

# **EQUITY AND UNDERPINNING THEORIES: AN OVERVIEW WITH SOME RECOMMENDATIONS IN THE HOTEL AND TOURISM INDUSTRIES**

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## **ABSTRACT**

*The main purpose of this paper is to make a systematic review of the multiple understandings of the concept of equity and its diverse underpinning theories in a business to customer context. The design of this research is based on a remarkable documentary analysis and some observations in a developing country context. However, the findings show that equity is mainly understood as fairness, perfect practice, as well as distributive justice, in the business environment. This paper serves to remind manufacturers and managers that they should abide to fair and perfect practices in order to offer some good quality products or services as well as some very fair prices that are in line with the customer expectations in terms of norms, requirements, and needs. Nevertheless, recommendations show that there is a necessity for fair practices regarding tourism and hotels' sector. Thus, marketing practices in these sectors should be enhanced with the appropriate use of new technologies.*

**Keywords:** Equity, Customers, Fair Practices, Distributive Justice, Marketing.

## **INTRODUCTION**

Fair practices in the context of business-to-business exchanges or business to customer exchanges is challenging to implement. Thus, nowadays the companies are doing their best to offer fair products and fair services. The concept of equity is originated from the latin words “*aequitas*” and “*aequus*”, ‘that bear the notion of “equality”’. Equity is a very complex term in nature, wherever it is used. In the business sector, it is a complex task for companies and managers to construct some equitable products, and fair services (Nassè, 2019; Nassè et al. 2020). However, equity is one of the factors for business performance, customer satisfaction (Morrisson & Mathieu, 2003) as well as customer loyalty (Olsen, 2002; Ladhari, 2005). For Nassè and Sawadogo (2019) equity is a source of economic

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profitability whereas for Morrisson (2005) equity has some effects on the disconfirmation of customer expectations. Though, up to now there is not a clear and strong literature review that brings out some sound definitions and theories of equity in a marketing perspective. Nevertheless, what is the understanding of the concept of equity and its theories by researchers in a purely marketing perspective? This paper aims to make a clear review of the literature on the concept of equity and also to underline equity theoretical underpinning.

### EQUITY CONCEPT DEFINITIONS

Homans (1961) is one of the earliest researchers that have developed a deep understanding of the concept of equity. For Homans, equity is about how a given individual perceives fairness, or distributive justice in an exchange as compared to that individual's investment. Adams (1963) also shows that the concept of equity can result from the comparison that an individual establishes between what this individual perceives as an exchange "outputs" and this individual own contribution to the exchange "inputs". Equity can also be derived from the comparison between what the individual does perceives of an exchange and what other people perceive in this exchange. Adams concludes that when the individual does not perceive equity or fairness in the exchange, s/he can naturally have a behavior that affects the partnership negatively. For Olsen (2002), equity is understood of a mere history of customer satisfaction and thus, what leads the customer to become loyal. Olsen also views customer satisfaction and customer loyalty as an evidence of equity. In addition, Olsen demonstrates that fairness and satisfaction have some positive effects on the customer's full engagement and commitment towards the offer. Rust, Lemon and Zeithaml (2004) rather demonstrate that equity is a measurement tool that provides an opportunity for marketers to build a strong and reliable marketing strategy for their companies. Konkuyt (2004) points out that fairness in companies' management is about getting rid of unfair or illegal practices (that can tarnish their image) in order to manage change, and adapt to the risks of good governance, and to produce some well-balanced services. Morrisson (2005), ultimately shows that equity is a dual concept that expresses fairness: internal dimension of equity and the external dimension of equity. Morrisson specifies that the perception of the level of external equity has an effect on the post recovery customer satisfaction and then the perception of the level of external equity has a moderating influence on the expected disconfirmation. Kotler and Dubois (2003) make the concept of equity perceptible with the notion of 'fair prices' which takes the management relationships above the mere satisfaction or simple customer loyalty. Thus, Kotler and Dubois perceive equitable offers in three basic criteria: product quality, induced services quality and fair price. It is in this context that the concept of equity is perceived in the dimension of internal equity. To further, Nassè (2012), Nassè (2016) and Nassè (2019) illustrate equity in a form of fairness in products offers that can induce customers' satisfaction and also customers repurchase.

### EQUITY UNDERPINNING THEORIES

- **The theory of equity in business exchange:** Some researchers such as Homans (1961), Adams (1963), Rust et al. (2004), Peretti (2004), Morrison (2005), Olsen (2007), Nassè (2019) understand the theory of equity to be a result from the mere comparison between what an individual perceives in an exchange "output,

profit” and the contribution s/he makes to the exchange “input, investment”. They demonstrate that equity not only affects satisfaction, but also, they demonstrate that equity affects loyalty.

- **The theory of distributive justice:** For some authors such as Sabadie (2000), Kotler and Dubois (2003), Perretti (2004), Juët (2005), Nassè (2020), and Nassè et al. (2020), distributive justice theory stipulates that there should be fairness in any business exchange. Thus, fair exchange is perceived as the balance between the needs of customers and the interests of the company, and it is understood as an avoidance of unfair or illegal business practices.

- **The theories of customer satisfaction and business growth**

Equity and fairness are antecedents of satisfaction (Vanhamme 2004, Ladhari 2005), leading to repurchase (Simon 2000; Nassè, 2012) and drives to growth of the company's turnover (Wickham, 2001, Morrisson & Matthieu, 2003), by giving added value to the customers, what Carbonell et al. (2021) consider a success factor.

- **The theory of internal equity as a driver of productivity**

Marketing is related to social responsibility, and the latter, to human resources quality. This is a key success factor in many sectors, but definitely in the hotel sector. Montani, Boudrias and Pigeon (2020) explain that the highest level of trust increases harmony between management and the employees, and this leads to productivity increase. Employee involvement and commitment are connected to the roots of a continuous customer satisfaction (Costa, Lispi, Staudacher, Rossini, Kundu & Cifone, 2019).

## **RESEARCH METHODOLOGY**

**Process:** This research is a documentary analysis. The diverse articles and books that are in line with the research topic have been considered. This present textual analysis is completed by some observations on how customers perceive the different products offers and their typical prices.

**Research context:** The research is carried out in Burkina Faso, a developing country context. The competitive advantage of Burkina Faso relies on the low price of its human resources, but Carbonell et al. (2020) notify that this can sometimes lead to poor productivity. Observations have been made in Burkina Faso in the capital city. Business practices have been observed to see if companies really offer fair offers in term of products' pricing, and products' quality and services' quality.

**Data collection and gathering:** The research data is from secondary sources. Thus, it derives from various previous research papers. The researcher has chosen the papers that have a good quality. These sources are from internet, particularly from the different search engines such as ‘Google, Google scholar, Yahoo, Research gate, and Academia’. This data is completed by some observations.

**Ethical considerations:** It is assured that the articles and the papers that are considered for this review are published in some quality journals. Some of these papers are from open access journals and some other papers are from non-open access journals.

## CONCLUSION

**Conceptual contributions:** The concept of equity, according to the relevant literature has several definitions. Equity has been understood as fairness, distributive justice (Nassè et al., 2021) and rightfulness in the context of business practices. As such there is not a quite common understanding of this concept. However, a common conception of equity refers to the perceptions that a customer has about distributive justice from a given products or service.

**Theoretical contributions:** This research helps to put an emphasis on equity theory by confirming it in a new context. A context where the quality of products or services is not always proportional to the investments that the customer make. In addition, the theory of distributive justice is also confirmed as observations show that customers are committed to fairness in business exchange, even if most of the companies are not able to respond to these customers' expectation or to these customers' need.

Thus, the present research develops both theories by advancing these theories' application context with respect to new geographical business environments, characterized by different business practices, different business policies, different cultural consumption habits, and a very limited purchasing power.

**Managerial contributions:** Companies and hotels (Mayuso et al., 2020) consider each time more that organisational culture is key to improve firm performance (Yacout, 2017) and competitiveness (Nassè, 2020). This research also suggests how managerial concepts such as 'equity' and 'distributive justice' can be practically implemented in a business context. It is essential for companies to offer fair business products and/or services to their customers. The understanding of fair business products and/or services being products and/or services that have a quality that is proportional to their price. Thus, fair business products and/or services are also those that meet customer's needs or customer's expectation in a context where poverty is considerably dominant.

**Implications for tourism sector:** Tourism sector in Africa is still very attractive and it goes through some growth stages as well as some decline stages. Thus, fair practices in term of offers, pricing and quality of services can help to boost some profits in the tourism sector. Tourism and other service companies in Burkina Faso and neighboring countries are intensive in human resources. Carbonell et al. (2020) show that the use of fair and modern methods of human resources management leads to the increase of competitive advantage in Burkina Faso. The use of new technologies can also help to foster the visibility of the tourism sector specifically when offers are fair, reasonable, and well communicated to the right customers at the right time and at the right place.

**Implications for hotel sector:** For the success of hotel sector in the African context, customers should be offered fair prices, fair accommodations and fair services. Customer expectations and needs in terms of hotel services is very poor in the context. In addition, new technologies should help addressing such issue through a personalization of offers and the enhancement of satisfaction through reactivity.

**Future research:** The upcoming research activity could be an investigation of equity and customer satisfaction via a qualitative approach in the companies that operate in a private sector.

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### **CONFLICTS OF INTERESTS**

The researchers have declared no conflicts of interests.

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## Nassè, Nanéma & Carbonell

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