



## IMPACT OF OPAQUE MARKETING OF CAR RENTAL SERVICES ON TRAVELER SATISFACTION

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### Abstract

Car rental service is a significant aspect of the travel experience. Priceline and Hotwire are popular opaque sales channels for car rentals, to significantly affect traveler satisfaction. The study investigated how car rental through Priceline and Hotwire affects traveler satisfaction. Car rentals through these channels can positively or negatively affect traveler satisfaction. Price sensitivity, income range and time constraint are factors that influence traveler satisfaction, particularly the extent of customer concern over quality, service details and willingness to bid or search for low prices. Contribution of car rental experience to traveler satisfaction is likely higher for price sensitive and/or low-income consumers without time constraint. Coordination between opaque selling channels and car rental firms can improve traveler experience. Awareness of the risks of opaque selling channels can increase the experience economy and help customers have a better car rental experience with opaque marketing channels.

**Key Words:** Transportation, car rental, experience economy, opaque marketing, name-your-own-price (NYOP), traveler satisfaction

### Introduction

The car rental industry remains an intensely competitive component of the travel sector because of continuous demand and many competing firms. Travel and Transport, Inc. (2010) reported that airline rate increases of 3 to 6 percent in 2011, which were due to ancillary and other fees, strengthened car rental as an option for travel. At the same time, competing large industry players kept car rental prices stable but prices are set to decrease by 2.5 percent in the next years (Travel and Transport, Inc., 2010). Constant or decreased rental rates will likely contribute to growth in car rental demand. Marketing practices will also determine the competitive position of car rental firms.

One of the reasons cited for the trends in the car rental industry is growth in the online travel market choosing land transportation. In the U.S., the car rental industry caters to domestic and local customers traveling for business or leisure. Five of the leading online car rental brands are National, Hertz, Avis, Alamo and Budget. Websites selling these car rental brands use posted pricing (Joo, Mazumdar & Raj, 2012).

Opaque websites are new online marketing channels for car rental services. These websites affect demand and competition in the car rental industry via the name-your-own-price (NYOP) or reverse auction system, which is distinguishable from posted pricing. In the NYOP system, customers bid for car rental service instead of settling for a posted price (Joo et al., 2012). Bidding happens with limited knowledge of the car rental details and by selecting only the point of origin, destination, date and/or car brand (Jiang, 2007; Wang, 2010). Customers winning the bid learn of the car model and other specifications upon pick-up.

Opaque websites are gaining importance, since according to estimates, opaque selling channels have 90 to 95 percent customer retention rate (Stellon, 2011). In the next three years, growth in the car rental market is set at 5.25 percent per year, with significant contribution from opaque distribution channels (AM Mindpower Solutions, 2011). Two of the most popular opaque websites offering car rental services are Priceline.com and Hotwire.com. These websites offer car rental services from different sellers.

As intermediaries, opaque selling channels mediate car rental services between sellers and buyers. In the bidding system, with customers not knowing the price threshold, customers may obtain services for prices that could be lower or at par with posted prices. On one hand, opaque selling channels can serve as alternative distribution venues for cheap car rental to price-sensitive consumers (Zouaoui & Rao, 2009). On the other hand, the reverse auction mechanism can confuse buyers over whether they are getting a good deal or not, especially in not knowing full details of the service (Fay, 2009). Customers could also bid at prices higher than the threshold to rent a car at prices similar or higher than the posted price, to their disadvantage. Buyers are not aware of the price threshold, which could lead them to bid at values lower than their capability to pay, to the disadvantage of sellers (Fay, 2008). NYOP marketing can create benefits and downsides to travelers renting cars.

With travelers bidding for a car rental service without knowing the price threshold and all the service details, this creates the issue of whether the NYOP system contributes to the satisfaction of travelers using car rental services purchased through opaque channels. The results inform on the impact of opaque car rental channels on the online travel

market. Comparing the characteristics of opaque marketing channels with the elements of customer satisfaction of travelers addresses this issue.

## Literature Review

### *Characteristics of Opaque Marketing Channels*

The various characteristics of opaque marketing websites explain how this process works in car rental sales and the impact on the online travel market. Four characteristics emerge from the literature.

The first characteristic of opaque marketing channels is the name-your-own-price (NYOP) or reverse auction system. In using these websites, customers offer their price for a date and duration of service or choose a price range for a list of service offers. In fostering participative pricing, reverse auction can motivate customers to make actual purchases within their desired price range (Mang, Post & Spann, 2011). NYOP caters to the price sensitive or price conscious travelers, who were not fully reached by existing channels (Anderson, 2009; Zouaoui & Rao, 2009).

Opaque products appeal more to customers who prefer to buy at dis-

counted prices or have no specific service preferences (Fay, 2008). Bidders do not need to worry about the bids of other customers because they are bidding against the price threshold (Wang, Gal-or & Chatterjee, 2009). The ability to serve price sensitive customers by addressing their motivation to purchase not only meets demand but also raises revenue (Zouaoui & Rao, 2009).

However, several factors determine the outcomes for consumers. Wang et al. (2009) report that haggling differs among high-end and low-end consumers. Joo et al. (2012) similarly explain that haggling depends on the price sensitivity of customers. Buyers who are more concerned with price are more willing to haggle for the lowest possible price while those who have little price reservations show more concern over service quality. In addition, the haggling cost to customers, especially time, affects bidding behavior. Bid increments decrease with successive bids when customers are not pressed for time while the opposite is true when customers face time constraints. As such, cost savings tend to be higher for customers facing no time pressure since the lesser bid increments likely makes the winning bid closer to the threshold price. Cost savings also depend on concern over service details and offers in other channels.

Jiang (2007) adds that for customers who use opaque marketing channels, high-end customers compare service offers from various firms and decrease their bids with lower differentiation. Low-end customers evaluate their appreciation of an expected service, with higher bids for more valued service. Jerath, Netessine and Veeraraghavan (2010) explain that expectations of availability in the future also influence the haggling behavior of customers. Early decisions on offers are made when expecting limited availability because of likely increase in demand.

The second characteristic of reverse auction is the non-disclosure of all service details (Fay, 2008). Customers without a preferred brand are likely to purchase a service based on price. Without knowing the floor price, customers base their initial bid on their previous knowledge or experience of the service (Shapiro & Shi, 2008). Even with the wide margin of bids, Kim, Natter and Spann (2009) report that customers do not exploit the system by bidding 0 or very low prices because customers do not expect to receive service without payment or with unfair price. Customers expect to receive service quality worth the purchase price (Kim et al., 2009).

Segmentation of the market according to the extent of price sensitivity and concern over service details is also an effect of non-disclosure. The successful selling of opaque products involves consumers not knowing the source (Fay, 2008). If buyers have previously observed the source of the service, then they are less acceptable of opaque offers. Opaque channels cater to customers with little concern over service details (Shapiro & Shi, 2008). Another impact of non-disclosure is the minimization of competition among sellers based on differentiation (Fay, 2008). Price sensitive customers are willing to purchase a service for a given price and service quality regardless of the seller or brand (Shapiro & Shi, 2008).

The third characteristic of NYOP is the blocking of immediate rebidding after an unsuccessful bid. The minimum threshold in opaque channels is up to a certain floor value only, since firms are disposing of excess capacity from posted price channels (Wang et al., 2009). Successful bids from customers cannot be lower than the threshold value. According to Fay (2009), NYOP channels that do not allow rebidding benefits customers depending on whether they face frictional costs, which refer to difficulty with the process, limited experience, time constraint and similar factors. Cus-

tomers facing low frictional costs benefit more from reverse auction because they have the capability and time to carefully consider their bid. Customers facing low frictional cost tend to benefit more from posted price channels because they can choose better to minimize uncertainty and risk.

The fourth characteristic of opaque products is non-refundable and non-transferrable service (Fay, 2008). A successful bid is considered a purchase. Customers winning a bid have to use the paid service to gain benefit. At the same time, a winning bidder cannot transfer the service to another party. Users of opaque channels are customers bidding for a service they plan to use themselves. Opaque channels are alternative distribution venues for customers seeking price discounts for a needed service.

#### *Opaque Marketing Channels for the Online Travel Market*

The NYOP mechanism affects the travel market because of the high level of uncertainty on the part of sellers and buyers (Post, 2010). Opaque marketing channels comprise alternative venues for travel firms to dispose of excess capacity by allowing consumers to bid (Wang et al., 2009). Customers are sure to find a car rental service within their price range in opaque selling web-

sites distributing the excess capacity disposed by various car rental firms.

Priceline and Hotwire are two opaque marketing channels for travel services, including hotel, flight, car rental, and cruise bookings. While these websites both offer opaque travel services, these have differences. Low price offers in both channels depend on low brand loyalty (Post, 2010). Fay (2008) differentiates the two websites by describing Priceline as involving non-retractable winning bids and Hotwire as employing posted price. Post (2010) also distinguishes Priceline and Hotwire based on the details revealed and flexibility towards options. Priceline does not disclose the firm while Hotwire identifies the company. Priceline draws the bids of customers independent of the posted price of sellers. Hotwire provides prices for different service combinations that align with the excess capacity of sellers. As such, Priceline is more buyer-oriented while Hotwire is more seller-oriented.

#### *Dimensions of Customer Satisfaction of the Online Travel Market*

Matzler, Renzl and Rothenberger (2006) identify price satisfaction and service satisfaction as dimensions of service valuation. Ainscough (2005) reports on price as a factor affecting cus-

tomers' perceptions of service value. In the case of hotels, some customers are skeptical about price reductions (Chan & Wong, 2006). Low prices, relative to the perceived value standard of the firm and price of competitors, are connected to low quality (Chiang & Jang, 2007). Not all travelers are enthusiastic about low price offers.

Low or discounted prices significantly contribute to the customer satisfaction of price sensitive customers, such as buyers of low cost airlines (Kim & Lee, 2011). While less price sensitive customers are capable of spending more, price sensitive customers are likely to evaluate their experience more positively (Petrick, 2005). Price sensitive travelers are more inclined to consider low price offers on travel services, especially transportation.

Apart from price, assessment of travel agents and sales channels also positively affect perceptions of service value (Ainscough, 2005). Brand has no significant influence on perceptions of service value in the travel sector, except in the case of airlines (Ainscough, 2005). Information quality, which is also a dimension of online traveler satisfaction, encompasses accessibility of information and having full information on service details (Nusair & Kandampully, 2008).

In the car rental sector, the literature mostly covered service quality as a strong determinant of customer satisfaction. Ekiz and Arasli (2008) report on six factors that emerged as significant measures of service quality, which are “comfort, delivery, safety, handing over, ergonomics and accessibility” (p. 30). Of these six, safety was the strongest concern of car rental customers followed by assistance upon delivery. In a related study, Ekiz and Bavik (2008) similarly report strong security concerns of car rental customers, specifically regarding insurance and damage waivers. Gebeyehu and Takanom (2008) explain that the fulfillment of the service expectations of customers determine satisfaction with a car rental service. Service expectations of customers include efficiency, reliability and responsiveness. Even so, car rental customers may also exercise a certain degree of tolerance for unmet expectations when they have limited options. Time constraint can lower the service expectations of car rental customers.

The car rental sector affects the customer satisfaction of travelers in providing the transportation they need to reach or leave their destination and visit sites within the destination (Ekiz & Bavik, 2008). Satisfaction with car rental service affects overall travel satisfaction. However, the literature mostly

focused on customer satisfaction with hotel and airline services. While price emerged as a component of service value, opaque channels for car rental services have yet to receive sufficient attention in the literature. In opaque channels, price is the primary consideration and customers do not have full service details. As an alternative marketing channel, it is important to understand opaque marketing for car rental and the impact of this channel on traveler satisfaction.

#### Method

The study is a qualitative research, which Shank (2005) describe as an empirical investigation of the meaning of experiences. This method suits the investigation of the real world experience of opaque marketing websites for car rental services, to make sense of this experience from different perspectives. The research proceeds as a qualitative case study, which involves the inquiry of a phenomenon in its actual context by drawing data from multiple sources (Baxter & Jack, 2008). The phenomenon is the experience of opaque marketing websites for car rental services by travelers. Priceline.com and Hotwire.com are the two cases of opaque marketing channels, offering car rental services, covered by the study. Sources of data are observations of these channels by the researcher together with statistical and

textual data from third party databases, specifically web information sites and consumer forums. Analysis of data, which involve identification of patterns, comparison of cases, and drawing of explanations, should describe how opaque marketing channels affect traveler customer satisfaction.

## Findings

### *Performance of Car Rental Firms*

Car rental industry consolidation in the past decade has led to a few large suppliers. Six of the leading online car rental brands are Alamo, Avis, Budget, Enterprise Rent-A-Car, Hertz Rent A Car, and National. Three car rental firms own these brands. Enterprise Holdings owns Alamo, Enterprise Rent-A-Car and National. Hertz Global Holdings owns Hertz Rent A Car. Avis Budget Group owns Avis and Budget. All of these brands are represented in both Priceline and Hotwire. Performance of these car rental firms are summarized in Table 1.

Enterprise Holdings, Hertz Global Holdings and Avis Budget Group provide majority of the car rental services in the U.S. as well as significant volume of car rental vehicles in other countries. Enterprise Holdings operates with at least 1.2 million vehicles in 7,800 airport and neighborhood locations in

North America, Caribbean, Latin America, Europe and Asia. Hertz Global Holdings owns at least 800,000 vehicles delivered through 8,500 locations in 150 countries. Avid Budget Group provides 350,000 vehicles to customers through 5,200 locations in 165 countries.

The three car rental firms also service majority of the travel market. American Automobile Association (AAA) (2011) reports that 83.6 million people or roughly 27 percent of the U.S. population traveled by land towards the end of 2011. Although no comparative data exists, individual reports on the market share of the three large car rental firms indicate that each firm controls at least a quarter of the U.S. market. Enterprise Holdings reports that its rental car brands serviced 28.6 million U.S. travelers in 2011, of which 34.4 percent were delivered in airports. Hertz Global Holdings reports an overall 28 percent share in the U.S. market. Avis Budget Group reports a 26.2 percent share in the U.S. airport market. The three car rental firms service more than 60 percent of U.S. travelers.

The three car rental firms service the travel market but with some variance in the target market. All firms cater to travelers in and off the airports. A greater percentage or 91 percent of the

Table 1. *Performance of Car Rental Firms*

Car Rental Firms	Brands	Fleet Size	Market Reach	Market Share	Target Markets	Revenue (2011)	Profitability
Enterprise Holdings	Alamo, Enterprise Rent-A-Car, National	1.2 million vehicles	7800 locations in 5 regions	28.6 million U.S. travelers, 34.4% of airport sales	91% neighborhood & 9 % airport customers	\$14.1 billion (11.9% increase from 2010)	Undisclosed
Hertz Global Holdings	Hertz Rent A Car	800,000 vehicles	8500 locations in 150 countries	28% share in U.S. market	24% leisure travelers in airports, 14% commercial travelers in airports, 19% off-airport customers	\$8.3 billion (9.2% increase from 2010)	8.2%
Avis Budget Group	Avis, Budget	350,000 vehicles	5,200 locations in 165 countries	26.2% share in U.S. airport sales	81% airport & 12.1% off-airports customers, 77.3% domestic & 15.8% international travelers	\$5.9 billion (12.1% increase from 2010)	-2.4%

(Enterprise Holdings, 2012; Hertz Global Holdings, 2012; Avis Budget Group, 2012)

vehicles of Enterprise Holdings service off-airport or neighborhood travelers while the remaining 9 percent are delivered in airport locations. The company's car brands cater to local travelers, particularly customers requiring temporary replacement for cars under repair or unsafe for long distance travel. Hertz Global Holdings target a more diversified market. In total, 38 percent of services are for airport customers, of which 24 percent are leisure and 14 percent are commercial travelers. Nineteen percent of customers are served in off-airport locations. The company also rent out equipment and sell used cars. Avis Budget Group's main focus is customers in airport locations, with 81 percent of services delivered in airport locations and 12.1 percent in off-airport locations. Three quarters of customers are local travelers. The company also offers its Avis brand to middle to high income customers and its Budget brand to middle to low income customers.

Sales of the three car rental firms increased when comparing 2010 and 2011 values, with 11.9 percent increase for Enterprise Holdings, 9.2 percent increase for Hertz Global Holdings, and 12.1 percent increase of Avid Budget Group. However, the firms experienced different profitability. Enterprise Holdings does not disclose its annual profit but it did not report substantial losses.

Hertz Global Holdings reported an 8.2 percent increase in 2011 when compared to 2010. Avis Budget Group experienced a -2.4 percent profit because of increase in costs. All firms expect no change or increases in revenue and profit in the next years.

#### *Comparative Car Rental Offers at Priceline and Hotwire*

Priceline and Hotwire are two popular car rental websites comprising alternative marketing channels for the car rental brands of Enterprise Holdings, Hertz Global Holdings and Avis Budget Group. While both websites qualify as opaque marketing channels, there are differences in the characteristics that make these channels opaque. Comparison of the car rental offers on Priceline and Hotwire is shown in Table 2.

Name-your-own-price (NYOP) or reverse auction (Anderson, 2009; Mang et al., 2011; Zouaoui & Rao, 2009), non-disclosure of full details (Fay, 2008; Shapiro & Shi, 2008), no immediate re-bidding (Fay, 2009; Wang et al., 2009), and no refund and no transfer (Fay, 2008) are features of opaque channels. Priceline and Hotwire offers do not provide full details, disallow immediate re-bidding, and exercise a no refund and no transfer system. However, Priceline employs the NYOP together with posted

Table 2. *Car Rental Offers/Service at Priceline and Hotwire*

Service Offers	Priceline	Hotwire
Bidding	Yes	No
Posted Price	Yes	Yes
Car Rental Search	Yes	Yes
Search Parameters	Airport or off-airport pick-up, Pick-up date & time, Drop-off date & time, Most popular, Car brand, Winning bids, Deals under \$16, Freebies	Round-trip or one-way, Destination, Pick-up date & time, Drop-off date & time, Price, Car brand, Comparison w/ carrentals.com, Rental under \$11.95 per location
Related Offers	Rental car alerts, Priceline Hotel & Car Negotiator mobile application	Link to travel-ticker.com, Subscription for offers and price alerts, Comment card on the website

(Priceline, 2012; Hotwire, 2012)

pricing while Hotwire employs posted pricing only. Two effects on customers emerge. One is the greater participation in price determination (Mang et al., 2011) of Priceline users. The other is the greater price flexibility (Kim et al., 2009) on Priceline relative to Hotwire. Participation and flexibility in price determination positively affects purchasing intention, especially of price sensitive customers and low income customers with low haggling cost (Wang et al., 2009; Joo et al., 2012).

Apart from price-related service features, Priceline and Hotwire also offer car rental search options. Common search parameters include airport or off airport pick-up date and time, drop-off date and time, and car brand selection. Priceline also added most popular car, winning bids, deals under \$16 and freebies as search categories. Hotwire included round-trip or one-way, destination, comparison, and rental under \$11.95 for different locations as search categories. These additional search parameters sufficiently support the selec-

tion process of website users and add value to the service offers.

*Comparative Car Rental Marketing at Priceline and Hotwire*

Priceline and Hotwire reach a significant portion of the car rental market based on website statistics, as shown in

Table 3. Use of the website analytics tool on [www.alexa.com](http://www.alexa.com) showed high page global and U.S. rankings for Priceline and Hotwire with higher ranking for Priceline. Use of Google’s page rank checker on [www.prchecker.info](http://www.prchecker.info) showed Hotwire with a higher rank than Priceline.

Table 3. *Car Rental Marketing Support at Priceline and Hotwire*

Marketing Performance	Priceline	Hotwire
Page Rank	685 global, 158 U.S. 7/10	1586 global, 396 U.S. 8/10
Reputation	11,970 links	5,445 links
Reach	14.6% of global Internet users	8.1% of global Internet users
Page Views/User	6.4/month	3.38/month
Time on Site	5 to 6 minutes	3 minutes
User Profile	Female, 18-24 & 45-54 age group, no college and with college degree	Female, 18-24 & 45-64 age groups, no college and with college, most popular in San Francisco, 82% in the U.S.

(Alexa, 2012a; 2012b; PRChecker, 2012a; 2012b)

Although page ranks are not precise measures of actual website users, these numbers indicate how well websites connect to the online market. Priceline’s 158 U.S. rank and Hotwire’s 396 U.S. rank mean thousands of website

users per day. Significant visitors to the website find support in the number of other websites providing links to Priceline and Hotwire. There are 11,970 other websites with links connecting to Priceline.com while there are 5,445 other

websites with links connecting to Hotwire.com. Based on Alexa estimates, Priceline reaches 14.6 percent while Hotwire reaches 8.1 percent of global Internet users. Given a 6.9 billion global Internet users (Internet World Stats, 2012), there are approximately 1 billion Priceline visitors and 559 million Hotwire visitors. On the average, website users visit Priceline 6 times a month and visit Hotwire 3 times a month with website use reaching 5 to 6 minutes and 3 minutes per session for Priceline and Hotwire respectively.

Apart from a wide market reach and regular visits to the website, users of Priceline and Hotwire have common demographic characteristics. More users of both websites are female. Most visitors belong to the 18-24 and 45-54 age groups. More users do not have a college degree but a significant number also have college degrees. Additional data on Hotwire also show a significant concentration of users in San Francisco and more U.S. than foreign users. Overall, Priceline and Hotwire cater to females, young people and those in the older age groups, with low to middle income range in the United States. This coincides with the report by AAA (2011) indicating that among road travelers, 40 percent earn less than \$50,000 a year, 33 percent earn \$50,000-\$100,000 a year, and 27 percent earn

more than \$100,000 a year. The people using Priceline and Hotwire are likely to be price sensitive consumers.

#### *Impact of Priceline and Hotwire on Traveler Customer Satisfaction*

Based on the literature, five dimensions of online traveler satisfaction emerged, which are price satisfaction, service valuation, sales channel, information quality, and customer service. Customer reviews of Priceline and Hotwire were obtained from four third-party review websites, which are:

[www.customerservicescoreboard.com](http://www.customerservicescoreboard.com),  
[www.travelsitecritic.com](http://www.travelsitecritic.com),  
[www.my3cents.com](http://www.my3cents.com) and  
[www.viewpoints.com](http://www.viewpoints.com).

Content analysis of the reviews yielded recurring feedback on the different dimensions of online traveler satisfaction as summarized in Table 4. The number of complaints relative to favorable feedback on Priceline and Hotwire in the three third-party review websites is 10 to 15 percent. However, terrible and poor ratings affected overall ratings.

Table 4. *Impact on Traveler Customers Satisfaction of Priceline and Hotwire*

Dimensions of Online Traveler Satisfaction	Priceline	Common Customer Feedback	Hotwire	Common Customer Feedback
Price Satisfaction	2.6/5 (186 votes)	No absolute low price guarantee, Additional charges upon pick-up, Low price but hit or miss bidding	1.9/5 (60 votes)	Not always the lowest deal, Additional charges upon pick-up, No price matching for lower prices in car rental sites
Service Valuation	1.5/5 (653 reviews)	No adjustments or cancellations, No refunds, Strict pick-up time, No car available	2/5 (179 reviews)	Risky but could be worth it, No modifications and refunds, Overcharging, No car available
Sales Channel	53/100 (63 reviews)	Average features and poor ease of use, Requires sufficient time to use	31/100 (217 reviews)	Poor features and ease of use, No price matching
Information Quality	Limited information provided	Sufficient if no time constraint, Should do research first	Limited information provided	Misleading terms, Inconsistencies between descriptions and actual service delivered
Customer Service	28.04/100 (816 reviews)	Poor customer service	29.93/100 (208 reviews)	Poor customer service, No communications with car rental firms

(CustomerServiceScoreBoard, 2012; TravelSiteCritic, 2012a; 2012b; My3cents, 2012a; 2012b; Viewpoints, 2012a; 2012b)

Price satisfaction rating of deals is average for Priceline and poor for Hotwire. A number of reviews expressed

astonishment in getting a car rental for prices lower than previous payments for the same service. However, complaints

were also made on the pricing system. A number of users of both Priceline and Hotwire commented on winning bids or prices that are not always lowest or similarly low when compared to other travel sites or car rental websites as well as undisclosed additional charges during pick-up. Customers expressed disappointment in not being able to save from expected lower prices and some even paid higher prices more than the cost in other sites. Some Priceline customers described the bidding system as a gamble because bidders either hit the price or not. If not, they either pay for a service at a price more than what they expected to pay or pay nothing but not get a service. In the case of Hotwire customers, some commented about the refusal of Hotwire to match lower prices in car rental websites.

The average to low price satisfaction of Priceline and Hotwire customers can be attributed to variance in the income status and price sensitivity of customers (Matzler et al., 2006). The largest income group using Priceline and Hotwire are those who do not have a college degree, which likely places them in the middle to low income groups. At the same time, the second largest group of Priceline and Hotwire users comprises those with college degree followed by those with doctorate degrees, who are likely to fall under the middle to high

income groups. The middle to low market segments are likely to be more price sensitive, to influence a greater willingness to haggle or search for low prices and deals as well as a higher valuation of their experience in getting services at low prices (Jiang, 2007). Those in the higher income groups who are less sensitive over price and more concerned with quality are likely to express lower valuation of the experience with Priceline and Hotwire. In addition, time constraint can also explain low price satisfaction (Joo et al., 2012). Many of customers expressing dissatisfaction with prices on Priceline and Hotwire have service preferences or did not have time to search for deals, compare offers, or consider other options (Fay, 2008).

Service valuation rating is poor for both Priceline and Hotwire. Many expressed appreciation of the low-priced car rental service obtained from the two opaque selling websites. However, some also showed dissatisfaction. Recurring complaints are the strictness of terms, low adjustability or flexibility of deals, no cancellations and/or refunds, and no car available during pick-up. Customers commenting on these aspects were unable to obtain service, obtained a different service, or experienced extreme inconvenience in obtaining service.

These problems with Priceline and Hotwire are due to the operation of opaque selling channels of not disclosing all details, preventing immediate re-bidding, and blocking transfers or refunds (Fay, 2008; 2009). These features enable opaque marketing channels to provide deals at low prices. However, these also comprise costs or risks to consumers. Complaints that are due to the nature of opaque selling channels are inevitable.

Ratings of the sales channel or website is average features and poor ease of use for Priceline and poor features and ease of use for Hotwire. For Priceline, customers expressed appreciation over the feature of bidding but expressed problems with not being allowed immediate rebidding when unsuccessful. Customers need to have sufficient time to consider their bids and rebid after 24 hours to benefit from this system. For Hotwire, customers expressed positive feedback on comparisons of deals onsite and with other sites but expressed disappointment with the no price matching practice of the site.

Satisfaction with the sales channel is a dimension of traveler customer satisfaction (Ainscough, 2005). Based on customer comments, there appear to be no problems in navigating and using the features of the websites of Priceline and

Hotwire. The difficulty lies in successfully making bids, which requires time, or in obtaining the lowest posted price.

None of the three third-party review websites provided a separate rating for information quality. As opaque selling channels, Priceline and Hotwire only disclose some details of car rental offers or deals. Based on customer feedback, nobody complained about the non-disclosure of some service details. In the case of Priceline, some customers commented on the sufficiency of information available to customers but only if they are not pressed for time. Some customers also advised other customers to do research on prices and deals on the websites as well as in other travel and car rental websites before bidding or choosing a deal. With regard to Hotwire, a number of customers recounted more serious issues such as misleading terms and inconsistencies between offer and actual service, especially in the case of insurance, passenger capacity, and acceptability of debit cards.

Perceived information quality affects the satisfaction of travelers (Nusair & Kandampully, 2008) renting cars from Priceline and Hotwire. Reliability of information is the aspect of information quality affecting satisfaction. Undisclosed information appear to have no strong effect on satisfaction, which is

likely due to the acceptability of this feature by customers without any specific brand or preferences (Jiang, 2007, Fay, 2008; Wang et al., 2009).

Priceline and Hotwire received poor customer service ratings from the people who posted reviews in the three third-party review websites. Customers expressed dissatisfaction in not receiving customer service from Priceline and Hotwire, especially in the settlement of personal concerns such as cancellations, modifications of service details, and correction of errors in charges. Many of the complaints recounted the long time it takes to reach a customer service representative or to achieve their objectives of cancelling, moving or changing deals and correcting erroneous charges. In effect, these customers were unable to obtain service, complete the service duration, or settle charging disputes. Some customers of Hotwire identified the lack of direct communication lines with the car rental firms as the source of customer difficulties.

Customer service affects traveler satisfaction (Ekiz & Bavik, 2008). Positive perceptions of customer service involve the meeting of customer expectations (Gebeyehu & Takanom, 2008). Customer service differs in the case of opaque selling channels due to their unique characteristics. As intermediaries

(Fay, 2008), Priceline and Hotwire do not deliver car rental service but only mediate sales between customers and car rental firms. Categories in the help center of Priceline and Hotwire only pertain to bidding, searching, booking, pick-up procedures, and transaction security. Categories on service delivery are not included because of the no transfer and no discount policy as well as passing on of customers to the car rental firms upon pick-up. However, while Priceline and Hotwire websites covered the topic on cancellation process in their help sections, some customers complained about not being allowed to cancel deals and obtain refunds.

### Conclusions

Car rental remains a stable sector of the travel industry. Consolidation has led to a few large car rental firms operating with most of the popular brands in the market. Road travel has increased in 2011 and should remain high in the coming years. Car rental service is a significant aspect of the travel experience.

Opaque selling channels emerged as distribution venues for the excess capacity of car rental firms. These channels operate through NYOP or reverse auction, non-disclosure of some service details, no immediate re-

bidding, and no transfer and no refund policy. These characteristics allow opaque marketing channels to offer low-priced deals. Priceline and Hotwire are two opaque distribution channels for the car rental brands of Enterprise Holdings, Hertz Global Holdings, and Avis Budget Group. Priceline operates through bidding and posted price selection while Hotwire operates through posted price search only. As marketing venues, Priceline and Hotwire cater to thousands of travelers based on their page rank, reputation and global reach. Average use of these websites ranges from 3 to 6 times per month for an average duration of 3 to 6 minutes per session. Users of these websites are mostly female belonging to the young or older age groups and falling under the middle to low income range.

Priceline and Hotwire are popular alternative sales channels for car rentals to significantly affect traveler satisfaction. Obtaining car rentals through Priceline and Hotwire affects the customer satisfaction of travelers in contributing the land transportation component of the travel experience. Purchase of car rentals through these channels can positively or negatively contribute to traveler satisfaction depending on customer characteristics and according to the five dimensions of traveler satisfaction. Price satisfaction

with car rental bookings on Priceline and Hotwire can be high for low-income and/or price sensitive consumers without time constraints and low for high-income and/or non-price sensitive customers more concerned with service details and with service preferences. Service valuation of car rentals purchased from Priceline and Hotwire can be high for consumers flexible with brand and service details as well as for those not requiring any changes in booked deals. Satisfaction with the sales channel and information quality experienced during car rental booking at Priceline or Hotwire can be high for customers who have time to consider their bids or posted price options. Customer service ratings can be high during searching and booking on Priceline and Hotwire as well as actual delivery of car rental service for customers not facing time limitations and not requiring any deal cancellations or changes.

#### Recommendations

Car rental firms should consider opaque selling channels as distribution venues for excess capacity offered at low prices to raise sales. Given the characteristics of opaque marketing venues and the impact on traveler satisfaction, car rental firms can support customer satisfaction by efficiently coordinating deals with these channels to

ensure consistency in the deal booked with these channels and actual service delivery. At the same time, Priceline and Hotwire can ensure positive contribution to traveler satisfaction by coordinating with car rental firms to ensure low prices and consistency between their offers and service delivery by car rental firms. Some problems that are due to the characteristics of opaque selling channels cannot be completely prevented but actions can be done to minimize negative experiences. On the part of travelers, opaque selling channels can comprise venues for booking car rentals at low prices. Awareness of the risks, including no immediate rebidding to require enough time for flexibility and lack of choice on non-disclosed details to require adjustability to actual vehicles delivered during pick-up, can ensure a satisfying experience with these channels.

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