The Influence of Cultural Differences on Overbooking Compensation Strategies and Empirical Analysis: A Case Study of the Catering Industry

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Abstract. This research takes the catering industry as research subject to investigate the systematic impacts of cultural differences on overbooking compensation strategies. Drawing on three illustrative cases: a French Michelin-starred establishment, the Chinese hot-pot giant Haidilao, and Japan's Sushi No Kami, the paper proposes a multi-layered analytical framework: encompassing value orientations, communication modalities, legal constraints, and psychological drivers—to explicate how cultural contexts inform both the structure and delivery of compensation. The comparative analysis reveals that, in individualistic regions (notably Europe and North America), costumers favor explicitly articulated, written compensation policies and access to exclusive, non-monetary experiences. Conversely, in China's high-context, collectivist environment, rapid logistical coordination paired with "face-saving" vouchers or complimentary offerings proves most efficacious. In Japan, where relational sincerity and long-term bonds predominate, personalized gestures such as handwritten apologies and bespoke gifts maximize customer goodwill. Building on these findings, the paper advocates three strategic imperatives: (1) calibrate compensation thresholds and formats to cultural dimensions; (2) integrate behavioral-economic interventions,such as "seat-locking" mechanismsor positive framing techniques to shape consumer expectations; and (3) harness big-data analytics and AI-driven sentiment monitoring to dynamically adjust compensation schemes. The study furnishes both theoretical advances and practical guidelines for multinational restaurant operators seeking to harmonize cultural attunement with operational resilience.

1 Introduction

In pursuit of the goal of profit maximization, "overbooking" strategy is commonly adopted to address situations where customers cancel reservations or no-shows in the catering industry. Similar to the airline and hotel industries, overbooking strategies adopted by the

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catering industry may lead to actual customer flow exceeding capacity, triggering customer dissatisfaction and even severe trust crises. Therefore, businesses often provide corresponding compensation strategies to alleviate conflicts and enhance customer acceptance. Currently, overbooking strategies are less commonly use in the catering industry and existing research has predominantly focus on their application in the airline and hotel industries. There remains research potential regarding overbooking strategies in the catering industry, particularly as customer expectations for different compensation approaches vary across market segments. However, there is no systematic study yet been conducted on the impact of cultural differences on overbooking compensation strategies [1]. Therefore, to explore the impact of cultural differences on overbooking compensation strategies, this study conducts representative cases to analyse the catering industry across different regions. The objectives are to address the shortcomings in compensation strategy research for this specific scenario, refine the application of service recovery theory, expand the scope of the 'equity theory' in behavioral economics within the catering industry, and provide a basis for optimizing revenue management decisions in the catering industry and formulating localized marketing strategies for multinational catering brands.

2 Literature review

Restaurant revenue management was first proposed by Kims et al., who argued that restaurant operators could apply the time-based philosophy of revenue management to restaurant meals,the specific approach is that when the demand for restaurant diners is high or cannot be met, the restaurant use a booking limit [2,3]. Compared to traditional industries that use overbooking strategies, such as airline and hotel industries, customers may views the application of overbooking or differential pricing in the catering industry as disrespectful, as they consider controlling dining time and table management as unfair practices [4,5]. Based on above reasons, the application of overbooking strategies in the catering industry has its own particularities. For example, different type of restaurants need to formulate different overbooking strategies [6]. These strategies typically include apologizing to customers and offering significant discounts to disappointed customers to encourage them to patronize again [7]. Certain special overbooking compensation strategies, such as coupon-based incentives, can make customers feel them are treated specially, thereby enhancing customer satisfaction and loyalty [8]. However, customers' preferences for compensation vary significantly. Therefore, restaurants should implement different compensation plans for different market segments to maintain customers' satisfaction, but most customers tend to prefer coupon-based pricing strategies [9,10]. From a cultural theory perspective, cultural values exhibit relative differences in shaping customer service expectations [11]. Cultural values such as high vs. low on power distance, individualism vs. collectivism, and consumers' avoidance or orientation toward uncertainty have distinct impacts on service quality [12]. Moreover, Asian groups have higher requirements for service satisfaction and loyalty [13].

This study builds upon the research of scholars such as Tse and defines the concepts of overbooking and compensation strategies in the catering industry as follows: A restaurant revenue management approach in which, after exceeding its maximum reception capacity, the restaurant refuses to serve customers who continue to arrive and provides corresponding material or non-material compensation [7].

Through a review of existing literature, it is found that overbooking strategies are applicable to multiple service industries, and previous studies indicate that different overbooking compensation strategies should be implemented for different customer groups to enhance customer satisfaction. However, the application of overbooking strategies in the catering industry still have space for expansion, particularly regarding overbooking

compensation strategies for customer groups with different cultural backgrounds. Therefore, this study explores the impact of cultural differences on overbooking compensation strategies through case study, aiming to put forward insights into the research on overbooking compensation strategies in the catering industry and formulate corresponding overbooking compensation strategies for the catering industry in different regions and multinational catering enterprises.

3 The impact mechanism of cultural differences on overbooking compensation strategies

3.1 Cultural differences influence overbooking management strategies through cognitive differences

The significant differences in the perception of "risk" among different cultures have a substantial impact on consumers' acceptance of overbooking strategies. According to Hofstede's cultural dimension theory framework, cultures with high uncertainty avoidance (such as Japan and Germany) tend to avoid uncontrollable risks. Consumers are less tolerant of service rejections that may result from overbooking (such as flight overbooking) and are more prone to anxiety and even complaint behaviors. Studies have shown that in such cultures, enterprises need to reduce the overbooking ratio by 10% to 15%, and alleviate consumers' concerns by informing them of potential risks in advance and making compensation commitments [14]. On the contrary, low uncertainty avoidance cultures (such as the United States) place greater emphasis on efficiency and flexibility. Consumers in such cultures have a higher tolerance for overbooking but will seek legal redress and demand transparent rules and immediate compensation. Additionally, in collectivist cultures (such as China), the concept of "face" prompts consumers to prefer resolving issues through negotiation rather than making public complaints. However, negative word-of-mouth spreads more rapidly, and enterprises need to maintain social harmony by providing quick compensations (such as cabin upgrades, gifts) [14]. In addition, the differences in time perception between Eastern and Western cultures result in varying tolerances for overbooking among different groups. Given that Westerners tend to view time as a quantifiable resource and usually strictly adhere to appointment times, their tolerance for waiting phenomena is relatively lower. In contrast, traditional Eastern culture, influenced by Buddhist culture, allows customers to have a higher acceptance of overbooking waiting periods. They might even consider waiting as a "buffer period" and actively alleviate the anxiety caused by waiting through chatting, drinking tea, and other means.

3.2 Cultural differences influence overselling management strategies through communication patterns

Cultural context differences determine the effectiveness of the communication methods for overbooking strategies. In high-context cultures (such as those in East Asian countries), reliance is placed on non-verbal cues and relationship trust. Enterprises need to convey the rationality of overbooking through indirect communication (such as one-on-one explanations by account managers) and emphasize the "humanized" design of compensation plans (such as priority waiting rights, VIP treatment) to establish emotional connections [15]. In contrast, low-context cultures (such as those in Europe and the United States) demand transparency of information and written commitments. It is necessary to clearly specify overbooking rules, compensation standards, and dispute resolution

procedures in the contract terms to avoid legal disputes caused by ambiguous semantics. For instance, Southwest Airlines in the United States communicates the details of overbooking policies through their APP, while China Eastern Airlines explains them flexibly through their offline service staff, both demonstrating a communication mechanism that is context-adapted.

3.3 Cultural differences influence over-selling management strategies through legal regulations

Cultural differences have shaped a diverse legal environment and business ethics, directly influencing the compliance boundaries of overbooking strategies. Based on the high level of consumer protection awareness in the EU, the "Flight Overbooking Regulations" were enacted, mandating compensation standards for overbooking (up to 600 euros). Enterprises must strictly adhere to the legal framework and adjust their strategies accordingly. In the more lenient regulatory environment of the Southeast Asian market, enterprises rely more on cultural adaptation strategies (such as avoiding religious taboos) rather than legal constraints. For instance, they avoid using compensation forms related to "gambling" in Islamic cultures [16]. Furthermore, the disparity in the dimension of power gap leads to varying degrees of consumers' obedience to authority: In cultures with a high power gap (such as Malaysia), consumers are more likely to accept the decisions made by enterprises and have a lower rate of protest; while in cultures with a low power gap (such as Northern Europe), enterprises are required to engage in equal consultation and even need to introduce third-party institutions to supervise the fairness of overbooking.

3.4 Cultural differences influence overselling management strategies through psychological factors

In Hofstede's cultural dimension theory, the Nordic and North American regions rank at the top in terms of individualism index, while the individualism ranking in East Asian regions is relatively lower. This polarization between individualism and collectivism is also reflected in great differences in the catering industry. For Western countries, dining is a personal choice, so they tend to prefer convenient and diverse dining habits. However, in China, people place more emphasis on traditional dietary methods, and Chinese people believe that dining is also a manifestation of social interaction and human warmth [17]. Moreover, the typical differences between collectivism and individualism in Chinese and Western cultures are also manifested in dietary customs and dining habits. In collectivist countries like China, people tend to avoid direct conflicts. Therefore, in collectivist countries, it is necessary to promptly soothe the customers' emotions, especially under the influence of the "face culture", customers expect immediate and efficient solutions to unexpected events. The autonomy and independence of Western culture reflect the influence of individualism. Under this influence, customers often expect restaurants to respect their personal rights. In terms of compensation measures, they also hope that the restaurants can provide VIP personal experiences instead of monetary compensation.

Cultural differences are not only evident between countries, but also particularly prominent within a single country. The relatively successful hot pot brand Haidilao operating in the Chinese market also faces challenges in cultural marketing. This requires Haidilao to adapt to local conditions and individual needs in cultural marketing, providing targeted services to consumers with different cultural backgrounds and age groups. This service is still applicable in the overbooking compensation strategy. By formulating different compensation strategies based on the preferences of different cultural groups, it

can minimize customers' dissatisfaction with "overbooking", enhance customer satisfaction, and increase customer loyalty.

4 Case study on the impact of cultural differences on overbooking compensation strategies

4.1 Case 1：Michelin starred restaurants in France——French refinement and interest culture

The Michelin starred restaurant "Epicure" in Paris focuses on Haute Cuisine, emphasizing the top quality of ingredients, the creativity of chefs in making meals, and the elegance of dining rituals. Overbooking may result from system vulnerabilities or VIP reservations, the restaurant has to refuse some customers beyond its reception capacity. At the same time, the restaurant will coordinate and arrange adjustable customers to other dates, and provide free champagne or signature dishes as compensation. Given that French etiquette emphasizes "personalized respect", the chef will personally explain and offer handwritten menus or exclusive desserts as compensation. For regular customers, the restaurant may offer a complimentary private kitchen tour or customized wine list service for their next dining experience to continuously attract them.

In terms of cultural influence, French haute cuisine has become synonymous with global haute cuisine and top luxury cuisine to some extent. The elegance and ceremony of French cuisine make their compensation to customers not emphasize money, but through scarcity experiences such as chef interaction, exclusive experience classes, customized desserts, etc., to reflect the "aristocratic" dignity. Moreover, in France, the spirit of contract is highly valued, and overbooking is seen as a breach of the "dining contract" that requires a very high standard to remedy. Due to the influence of individualistic values in European and American countries, it can be seen that they place more emphasis on following rules and safeguarding personal rights.

4.2 Case 2：China Haidilao——Humanized Service and Pragmatism

Haidilao takes "ultimate service" as its core, emphasizing quick response and satisfying customer emotions. If there are repeated bookings or overbooking situations that exceed the maximum seating capacity of the restaurant, some customers may be refused if necessary. The compensation plan usually prioritizes arranging seats during other time periods or coordinating with nearby branches or extending business hours to accommodate customers. In addition, there will be some immediate practical compensation, such as giving away a 200 yuan voucher or free dishes during meals.

In terms of cultural influence, Chinese people pay more attention to human society and face culture. Scholars have found that Chinese consumers are most concerned about the special cultural value of face when dining in foreign restaurants [18]. Therefore, customers attach great importance to the compensation attitude of the restaurant, and it is best to resolve customer dissatisfaction on the spot. Managers and other responsible persons often need to bow and apologize, and try to avoid public conflicts. And most people believe in efficiency as the top priority, preferring to solve problems quickly on the spot. Usually, giving away dishes is more reassuring to customers than experience upgrades or compensation vouchers, which is in line with Chinese consumers' preference for immediate rewards. For example, when faced with readily available goods, consumers are more likely to be tempted and make irrational purchasing decisions [18].

4.3 Case 3：Japanese Sukiyabashi Jiro Restaurant——The Humility and Introversion of Japanese Culture

Sukiyabashi Jiro is positioned as the ultimate high-end sushi restaurant with "sushi god" Jiro Ono as its core, with only 10 seats. Its core value lies in the "professional spirit", emphasizing the rigorous selection of ingredients, the sense of ceremony in the production process, and the purity of customer experience. Under the reservation system, if overbooking occurs due to special circumstances, exceeding the maximum reception capacity of the restaurant, the restaurant may prioritize rescheduling the reservation, provide customers with the right to the next priority reservation, and offer additional dishes or services (such as exclusive sushi experience) or personal apologies and gifts. Ono Jiro himself or the head chef team will personally apologize and provide handwritten thank-you letters or customized souvenirs as compensation, reflecting the Japanese cultural characteristics of "sincerity first".

In terms of cultural influence, Japanese culture values the "face to heart" theory and "professional dignity", and compensation strategies focus more on maintaining customers' "face" and long-term relationships, rather than economic compensation [19]. In the documentary "Sushi God", Jiro Ono's personalized service to customers' gender, preferred hands, and other details reflects the ultimate respect for individuals.

Table 1. Comparison of the impact of cultural differences on compensation strategies

Dimension	Compensation form	Customer expectations	Cultural values
France Michelin-starred restaurants	Replace direct compensation with "non monetary scarce resources"	Looking forward to making up for mistakes with a luxurious experience, continuing the sense of ceremony and personalized respect of French cuisine	Based on the spirit of French contracts and the noble tradition of dignity, echoing the awareness of individual rights in Europe and America
China Haidilao	Quickly quell dissatisfaction through flexible coordination of resources and instant practical compensation	Pursuing efficient resolution on the spot, maintaining "face" and emotional comfort in conflicts	Rooted in human society and face culture, emphasizing the open harmony of "harmony is precious"
Japanese Sukiyabashi Jiro Restaurant	Non economic compensation is the main focus, emphasizing "sincerity" and "relationship maintenance"	Accept the inconvenience caused by scarcity and value the sincere attitude of merchants more	Collectivism, and long-term relationship orientation, compensation needs to avoid open conflicts

As shown in Table 1, the overbooking compensation strategies of representative catering industries in different regions reflect the impact of cultural differences on compensation strategies. By conducting in-depth analysis and understanding of the impact

of cultural differences on compensation strategies, business decision-makers can more effectively adjust their strategies to ensure greater profits.

5 Conclusion

This study focuses on the impact of cultural differences on overbooking strategies, examining the behavioral strategies of restaurants in providing material or non-material compensation to customers after refusing service when they arrive consecutively beyond the restaurant's maximum reception capacity. The study reveals that cultural differences systematically influence the design, implementation, and risk control of overbooking strategies through a four-layered mechanism consisting of value orientation, communication modes, legal norms, and psychological factors. Enterprises should take cross-cultural theory as the framework, dynamically optimize strategies by integrating localized research, and achieve a balance between business efficiency and cultural sensitivity. Based on the above conclusions, this study puts forward the follows recommendations:

Enterprises should develop differentiated overbooking strategies based on cultural dimension theory. Multinational enterprises need to take Hofstede's cultural dimensions model as a framework to develop adaptive strategies for markets with different value orientations. In Asia and Latin America where collectivist-culture-dominated regions, implicit compensation mechanisms should be prioritized over direct cash compensation. This approach aims to avoid triggering "face-loss" conflicts caused by public handling. In markets with a high degree of uncertainty avoidance, it is necessary to systematically alleviate consumers' anxiety about rule ambiguity through the following methods: reducing the overbooking ratio, proactively disclosing the overbooking probability and corresponding compensation plans when customers book tickets, and committing to guaranteeing the rescheduling time limit.

Based on the principles of behavioral economics, enterprises should design psychological intervention mechanisms for overbooking strategies. By integrating behavioral economics principles such as loss aversion and the framing effect, the psychological decision-making pathways of consumers can be reconstructed. For example, at the ticket-purchasing stage, a priority guarantee option of "paying $5 to lock seat" can be set up, transforming overbooking risks into purchasable deterministic services. For consumers in individualistic cultures, a "positive framing" approach can be adopted to replace negative expression while also opening up a function for autonomous quotation of compensation amounts. In collectivist markets, group behavior data such as "90 percent of passengers have improved satisfaction after accepting compensation" can be publicly displayed, leveraging the herd mentality to reduce individual decision- making resistance.

It is essential for multinational catering enterprises to strengthen regional cultural coupling. Multinational catering enterprises should set overbooking thresholds dynamically according to regional customs and festivals, use AI to analyze differences in cross-national table rituals, provide localized compensation for overbooked customers, and synchronously update the overbooking databases of multinational branches. Apart from this, enterprises could also leverage sentiment analysis tools to dynamically capture cultural sensitivity signals from social media. When public opinion monitoring systems identify specific cultural conflict incidents, automatic triggers should activate mechanisms to upgrade compensation plans or adjust overbooking ratios,

Finally, as the cases selected in this paper are limited and only partially qualitative analysis is done for this research direction, future research can further quantify the correlation between cultural dimensions and overbooking behaviors to provide precise decision support for globalized service enterprises.

Authors contribution

All the authors contributed equally and their names were listed in alphabetical order.

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