widely accepted position that internal reference price is best conceptualized as the weighted mean value of past prices that assigns more weight to recently observed prices (Briesch et al., 1997; Della Bitta & Monroe, 1974; Kalyanaram & Winer, 1995). When a new price is assimilated, it is averaged into the past prices to form a revised reference price. Evidence that changes in reference price occurred with experience was provided by Gratton and Taylor (1995) in their study of price changes among users at five Scottish recreation centers. They reported, “the upper boundary of reference prices shifted as prices rose” (p. 259).

Ostensibly, these definitions of reference price suggest that it is actively derived through a conscious cognitive process. However, it has been consistently reported that people have only a vague idea of actual prices. Reviewers of the price recall literature concluded, “A relatively low proportion of buyers can recall accurately prices of products they had recently purchased” (Monroe & Lee, 1999, p. 208). Similarly, in a leisure services context McCarville (1996) reported, “Respondents offered estimates of prices they believed they last paid but most (67%) were uncertain of the accuracy of their estimates” (p. 59). This uncertainty

suggests that a reference price is a rough estimate, consisting of a range rather than a single point. This range (around which the latitude of acceptance discussed in the next section is constructed), represents a distribution of reference prices. Users may have a general idea of whether a price is acceptable, but their reference standard often is likely to be approximate. Empirical support for this view was offered by Howard and Selin (1987) who concluded: "Recreation consumers are willing to pay within ranges of acceptable prices; those outside the acceptable range are considered objectionable" (p. 54).

In the parks and recreation field the range of a distribution of internal reference prices is likely to be widest for services that are purchased infrequently, since in these cases the last price paid may become vague with the passage of time. However, for some services the reference price range is likely to be narrow and well-defined for three reasons. First, a user may be highly ego involved. Sherif and Sherif (1968) conclude "that the range of assimilation is inversely related to the degree of personal involvement" (p. 131). Second, the agency may be the only supplier of a service in a community, so its users are exposed to few, if any, alternate reference points. Third, prices often remain stable over relatively long time periods. It has been noted:

Many individuals participate in recreation on a regular basis. Daily swims at the community pool, weekly exercise classes, or monthly concerts are all examples of public recreation programs that may engender definitive reference prices in the minds of consumers. As a result of the regular use of public recreation programs, consumers may be able to form definite price structures for such programs (McCarville & Crompton 1987a, p. 284).

The Theoretical Genesis of Internal Reference Price

The concepts of internal reference price and latitude of price acceptance that accompanies it, have their primary genesis in three theories: adaptation-level theory (Helson, 1964) assimilation-contrast theory (Sherif & Hovland, 1961), and prospect theory (Kahneman & Tversky, 1979). Originally, the first two of these were developed to explain psychophysical phenomena relating to sensory perception, while prospect theory was developed to explain decision making under risk. Subsequently, all three of them were recognized as having wide generalizability to other contexts, including the explanation of how internal reference prices are formed.

Adaptation-Level Theory

Adaptation is derived from the field of biology and means adjusting to prevailing conditions. Helson's (1964) theory states that the perceived magnitude and effect of a stimulus depend on its relationship to preceding stimuli. Experience with prior stimuli creates an adaptation level or reference point, and subsequent stimuli are judged in relation to it: "Stimuli impinge upon organisms already adapted to what has gone before, and internal states depend upon previously

existing internal conditions as well as external inciters to action” (p. 37). Thus, a new stimulus is judged against a standard to which an individual has become accustomed. The following example illustrates the theory in a sensory context for which it was originally developed:

If a person has lived in the silence of a desert, the birds and crickets of a farm will seem noisy. But if one has lived in the hubbub of Manhattan, the same farm sounds will seem blissfully quiet. However, after living on the farm for a while, the previous city dweller will then find Manhattan noisy. The reason is that new stimuli are incorporated into prior information so that the reference point is shifted (Maxwell, 2008, p. 52).

The adaptation level is the standard around which a scale of judgment of the acceptability of a phenomenon is anchored (Kalyanaram & Little, 1994).

Adaptation level is defined as “a weighted geometric mean of all stimuli impinging upon the organism from without and all stimuli affecting behavior from within” (Helson, 1964, p. 59). In the context of pricing, this adaptation level is the internal reference price. This is the price in people’s minds that has formed as a result of their experience. It is the criterion against which the acceptability of a price is evaluated.

Assimilation-Contrast Theory

Sherif and Hovland (1961) developed assimilation-contrast theory (also known as social judgment theory) based on results from a series of experiments they undertook with weights and numerical scales. They noted that their subjects used two processes when making psychophysical judgments, which they termed contrast and assimilation. Contrast denotes difference, repulsion and movement away from an object’s attributes or position, whereas assimilation denotes likeness, attraction and movement toward objects and quality (Helson, 1964). They generalized their original results in these terms:

When an anchor is introduced at the end or slightly removed from the end of the series, there will be a displacement of the scale of judgment toward the anchor and assimilation of the new reference point in the series. When, however, the reference point is too remote, there will be displacement in the opposite direction (i.e., away from the anchor) (Sherif, Taub, & Hovland, 1958, p. 150).

Their theory is similar to adaptation-level theory since it posits that an individual compares new stimuli to a background of previous experience. Sherif and Hovland (1961) proposed there was a latitude of acceptance for new stimuli that were tolerable, a latitude of rejection for those considered to be objectionable, and a latitude of noncommitment for those not evaluated as either acceptable or objectionable. Assimilation and contrast were viewed as complementary, not independent processes. Thus, while adaptation-level theory introduces the notion

of a reference point and offers an explanation on how it is derived, assimilation-contrast theory complements it by introducing the concept of a latitude of acceptance around that adaptation level.

The three latitudes or zones are shown in Figure 2, which transitions them from the original psychophysical context to the area of pricing. The latitude of acceptance recognizes that for a given service and quality level, people have a range of prices that are considered acceptable. A new price is assimilated and accepted only if the observed price is judged as being within that range. The range is then updated to incorporate the new information. The latitude of rejection characterizes prices that fall outside the latitude of acceptance, so a contrast effect occurs and the price is rejected. The latitude of non-commitment lies between acceptance and rejection. A new price is assigned to that zone if it is not immediately accepted or rejected. From here, the price may either be assimilated and accepted, or be classified as contrasting with the reference price and be rejected. Thus, new credible prices are assimilated and used to update the internal reference price. Prices that are not deemed credible are contrasted and probably rejected, and their influence on the reference price is likely to be relatively small.

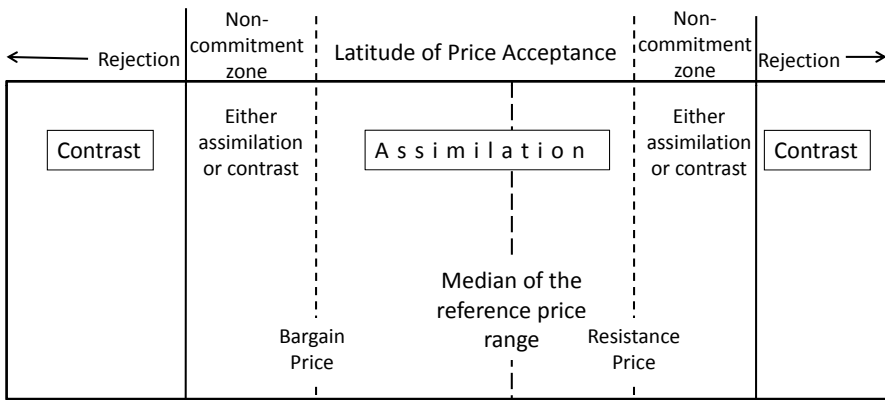


Figure 2. Conceptualization of the Latitude of Price Acceptance

Prospect Theory

Prospect theory emerged in 1979 (Kahneman & Tversky, 1979). It offered further refinement to explaining reference price formation in that it suggested why adaptation resulted in different anchor points being established when the potential outcomes of the adaptation were framed differently. Like the other two theories, it recognized that perceptions and judgments are relative, and evaluations of the acceptability of a price increase are made by comparing it to a

reference point. Indeed, the authors of prospect theory cite Helson's (1964) work in a sensory context and draw a direct parallel with it:

Our perceptual apparatus is attuned to the evaluation of changes or differences rather than to the evaluation of absolute magnitudes. When we respond to attributes such as brightness, loudness, or temperature, the past and present context of experience defines an adaptation level, or reference point, and stimuli are perceived in relation to this reference point (Helson, 1964). Thus, an object at a given temperature may be experienced as hot or cold to the touch depending on the temperature to which one has adapted. The same principle applies to non-sensory attributes such as health, prestige, and wealth. The same level of wealth, for example, may imply abject poverty for one person and great riches for another—depending on their current assets (Kahneman & Tversky, 1979 p. 278).

Kahneman and Tversky (1979) postulated that individuals attend to the prospect of gains and losses, and to the way in which these gains and losses are descriptively framed. They concluded from their empirical experiments: "A salient characteristic of attitudes to changes in welfare is that losses loom larger than gains. The aggravation that one experiences in losing a sum of money appears to be greater than the pleasure associated with gaining the same amount" (p. 279). This was their seminal contribution and it extended the other two theories' explanations of reference price formation.

Research during the 30 years since their theory was proposed has consistently reaffirmed the robustness of loss aversion. Thus, in the context of price, a gain occurs when a given price is lower than the reference price. In this situation, there is a high probability that a purchase will be made. When a loss occurs because a price is higher than the reference price, not only is a purchase less likely, but also the size of the effect is substantially greater. The proclivity for loss aversion means that "People feel the pain associated with a price increase more sharply than they feel the joy associated with a price decrease. They react more strongly to a negative change than they do to a positive change" (Raghubir, 2006, p. 1054).

This recognition explains why the latitude of acceptance shown in Figure 2 is asymmetrical with a smaller zone of acceptance for price increases than for price decreases. Prospect theory undergirds reframing efforts designed to change a participant's evaluation of an outcome through identifying who gains and who loses from changes in price. It also explains the effectiveness of several of the reference price related strategies.

Shapers of Internal Reference Price

Helson's (1964) original work suggested that the pooled effect of three classes of stimuli influenced whether a behavior was adapted:

- Focal stimuli – attributes of the stimulus that occupy the immediate attention.

- Contextual stimuli – variables that emanate from the context within which the focal stimuli are considered.
- Organic stimuli – inner psychological and physiological processes affecting behavior.

The potential of this theory for explaining how internal reference price is formed was recognized in the early 1970s (Monroe 1971a,b, 1973). It has been widely embraced by the marketing field since that time, and its component stimuli have been subject to substantial research conducted in the retailing sector. Some of the findings of this research can be adapted to the public parks and recreation field, but the transition requires that three substantive changes be made to Helson's (1964) original model.

First, it has been found to be efficacious to subsume Helson's focal stimuli into the contextual stimuli category (McCarville & Crompton, 1987a). This shifting of categories is not inconsistent with Helson's (1964) thinking. He recognized this was likely in some contexts noting:

The division of stimuli into three classes is largely a matter of convenience... What is focal at one moment may become background [contextual] or residual at the next moment...The particular class to which stimuli are referenced is far less important than is the determination of the contribution made by stimuli to level, regardless of what they are called" (p. 59).

Focal stimuli in Helson's theory are those to which an individual directly responds. An individual's reference price for a service is based on an assumed "values package." If the admission price is higher than the resistance price of the latitude of acceptance zone and is in the non-commitment zone, it may not be rejected if the on-site contextual cues accompanying it are also higher than those associated with the reference value package. Rather, the acceptance zone may be shifted higher to accommodate the admission price. This recognizes that on-site contextual stimuli associated with a given program can move the latitude of acceptance in a given direction.

In the parks and recreation field these on-site stimuli are the tangibles to which users are exposed when visiting a facility or participating in a program. This bundle of on-site stimuli may include such elements as features of the program, ambiance/atmosphere, quality of structures, dress of staff, level of crowding and program name. In essence, these are all elements of the context in which the experience will take place, so it is appropriate to classify them as contextual variables.

A second change is a modification of Helson's organic stimuli category. This embraced all "within" variables comprised of "inner determinants [that are] more or less independent of situational factors" (p. 378). In the context of pricing, the dominant "inner determinant" is likely to be the encoding of past experience. Prior experiences create residual knowledge. This obviously varies among

individuals and it profoundly influences people's perceptions of price. Reference points for an identical service may differ simply because of differences in past purchase contexts (Thaler, 1985). This was recognized in the parks and recreation field by McCarville and Crompton (1987a) who replaced "organic" with "residual" to connote past experience, and suggested "residual stimuli represent the relative influence of pervious purchase experience" (p. 283). A more comprehensive definition of residual stimuli is that they are perceptions of price derived from the internal processing of an individual's previous purchase experiences and previous information absorbed from external sources.

The third substantive change from Helson's model is the addition to it of a normative stimuli category. Equity is the key element that differentiates marketing in the public and private sectors (Crompton & Lamb, 1986) and the prevailing equity criterion in a community is likely to have a profound influence on people's perceptions of the fairness of a price.

Hence, in the parks and recreation field, expectations related to pricing decisions are created by the normative equity and residual knowledge anchors. Individual attitudes to a price—people's ways of structuring judgments as to its acceptability—are determined by how they perceive its context relates to those anchors (Figure 1). The serrated arrows in the figure indicate that the acceptability of a price in any context is likely to be influenced by both these anchors.

Residual knowledge is a composite of the unique life experiences that an individual has accumulated. The prevailing normative equity criterion establishes the principles of what constitutes a "fair" price as defined by a majority of a community's residents. Thus, at the personal and community levels, respectively, these two influencers serve as anchors.

When individuals view a price as being "unacceptable," it is outside their latitude of acceptance which reflects expectations created by the two anchors. For example, their residual knowledge may lead to rejection of a new price because "It is more than I paid in the past; than I paid elsewhere; or than my friends paid elsewhere."

Alternatively, the new price may be inconsistent with a community's prevailing equity criterion. For example: "I paid more than other users of similar economic status to me" (egalitarian equity); "It is too expensive, I cannot afford it" (compensatory equity); "Why should I pay so much when the community as a whole benefits from the service?" (market equity).

The two anchors are "givens" that park and recreation managers cannot manipulate and must work within. They create the expectations against which the acceptability of a price in a given context is evaluated. To meet the expectations created by these anchor influences, it may be necessary to provide additional information to stakeholders relating to the context of a pricing decision and to reposition or frame the information so it is congruent with their expectations. The goal is to facilitate their adaptation to the new price by providing new information that will be assimilated.

In the following sub-sections, a brief overview of the characteristics of each of the three types of stimuli that determines what constitutes an acceptable price is provided.

Residual Knowledge

The role of past experience in serving as an anchor against which to evaluate a new stimulus was recognized by Sherif and Hovland (1961):

Learning (i.e., the conditions and extent of past experience with the stimulus material), is an important determinant of the nature of an individual's judgment scale and his placements of relevant stimuli. ... Past experience in the form of practice provides the subject with an established reference scale which affects his placement of relevant stimuli (p. 183).

They also recognized the role of others' opinions in establishing the residual knowledge anchor: "The introduction of an explicit anchor in the form of another person's judgment, is found to affect judgment" (p. 182).

There is widespread acknowledgement in the behavior pricing literature that residual knowledge influences the extent to which a price is accepted by consumers (Rao & Sieben, 1992). Such knowledge may be acquired directly based on using an existing service, or by using a similar service from another park and recreation agency or from another source of service supplier. It may also be acquired vicariously from external sources, such as others in the social group, media, or promotional channels.

Residual knowledge refers not only to price information, but also to information relating to service quality. This enables potential users to make judgments about "value for money" likely to be obtained at a given price for a given quality of service.

Confidence about the level of accuracy of the residual knowledge is likely to vary according to the number and credibility of sources of the information from which it is compiled. The degree of confidence will affect the width of the acceptable price range. As confidence in the accuracy of the residual knowledge increases, the width of the latitude of acceptance is likely to decrease. Thus, those who perceive they have relatively little knowledge of a service's price are likely to consider a relatively wide range of prices as being acceptable and vice-versa (Rao & Sieban, 1992).

Prevailing Normative Equity Criterion

Sherif and Hovland (1961) recognized that the "formation of a reference scale [price] has to include the social setting: established norms" (p. 13). All societal units have norms that are guidelines prescribing how a majority of people in that community are likely to respond to a given situation. Norms are an expression of a community's values about the "right" or desirable way to act. There is unlikely to be unquestioned consensus on norms. Rather, there are likely to be differences in norms and values among different groups in a community, reflecting their different political, religious, heritage, ethnic and generational perspectives. However, a majority view will emerge and serve as the community norm until a different majority value system replaces it. The more diverse the community's population, the more rapidly the prevailing norms are likely to shift, but such shifts typically are gradual rather than precipitous.

The community norm that is most pertinent in the context of price decisions is the prevailing interpretation of equity. Equity is the criterion that people use to evaluate fairness. Notions of equity, like pricing strategies, are central to how public park and recreation services are allocated. The challenges associated with operationalizing equity in the context of leisure services have been expressed in the following terms:

Equity is a pseudo-cognate term in that many who use it assume that everyone has the same intuitive definition of it. This is a fallacious assumption. Equity is not necessarily synonymous with equality, which refers to 'sameness,' although it can be. Rather, equity refers to fairness and justice. It addresses the question, "Who gets what?" or in normative terms, "Who ought to get what?" These questions undergird much political debate and move equity into the multifaceted realm of individuals' value systems, which makes its operationalization elusive. Not only is equity difficult to define, but invariably it is controversial when it is defined (Crompton & West, 2008, p. 36).

There are five distinctively different conceptualizations of equity (Crompton & West, 2008). These guide pricing strategy since if the pricing strategy is not consistent with the conceptualization of equity that prevails in a community, then it will not be viable. The implications for pricing decisions regarding each of these equity conceptualizations is briefly discussed in the following paragraphs.

Compensatory equity "involves allocating services so that economically disadvantaged groups, individuals, or areas receive extra increments of resources" (Crompton & Wicks, 1988, p. 290). Two different pricing guidelines are commonly used to accommodate this conceptualization of equity.

First, keep all prices low so they are not a barrier to participation by those who are economically disadvantaged. This approach means substantial consumer surplus revenues will be foregone by the agency. Failure to charge those who can afford to pay means there are fewer resources available to subsidize more services for the economically disadvantaged. Further, if the economically disadvantaged are not major users of a service, then this approach means their taxes (the alternative funding source to pricing revenues) are used to subsidize wealthier participants. This creates a distorted payment system that leads to inverse income redistribution and is counter to the compensatory equity goal.

A second approach is to differentially price so the economically disadvantaged pay a lower price than others. The challenge is to implement this in such a way that they are not stigmatized.

Egalitarian equity directs that all residents should be treated equally. This suggests that all public park and recreation services should be priced so they "break even." This would ensure that non-users are not subsidizing users.

Among users, this desired equity outcome embraces horizontal equity—that equals should be treated equally (Crompton, 1984(a), (b)). This means, for example, reviewing the prices of season and multiuse discount passes to see if there is any rationale for taxpayers who participate infrequently paying substantially higher

per use prices than pass holders; to ensure that some age cohorts (e.g., senior citizens) do not pay less than other age cohorts of similar financial status; and that pricing policies are consistent across different types of activities.

Market equity is based on the Benefit Principle articulated by Thomas Hobbes and John Locke in the sixteenth and seventeenth centuries, respectively. It directs that those who benefit from a park and recreation service should pay for it and not seek tax subsidies provided by others. This is a bedrock principle of contemporary “fiscal conservatism.”

Pricing policy designed to respond to this desired equity outcome is governed by the Range of Benefits Continuum shown in Figure 3 (Crompton, 2007). The primary characteristic of services delivering user benefits is that the benefits are received by participating individuals rather than by the rest of the community. Hence, a price should be designed to recover all the service’s costs. Many would categorize services such as adult athletics, and facilities such as skiing developments, equestrian stables, and marinas as amenities from which benefits are received almost exclusively by users.

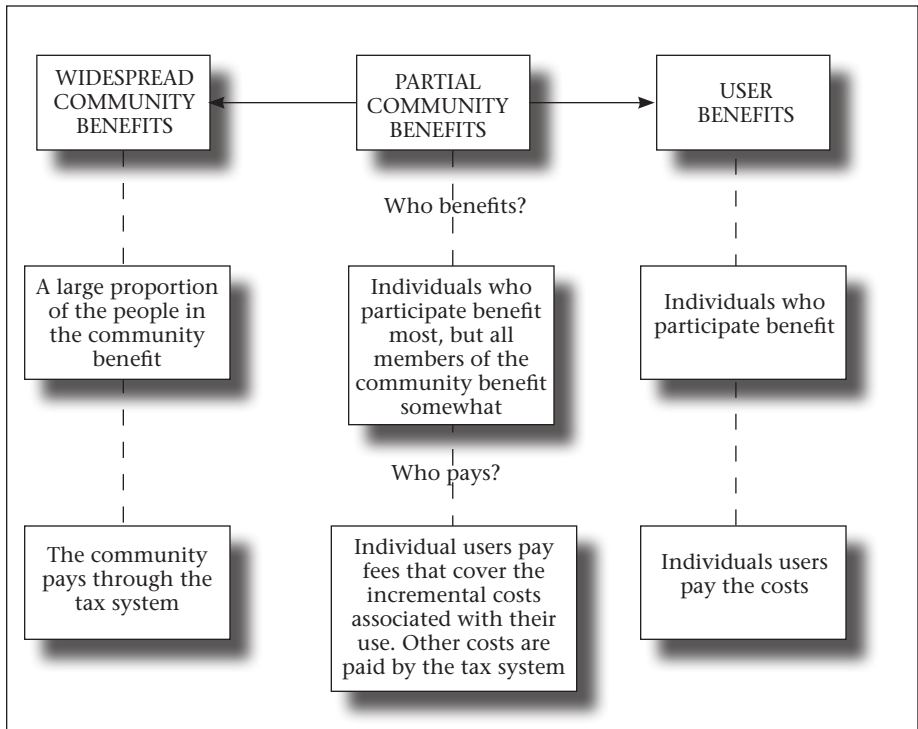


Figure 3. Pricing Implications of the Range of Benefits Continuum

At the other end of the continuum shown in Figure 3 are *widespread community benefits* from which a large proportion of community residents benefit rather than only a small number of users. Because the benefits are shared by all or most residents, the cost of these services is borne by taxation revenues in a community's general fund rather than by revenues from prices paid by individual users. Facilities such as urban parks typically are considered to deliver widespread community benefits. Services perceived as having widespread community benefits often derive this status from long established social norms. Consider the following scenario:

You enjoy smelling the fresh air in the park that you pass on your way to work and mention this enjoyment to a friend. Suppose that a young entrepreneur overhears your conversation and convinces city hall to charge 10 cents for passage by the park when the flowers are in bloom. How would you react to this new policy? Many would be outraged and refuse to pay because it is contrary to established cultural practice (Amir & Ariely 2007).

Figure 3 shows that there is another category termed *partial community benefits*, which lies somewhere between the first two. These have some attributes of the other two categories in that some of the benefits are received by individual users, but some benefits also accrue to nonparticipants. For example, if an athletic tournament attracts teams from out of town, then user benefits are received by the individuals participating, but the community as a whole receives benefits derived from spending in the jurisdiction by out-of-town visitors. For these services, individual users should pay a price that covers the incremental costs associated with their use, while other costs are paid by the tax system.

The *Maximize Community Benefit* equity criterion is derived from the utilitarian philosophy of "the greatest happiness for the greatest number" (Mark, 1969, p. viii). It directs that public park and recreation resources should be invested so they deliver the greatest net benefits to the community. It favors whatever regime produces the greatest total utility and is analogous to a private firm seeking to maximize profits from its investments. In contrast to the compensatory and egalitarian criteria, this desired outcome ignores the distribution of benefits (Crompton & West, 2008).

Aggregate benefits are likely to be maximized by accruing as much revenue as possible with minimal tax subsidy, since this will enable more services to be delivered. In many communities where there is pressure to cut taxes, or at least not to raise them, retention or expansion of park and recreation services is dependent on revenue from prices.

The *libertarian equity* perspective focuses on reducing public spending: "Its advocates emphasize minimal government investment and believe that tax cuts should prevail over sustaining or increasing existing investments on leisure services" (Crompton & West 2008, p. 50). Using this criterion, public parks and recreation services are likely to be considered "non-essential" so they should not be provided by governments. However, if this radical view does not prevail, then

the alternative position is likely to be to charge the highest price the market will bear to remove as much tax subsidy as possible.

There is likely to be some dissonance between a community's prevailing equity criterion and alternate views of equity held by those whose perspective does not prevail. The democratic process suggests that the equity outcome supported by the majority will prevail; but the dissonance makes it likely that passionate feelings of anger and outrage are likely to accompany price increases that some perceive to be unfair. The contextual information changes discussed in the following sub-section and the reframing strategies discussed later in the paper are intended to minimize such controversy.

Context

When confronted with a new price, potential users ask: Is the service still good value for money? Value is a function of quality/price. A given price may be considered unreasonable in one context but be acceptable in another. Thus, in a given context, focus is not only on price but also on quality of a service. As the perceived quality of a service changes, so will its perceptions of price fairness.

It is inappropriate to consider price expectation without considering the context in which this expectation is generated. Consider the array of contexts in which a given bottle of wine may be purchased. Its reference price in an up-market restaurant is likely to be higher than in a low-end restaurant; but the reference price in the low-end restaurant will be higher than in a specialty store; and, in turn, that price will be higher than in a discount store. Thus, the same bottle of wine may have four different reference prices associated with it which vary according to the context in which it was purchased. The key differentiating elements in this example are the features of the facility where the wine is purchased. This is also the key contextual variable in determining the quality of many park and recreation services.

Generic features of context that may influence quality of a service are likely also to influence reference price. Thus, potential users will likely consider macro factors of a context such as: Is it a public or private swimming pool? Is it located in an affluent or deprived area of the community? Is it in the off-peak or peak period? However, they are likely to give more weight to micro features that characterize the quality of a specific service.

Residual knowledge and prevailing normative equity are "givens", that is, they are shapers of price acceptability which establish parameters that managers have to accept and work within. In contrast, the contexts within which users perceive price acceptability are malleable, that is, they can be influenced and shifted by managerial action. Shifts in users' contexts can lead to concomitant changes in their perceptions of price acceptability. The primary tool available to managers to shift contexts is the development of communication messages that reframe perceptions of value.

Reframing Perceptions of Value

The evaluation process of a price's acceptability is often characterized as follows: "New price information is compared to the reference price and this determines an individual's assessment of whether the new price is too low, too high, or about right" (Monroe & Petroschius 1981, p. 45). However, this is an incomplete explanation. Reference price assesses whether the value bundle in a given context makes the new price "too low, too high, or about right."

When a price increase is imposed that is outside the reference price latitude of acceptance and the quality of the service has not changed, then there is likely to be user resistance. For the new price to be accepted, perceived value has to be enhanced. This can be done by addressing either the numerator or the denominator of the quality/price value function.

The numerator could be strengthened by sufficiently enhancing perceptions of a service's quality so it becomes commensurate with the increment of the price increase. Alternatively, the acceptability of the denominator (the new price) could be reinforced by providing users with new information related to the costs of service delivery or related to the impact of these costs on other stakeholders. The general principle is that consistency with reference price can be substantially influenced by the way in which a public parks and recreation agency frames the context of the information it provides without distorting the veracity of that information.

Traditional information dissemination strategies in parks and recreation have revolved almost exclusively around providing factual information on program, time, price, and location. Given the relative importance of reference price in users' perceptions of actual price, consideration may usefully be given to providing users with information designed to enhance perceptions of quality or related cost information which could change the context against which users evaluate a price. Public park and recreation agencies typically have not implemented such strategies in the past (McCarville & Crompton, 1987a).

Enhancing Perceptions of Quality

It is widely recognized that five elements determine the quality of a service: reliability, responsiveness, empathy, assurance, and tangibles (Parasuraman, Zeithaml, & Berry, 1985). The first four of these primarily reflect interactions with personnel, but many park and recreation services do not require users to have much interaction with agency personnel. For the most part, agencies provide facilities (parks, swimming pools, athletics fields, recreation centers, ice rinks, et al.), and individuals and groups use them without much interaction with agency staff. Thus, it is the facilities that are the major contributors to the quality of users' experiences.

For this reason, it is the tangible elements of a service—the physical things that people can observe at a site—that serve most frequently as cues from which the likely quality of experience being offered is inferred. The question for park and recreation managers is whether those cues tell the intended story: "Most of us unconsciously turn detective ... processing what we can see and understand to decipher what we cannot" (Berry & Bendapudi, 2003, p. 101)

A park and recreation agency's parks, landscaping, buildings, equipment, furnishings, ambiance, signs, colors, art, personnel dress (does it convey professionalism and expertise?), program names, and other sensory stimuli offer a plethora of clues about the likely quality of an experience "and these clues have a disproportionate impact on customers' overall evaluation of the service. ... In effect, [they] offer significant surrogate evidence; the facility tells a story about the service that the service cannot entirely tell by itself" (Berry et al., 2004, p. 5). Thus, if the quality cues are upgraded and this is effective in changing the perceived context, then a higher reference price is established and a new price becomes more palatable.

The following paragraphs suggest six strategies for enhancing perceptions of a service's quality: add features to the service, describe all the attributes of a service, promote benefits, focus on ambiance; change program names, and link to external recognitions.

Adding features can sometimes raise quality without substantial investment. For example, if a charge is imposed for the first time at a museum or the price of admission is increased, an additional feature such as a conducted tour, special lecture series, or a new exhibit may increase users' perceptions of the value of the service and thus foster acceptance of the price increase. Thus, early work by McCurdy (1970), who tracked reactions to a fee program at a National Wildlife Refuge, concluded, "If improvements are made at the time fees are initiated or increased, disapproval by the public is minimized" (p 646).

A detailed description of all a service's attributes and the benefits it offers may assist in raising its perceived value. One recreation agency decided to charge a price of \$4 for family uses of a beach at which there had previously been no charge. For the first time, the agency stressed all the 20 amenities available at the beach and pointed out that they cost only 20¢ each for a family's use for a whole day. These amenities, which included such things as professional life guards, picnic tables, barbecue pits, and so on, had been available in previous years when there was no admission price. However, no attempt had been made to make users conscious of them. By stressing the range of services available, the agency was seeking to raise its clients' perceptions of the value of the beach and to reassure them that the \$4 admission charge was a reasonable price to pay in exchange for what they received.

A similar approach was adopted by a city that identified the proportion of the fee being charged that went to pay for each element of its services. For example, those who registered for softball were informed that 10% of their fee paid for the lights; 30% for the umpires; 15% for trophies; and 45% for field maintenance (McCarville 1992).

It has long been recognized that users of park and recreation services do not seek the services *per se*, rather *they seek benefits* (Crompton, 2007). They participate in order to seek socialization, social recognition, excitement, fantasy, relaxation, ego satisfaction of achievement; feeling of well-being, etc. Traditionally, many agencies focus on programs and facilities; list where and when they are available; describe the structures, meeting rooms, classes and amenities; but rarely do they

describe benefits that emanate from this infrastructure or promote testimonials from their users which verify those benefits.

The *ambiance* or *atmosphere* at park and recreation facilities is a critical component in determining quality of a service. If facilities are dismal, dowdy and unattractive, then they are unlikely to facilitate the benefits that users seek. Consider the analogy with selecting a restaurant for an evening out. Frequently, the selection is not preferred because of its distinctive food quality, since there are probably a number of others with similar food standards. Rather, selection is likely to be made on the basis of "atmosphere."

Little things can have a major impact on the atmosphere created. Negative cues about quality can be communicated by such things as overflowing garbage cans; litter; temporary or dilapidated signs; outdated posters or notices; indifferent staff manners and demeanor, or sloppy dress; and lack of cleanliness of agency vehicles. Small investments in landscaping at high visibility locations may result in incremental gains in perceptions of a service's quality. A park and recreation facility that projects an old fashioned, rundown visual appearance can hardly be expected to inspire confidence among users that it really does offer opportunities for a high quality experience.

The marketing literature has confirmed that names are one of the strongest signals of quality (Rao & Monroe, 1989). People use names as an heuristic that provides information about a service. The importance of names was emphasized by the authors who introduced the notion of "positioning" into the marketing lexicon:

The name is the hook that hangs the brand on the product ladder in the prospect's mind ... the single most important marketing decision you can make is what to name the product. Shakespeare was wrong. A rose by any other name would not smell as sweet. Not only do you see what you want to see, you also smell what you want to smell. ... and Hog Island in the Caribbean was going nowhere until they changed its name to Paradise Island (Ries & Trout, 2001, p. 89).

A program's name may be the only information potential users have available when evaluating the acceptability of a price, so it must make the benefits of participation clear. It has been demonstrated that the additional role of program names of denoting quality and value could increase price expectations by 30%. McCarville and Garrow (1993) reported:

We gave almost 200 people a hypothetical newspaper advertisement. The ad described a fitness club. One group of subjects was told that the club was called "The Gym." This name focused on the physical structure and is typical of many club names across the country. This group expected to pay \$312.58 for an annual membership in this club. A second group was told that the name of the club was "The Ideal Health and Fitness Club." This name focused on the benefits to be enjoyed through participation. This group expected to pay \$439.90 for a membership in this gym (a 30-percent increase) simply because of the more appealing name (p. 348).

Consider the informational cues and connotations of quality associated with the following pairs of names, which in each case have been used to describe the same program or facility:

Tumbling	Gymnastics
Sailing	Yachting
Reservoir	Lake
Day care	Child development center
Par 3 golf course	Executive golf course
Hobby shop	Skill development center
Gym	Fitness center
Law enforcement	Visitor protection
Staff training	Career development training
Calisthenics	Aerobics
Outdoor recreation	Outdoor adventure

For many people, especially neophytes, the names on the right are likely to connote a higher quality service than do the names on the left.

Finally, if an agency receives *outside recognition or awards*, this can serve to raise the value of its services in users' minds. If an agency's staff, its facilities, or its programs have been recognized as outstanding by some external body, then users need to be aware of this. Representation of such recognitions should appear on letterhead, notice boards and brochures. These awards serve to point out to citizens the superior quality of the services being offered and make it easier for users to accept price increases.

Changing Perceptions of Price by Providing Cost Information

All price increases outside the latitude of acceptance that violate the reference price are likely to meet with resistance. A key to overcoming that resistance is to demonstrate to skeptical users that, despite their magnitude, the increases are justifiable, reasonable, and acceptable. Attributional theory is central to this process. It recognizes that people are likely to search for causal evaluations for an event that is both surprising to them and has negative consequences for them (Folkes, 1988; Weiner, 1985). A price increase outside the latitude of acceptance meets these criteria, so users are likely to want to know about changes to which the price increase can be attributed.

Attributions explaining fairness of a price and imputations of an agency's motives behind raising price are contextual influencers that can be used to shift reference price. There is substantial evidence suggesting that justifications or explanations for an act influence perceptions of fairness (Bies, 1986, 1987; Bies & Shapiro, 1987; Brockner & Greenberg, 1989; Fincham & Jaspers, 1980; Urbany, Madden, & Dickson, 1989). This evidence led Xia et al. (2004) to recommend, "marketers should proactively provide relevant information to influence buyers' attributions for the price discrepancies (p. 9)." In the context of public parks and recreation, McCarville et al. (1996) reported "If justifications for new fee initiatives were not made explicit, perceptions of unfair treatment seemed to be exacerbated (p. 74)."

Acceptance of the explanation is likely to be influenced by the extent to which a price increase is “controllable” by the agency or attributable to “uncontrollable” market forces. Kahneman et al. (1986) developed the Principle of Dual Entitlement. This suggested that in the private sector when a firm increased price to increase its profits (i.e., a controlled action) it was likely to be considered unfair, but that an increased price was likely to be perceived as fair if it was designed to maintain the firm’s existing level of profit (i.e., the price increase was proportionate to the firm’s increase in costs).

Thus, in the public parks and recreation context, if a price increase is attributable to a change in the prevailing equity norm—e.g., from compensatory to egalitarian equity, or from egalitarian to market equity—it is controllable. A decision to seek a greater amount of revenue from a program to recover a greater proportion of costs may have emanated from a change in membership of the governing body, changing economic conditions, or whatever, but the decision deliberately shifts the community norms of what constitutes fair behavior.

Attributing a price increase to this source is likely to be controversial, and its justification lies in enforcing the principles undergirding the new norm that were discussed in the earlier section of the paper on Prevailing Normative Equity. The social norms or rules of behavior have changed, and the rationale for the change and the new rules of behavior have to be explained.

Alternatively, if a price increase is commensurate with, and proportionate to, an increase in the costs of a program, then it is likely to be viewed as “uncontrollable” by users. In this situation, users’ perceptions of unfairness are likely to be attenuated and the price increase accepted when the cost information is provided to them. Indeed, it has been noted that, “Dual Entitlement’s basic premise that cost-justified price increases are perceived fair has not been questioned” (Vaidyanathan & Aggarwal, 2003, p. 454).

Users of a park and recreation service are likely to have little knowledge of either an agency’s costs, or of the proportion of costs of a given program that revenue from pricing recovers. Indeed, most users probably do not recognize that a subsidy is involved, because it is unlikely to be an issue to which they have given conscious thought. When awareness of this is aroused, it is likely to change the context within which they perceive the magnitude of a price increase. Providing this information is likely to influence perceptions of fairness. This strategy was urged by early researchers of this effect in the field based on the positive results with it that they reported:

[These results] suggest that a well-developed information program about the rationale or need for higher fees may be an effective way to increase users’ understanding and acceptance of the increase. It may also significantly decrease complaints associated with the fee increase (Reiling et al., 1988, p. 216).

Evidence in the public parks and recreation literature supporting the impact of cost information on raising reference price is substantial and convincing. In the earliest of these studies, McCarville and Crompton (1987b) investigated the

impact of cost information on reference price for a city's public swimming pools. Their probability sample of 254 adult city residents was comprised of both users and non-users of the pools. They were asked, "What would you expect to pay for a swim at a city pool?" Those who were informed of the cost per pool visit reported price expectations that were 38% and 33% higher than those who did not receive this information among users and non-users, respectively.

Existing fees for residents and non-residents at Maine State Parks were \$5 and \$6.50 per night, respectively. When Reiling et al. (1988) informed them that it actually cost \$11 to provide a state park campsite, the proportion of respondents who believed the existing price was too low increased from 9% to 38% among residents, and from 8% to 45% among non-residents.

Two studies by McCarville (1991) and McCarville et al. (1993) used a similar protocol, but reported somewhat different results. In the 1991 study, McCarville provided two groups with information about an aerobics program comprised of 12 class sessions. The treatment group members were informed the cost of providing the program was \$50, while the control group were given no cost information. The two groups were asked: "What is the most you would be willing to pay if you were to attend all the classes?" The treatment group mean was \$37.07, which was 27% greater than the \$29.02 average reported by the control group.

The same aerobics program scenario was presented to a different sample from the same population by McCarville et al. (1993). In this experiment, much higher price expectations were reported. The mean response of the control group was \$40.42, while the treatment group that received the \$50 cost information reported an average price expectations of \$54.91 which is an increase of 36%.

In a replication of McCarville et al.'s (1993) study, Kyle et al. (1999) collected data from participants in a 10k road race. The control group (n=75) were given only basic information relating to products and services participants received for their entry fee, which was \$14 in advance and \$16 on race day. The treatment group (n=77) were given the additional information that it cost the city \$25 to provide each participant with the current level of service. They were asked, "What would you be prepared to pay to enter next year's race?" The control group's average response was \$16.45, while the group receiving the cost information reported an average of \$19.86, which is an increase of 20%.

Coalter (2004) provided 1,344 users at six recreation centers with the following information: "Local authorities keep charges for leisure activities low by subsidizing them. If this subsidy was removed, the charge for the activity which you did today might double." He reported that 55%-62% of his sample was willing to pay a higher price after receiving that information.

Finally, Crompton and Kim (2001) reported results from two studies in which the influence of cost information on reference price was evaluated. In Study 1, 2,465 respondents over the age of 65 who currently received free admission to Texas State Parks were asked for their response to being required to pay half price. Among the control group members, 77% indicated a willingness to do this. When cost information was provided to a treatment group, this increased to 81%. Although this was a significant difference, the distinctive feature of these results was the large proportion of all respondents who supported the fee increase.

In Study 2, 2,688 respondents were chosen randomly from a list of those holding a current Texas driving license. They were presented with an admission price for Texas State Parks that was higher than the current price and asked to report their response to it over a five-point scale ranging from “much too low” (1) to “much too high” (5). Among park visitors, the cost information had no influence. The control and treatment groups reported average scores of 2.9 and 2.8 on the scale. However, among non-visitors there was a substantial difference between the groups. The control group score was 3.07, whereas that of the cost information group was 2.63, indicating they were significantly more likely to believe the price was too low. From the perspective of non-visitors, it is rational for prices to be raised so they do not have to provide as much support for parks through their taxes.

These studies suggest that users are willing to take responsibility for more of the subsidized costs when they are made aware of them through paying a higher price, and that non-users expect them to do so. However, while the cost information was consistently effective in raising the reference price, in only one of the studies did it raise the level high enough to cover all the costs. This pattern appears to hold for non-users as well as users. This is perhaps surprising since they could be expected to be advocates of full cost recovery in order to reduce the amount of tax support they have to provide. This suggests there is a prevailing equity norm that there should be some level of subsidy for park and recreation services.

Several studies extended the cost information strategy by linking it to possible outcomes. For example, guided by prospect theory, McCarville et al. (1993) hypothesized that outcomes that focused on either losing or gaining may influence participants' perceptions. Hence, they developed four experimental hypothetical scenarios that suggested that gain from the revenues collected may accrue either to (a) the respondent's program or (b) to another program if fees collected exceeded the program's costs; and (c) the program may be reduced or terminated or (d) maintained at the expense of other users if a higher price was not paid. Their results indicated that only scenario (d) raised subjects' price expectation to a level higher than that achieved by the cost information message and its added effectiveness was marginal and not statistically significant.

For the most part, other similar studies indicated that augmenting the cost information message is unlikely to significantly shift reference price (Kyle et al 1999, Crompton & Kim 2001, Lemelin et al 2006).

Idiosyncratic Acceptance of Quality and Price Information Messages

The effectiveness of quality and/or cost information on reframing perceptions of value in a given target population will vary because it is likely to be “idiosyncratically evaluated and interpreted” (Petty et al., 1992 p. 79) by those receiving the message. Thus, the price behavior of some is likely to be positively changed, while others will be unresponsive.

Early explanations for the differential response were offered by Sherif and his associates based on results from their research empirically testing the utility of assimilation-contrast theory. They concluded that two main factors were influen-

tial: credibility of the source of the communication, and ego involvement of the message recipient (Sherif & Sherif, 1968).

There is a substantial literature dating from Asch (1940) demonstrating that the effectiveness of information messages is influenced by a recipient's perception of the credibility of its source. Hence, if a park and recreation agency has a good reputation for transparency and integrity, then messages regarding quality and cost of services are likely to be effective and the converse will similarly be true. In essence, a high level of trust by users widens their latitude of acceptance, while a low level of trust narrows that zone.

Indeed, the very act of providing users with detailed, accurate cost information is likely to enhance users' perceptions of an agency's credibility and trustworthiness. Support for this probable outcome is provided by signaling theory which emanates from information economics (Spence, 1974). It suggests that in contexts such as this where users and an agency have asymmetric information, if the agency "signals" information so users become fully informed, then enhanced trustworthiness results and price controversy is minimized.

In terms of ego involvement, Sherif and Sherif (1968) concluded: "Individuals differentiated as to involvement do show systematic differences in their perceptions of the position presented in communication" (p. 120). The more important respondents perceived an issue to be, the more likely they were to actively engage with a communication. The implications of this for assimilation-contrast theory were stated in these terms: "We conclude that the range of assimilation is inversely related to the degree of personal involvement" (Sherif & Sherif, 1968, p 131).

In the context of price, this suggests that as the latitude of acceptance narrows, the role of personal involvement increases. By definition, users of a park and recreation service are likely to regard a service to be important and be ego involved with it. Hence, if a price increase is outside the latitude of acceptance, they are likely to cognitively engage with information messages related to it.

Sherif's work presaged that of Petty and Cacioppo (1981) by a decade or more. Their Elaboration Likelihood Model expanded on the role of ego involvement in message acceptance by postulating two "routes of persuasion": the "central route" and the "peripheral route." In the context of leisure, these were subsequently relabelled as the active/deliberative route and the passive/nondeliberative route (McCarville et al., 1992).

In the active/deliberative route, people actively cognitively engage with the information and evaluate the issue and relevant arguments in the communication. Much of the pricing research in parks and recreation has assumed this route, especially that related to cost of service information and disposition of revenues (McCarville & Crompton, 1987b; McCarville et al., 1996; Ostergon et al., 2005; Winter et al., 1999).

Despite their engagement with the information, some may remain unpersuaded because as part of their active processing they weigh the information against counterarguments. For example, consider the public outcry when a one dollar admission fee was proposed for a visit to the Statue of Liberty. The outcry was not abated when it was pointed out that "this modest charge [was] far less than fees charged by tour boat operators and parking lot managers for their services"

(Noble, 1987 p. 13). The proposed fee violated normative expectation, so the cost information message gained no traction. Similar reactions often occur when fees are proposed for the first time for youth activities such as Little League baseball. For many residents, their long-established normative expectations of zero price will nullify the potential influence on any cost or quality information messages.

The passive/nondeliberative route is taken when people have low motivation or ability to process the information. In this case, in lieu of active cognitive engagement, simple cues are influential such as, credibility of a message's source, and comparisons and associations. Reference price is probably the most influential of these simple cues. If a price increase is within the latitude of acceptance, then it is likely to be passively accepted.

The role of external comparisons and associations as simple cues has remained unexplored in the leisure pricing literature. Such comparisons may include the use of discounts (e.g., regularly \$10, now \$5); comparative prices of other providers; offering a high priced service so the other services' prices are perceived to be relatively low; and facilitating acceptance of price discrimination (Crompton, 2011).

Concluding Comments

Pricing is one of the most technically difficult and politically sensitive areas in which public park and recreation directors have to make decisions. Almost 40 years ago, Arnold Meltsner (1971) noted:

The "perfect" local user charge is not one where the payer gets the benefit, or where resources are properly rationed, or where service levels are determined or where there are no income distribution effects. For the local official, the perfect user charge may have these features but of overriding importance to him or her is whether the public will resist paying for the service (p. 271).

This paper provides a conceptual framework that offers guidance as to how managers can implement new prices or changes to existing prices while minimizing resistance from the affected users. The theoretical structure offers explanation that informs what traditionally have been unexplainable reactions to pricing decisions.

The starting point is to recognize the central role of internal reference price. This is the benchmark criterion used by participants to evaluate whether or not a new or revised price is acceptable. The process is explained by Helson's (1964) adaptation-level theory. The key to minimizing resistance is to ensure that a proposed price is perceived to be consonant with reference price. Sherif and Hovland's (1961) assimilation-contrast theory explains that there is a latitude of acceptance around an internal reference price and if price changes remain within that latitude of acceptance, then they will meet with little resistance. Prospect theory (Kahneman & Tversky, 1979) explains that perceptions of the range of the latitude of acceptance around a reference price are influenced by how a new price is framed and presented to users. In prospect theory terms, prices above the

reference price constitute losses to those who are required to pay them. Because people respond more strongly to losses than to gains, the latitude of acceptance is asymmetrical with a smaller zone of acceptance for price increases than for price decreases.

The three shapers of internal reference price are residual knowledge, the prevailing normative equity criterion, and context. Managers cannot influence residual knowledge since it is the sum of potential users' past experiences. There is likely to be some dissonance between a community's prevailing equity criterion and alternate views of equity held by others whose perspective does not prevail. Nevertheless, adopting an approach to pricing that is consonant with the prevailing values is likely to minimize controversy.

It is the context shaper of internal reference price that gives managers most opportunity to influence reference price. When confronted with a new price, potential users are likely to ask: is the service good value for money? Value is a function of the relationship of quality to price. Thus, implicit in a reference price is an associated level of quality. If a proposed price is outside the latitude of acceptance, the challenge for managers is to raise perceived value so the reference price is increased. This can be done by using a variety of strategies to enhance perceptions of a service's quality. Alternatively, it can be achieved by reframing the price increase as being attributable to a concomitant increase in cost; or by pointing out that a tax subsidy is still required since revenue generated from a price increase remains insufficient to cover a program's costs.

People frequently do not respond positively to pricing decisions based on the economist's rational models because the models fail to consider individuals' residual knowledge, prevailing community equity norms, and differences in the contexts in which park and recreation services are delivered. A key to removing controversy from pricing decisions is to start with what the user believes to be an acceptable price. Understanding how that is formulated and how it may be changed with communication messages designed to shift the context within which price is viewed, makes it more likely that managers will practice the art of pricing more effectively.

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