



THE FACTORS AFFECTING PRICING STRATEGIES IN TOURISM ESTABLISHMENTS A FIELD STUDY IN SOUTHEASTERN ANATOLIA REGION IN TURKEY

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Abstract

Pricing is considered to be one of the most important marketing tools in sales and sales promotion. Pricing is also one of the important topics that businesses should be careful about if they want to have an edge over their rivals in the market. Pricing is a process controlled by business itself.

There are internal and external factors pricing depends on. Internal factors are: marketing strategies, cost structure and cost decision mechanisms. External factors are; market and demand structure, product price of opponents, chain of distribution and legal legislation.

This study aims to determine the factors affecting prices of products and pricing strategies of businesses. In this study, exploratory research was used so as to determine the pricing strategies of 4 and 5 star hotels operating in the Southeastern Region of Anatolia. As a result of the analyses, the most important factor affecting pricing was found out to be costs.

Key Words: Touristic product, factors affecting pricing, consumer behavior, competition, demand and market structure.

1.INTRODUCTION

Determining pricing is a very complex and a difficult process in terms of tourism services. Touristic products are formed by gathering various goods and services together. They are presented by different units. Therefore, the concept of pricing and pricing strategies needs to be examined in detail.

Pricing is a member of marketing mix and a key element for economic life. Economists and business managers place very much importance on pricing. Economists claim that the most important factor determining demand level is price. Due to this perception, economists have ignored both other elements of marketing and the effect of perceived value on pricing (Lanchaster and Massingham, 1988:164)

In market oriented economies, pricing is a very important variable providing exchange and comparing demand and support (Mucuk, 2004:149). Price is defined as the amount or the value of tourism products (Kozak, 2010: 176).

Price is briefly defined as the payment made by consumers in exchange for goods and services. Price is the most salient feature of a product since it is directly related to the money of consumers (Karafakıoğlu, 2006:29). There is a very close relationship between price and the values of a product (Goechlich, 2005:297).

The concept of pricing is predominantly discussed in the field of economy. Economists assume that the sole purpose of companies is to make profit. Marketing approach, on the other hand, combines economic and psychological factors together. Hence, companies use marketing approach so as to make profit (Larson, 2007: 13).

Pricing of tourism products includes the features beyond products' physical qualities (Kozak, 2010b: 176). Managers of tourism companies consider a lot of factors when pricing a product. In tourism companies, prices are determined by analyzing various factors, such as the market structure and conditions of competition (Zengin and Şen, 2009: 77).

Lei et al. (2015), states that suppliers choose pricing strategies which allow them to share their products through 2 online channels in online market. Ceylan et al. (2014) came to three very important results with the help of Van Westendorp PSM method. These are:

- Optimal price point
- Acceptable price point
- Indifference price point



The study shows that students have high level of price sensitivity.

Doan et al. (2011) expresses that queue time should be zero for all departments in optimal assignments system. Maglaras and Meissier(2006) mention that revenue management problems can be reduced via common formulation. In this case, firms keep their resource capacity under control for all products. Moreover, Henterhuber (2008) claims that businesses need to pay attention to the value based pricing strategies. Yıldıztekin (2005) explains that pricing strategies are applied in order to maintain the continuity and to reduce uncertainties of company.

Met and Oktay (2011) say that customer behaviors should be examined closely even after products, services and price options are presented and adjustments should be made continuously. Also, Yıldırım (2015) mentions that businesses using competition based pricing strategies need to reflect their savings which they make by promotions.

1.FACTORS AFFECTING PRICING

Factors affecting pricing can be examined under six titles.

1.1.Cost

One of the most important factors affecting pricing is production and market costs of products. Cost is not only an important factor in pricing but it also is a very important criterion for businesses to prevail upon their rivals in competition in markets.

Three factors of production; natural resources, labor and capital also apply to production of touristic goods and services. Capital cost is the cost of monetary resources like fixed and business capital. Natural resources cost consist of costs depending on the location tourism management (İçöz, 2001:313).

The rate of costs directly affects the demand for price of touristic products. In conclusion, costs determine decisions of tourism establishments and their status against their rivals and the market share.

There are two kinds of costs in tourism establishments; fixed-cost and variable cost (Ünsal, 2000:248). Fixed-costs are independent from the level of output (Ünsal, 2000: 48).

Wages of senior managers are made up of expenses like insurance, land taxes, communication expenses and maintenance and repair expenses. With the increase in the production rate of tourism products the amount of fixed-cost per production decreases.

1.1.Competition

To define competition in general we can say that it is the fight among businesses who want to sell goods or services to consumers (Bingöl, 2005: 336).

In tourism sector prices should be in a level in which companies can compete in the market (Becerra et al., 2013: 73). With the intention of finding a way to deal with rivals' strategies, market place and rivals should be examined carefully (Kothandaraman and Wilson, 2001: 381).

To be able to survive increasingly fierce competition conditions, tourism companies minimize their costs and maximize their incomes. Hence, tourism companies take all these factors affecting costs and incomes into consideration before deciding on a price (Didin and Köroğlu, 2008:113).

1.1.Judicial Factors

Laws and regulations are the things to be considered in assigning prices. Governments may interfere in the prices of tourism companies either directly or indirectly via local governments. The Ministry of Culture and Tourism assigns the sub and up limits for room prices in accommodation companies (Kozak, 2010:179). Hotel managements need to inform the Ministry of Culture and Tourism about the prices they prepare for regular customers and they need to comply with the prices for a year. These prices are called board prices. Prices applied for customers who are brought by travel agencies or tour operators are, on the other hand, called exceptional prices (İçöz, 2001: 324).

1.1.Demand and Market Structure

It is essential for tourism companies to determine all kinds of demands for their goods and services. To do that, companies should first conduct a market research to identify preferences and income levels of target market mass (Collings & Parsa, 2006:94).

Pricing takes place after assessing all the factors related to target market. Evaluations about the relationship between demand and price should be considered when deciding on a pricing strategy.

Different market structures may have different demand-price elasticity. That is, different consumer groups may react in a different way to price changes.



1.1. Factors depending on Distribution Channels

The length of distribution channels used by tourism companies has an effect on pricing control. In tourism markets, consumers go to the places where tourism products are available, not the other way around. Thus, mediators in distribution channels try to bring the consumer to where products are (Kozak, 2010b: 178).

1.1. Consumer Behaviors

Consumers' sense of quality, their experiences and behaviors are among the factors affecting pricing (Andrlic&Ruzic, 2010: 694). It is stated that, thanks to consumer behaviors, product range has been widened to the ones which are interesting and intriguing (Baumol, 2004: 239).

Low prices may imply customers that the product is unqualified (Yükselen, 2010:262). Prices of substitute goods and services should also be considered before starting the pricing process. Price and income elasticity rate of tourism products are generally high. It is said that when pricing is done without considering this information, consumer demands may change towards other goods and services since tourism products are luxurious (Schütze, 2003: 44).

What consumers want is to be able to benefit from tourism products in accordance with their budget. In this case, pricing is done considering consumers' budget while maximizing profit at the same time. Tourism demand occurs in both national and international level (Pellinen, 2003:221).

3. METHODOLOGY

3.1. Aim

The purpose of this study is to convey the views hotel managers of 4-5 star hotels in Southeastern Anatolia, a region rich with historical, natural and cultural places, about pricing strategies in the scope of marketing mix.

3.2. Scope

Population of the study consists of 4 and 5 star hotels operating in Southeastern Region of Anatolia and have tourism operation license. There are 30 hotel managements in total; 19 of them are 4 star hotels and 11 of them are 5 star hotels. There was no sample chosen for this study and all of the hotels were dealt with as a mass. 30 questionnaires were conducted face to face with accounting and marketing managers.

3.3. Methodology

In order to determine the pricing strategies in tourism sector in Southeastern Anatolia, exploratory research method was used. So far there has not been done a research regarding pricing strategies of 4 & 5 star hotels in Southeastern Anatolia that we know of.

Managers of 4-5 star hotels were visited one by one for questionnaires. E-mail or other communication tools were not preferred in case of not getting any return. Also, face-to-face interviews were very efficient to get answers for the questions related to average prices and occupancy rates. For the sake of reliability of the study, one and one interviews were thought to be effective.

Sample was not used in this study, instead the data collected directly from the whole population of the study. Therefore, the results represent the population as a whole. There are 16 items related to pricing strategies in the questionnaire. 5 point likert scale was used to acquire answers.

3.4. Data Analysis Tool

We used SPSS package software and Excel. Descriptive statistics were used to analyze the data.

4. RESULTS

With the help of SPSS 22.00, results below were acquired. Demographical features of participants are given in Table 1,2 and 3.

Table 1: Participants Distribution by their sex

Gender	Number of People	Percent (%)
Male	29	96,6
Female	1	3,4
Total	30	100,0

Distribution of hotel managers by their sex is shown in Table 1. According to the table, 29 (96,6%) of participants are male and 1 (3,4 %) participant is female. We can say that nearly all of the hotel managers are male.

Table 2: Age, Occupation and Professional Experience of Participants

	Number of People	Min.	Mak.	Average	SS
Age	30	36,00	43,00	39,00	2,58
Professional experience	30	10,00	23,00	16,02	2,77
Management experience	30	5,00	14,00	8,71	2,43

Table 2 shows distribution of participants by their age, occupation and professional experience. According to Table 2, 30 of managers are between 36 and 43 and their age average is 39.00.

Average of their professional experience 16.02 and the average year of professional experience is 8.71. It can be said that their average of age is not high and therefore the manager profile is dynamic.

Table 3: Participants Educational Background

Eğitim durumu	Number of People	Percent (%)
Graduate	28	93,4
Postgraduate	2	6,6
Total	30	100,0

Table 3 shows the distribution of participants by their educational background. 28 (93,4%) of managers got their bachelor's degree, 2 (6,6 %) of them got post graduate education.

Table 4: Participants by their positions in management

Position in the workplace	Number of People	Percent (%)
Accounting	8	26,7
Marketing	22	73,3
Total	30	100,0

Table 4 shows the distribution of participants by their positions in workplace. 22 (73,3%) of participants are in marketing department while 8 (26,7%) of them work in accounting. We see that most of the participants work in the marketing department.

Table 5: The Consideration rate given to cost-based pricing

Cost Oriented Pricing	Number of People	Percent (%)
Often / Always	29	96,7
Occasionally	1	3,3
Total	30	100,0

The rates of consideration of cost-based pricing as a pricing strategy are shown in Table 5 above. 29 (96,7%) of hotels usually/always, only 1 (3,3%) hotel sometimes consider cost-based pricing strategy. That is, all of the hotels use cost-based pricing strategy.

Table 6: The Consideration rate given to demand-based pricing

Demand way Pricing	Number of People	Percent (%)
Often / Always	27	90,0
Occasionally	3	10,0
Total	30	100,0

The usage rate of demand-based pricing strategy is shown in Table 6. According to the results, 27 (90,0%) hotels usually/always, 3 (10%) hotels sometimes use demand-based pricing strategy.

Table 7: The Consideration rate given to Competition-based Pricing

Competition way Pricing	Number of People	Percent (%)
Often / Always	15	50,0
Occasionally	14	46,7
Never / Rarely	1	3,3
Total	30	100,0

Distribution of consideration rate of competition-based pricing is given in Table 7. It can be seen that 15 (50%) hotels usually/always, 14 (46,7%) hotels sometimes, 1 (3,3%) hotel seldom/never consider competition-based strategy.

Table 8: Factors Affecting Pricing by their importance

Variables	1. Priority	2. Priority	3. Priority	4. Priority	5. Priority	6. Priority	7. Priority	Toplam
	Number/ Percent	Number/ Percent	Number/ Percent	Number/ Percent	Number/ Percent	Number/ Percent	Number/ Percent	Number/ Percent
Costs	30 /100	0/0	0/0	0/0	0/0	0/0	0/0	30 / 100
Rivals	0/0	9 /30	8/ 26,7	6 /20	5/16,7	1/ 3,3	1/ 3,3	30 / 100
Legal regulations	0/0	0/0	0/0	2/ 6,7	8/ 26,7	14/ 46,7	6 /20	30 / 100
Customer value of product	0/0	9 /30	11/36,7	7/23,3	3 / 10	0/0	0/0	30 / 100
Structure of the market	0/0	4/13,3	5/16,7	6 /20	9 / 30	5/16,7	1/ 3,3	30 / 100
Intermediaries	0/0	0/0	0/0	2/ 6,7	2/ 6,7	8/ 26,7	18/60	30 / 100
Supply and demand	0/0	8/ 26,7	6 /20	7/23,3	3 / 10	2/ 6,7	4/13,3	30 / 100

In the study, participants are asked to rate the importance of factors affecting pricing strategies from 1 to 7. Table 8 shows the results.

According to Table 8, all of the participants (100%) rated "costs" as number 1. 9 (30%) participants rated "rivals and products", 8 (26,7%) participants rated demand and supply and 4 (13,3%) participants rated the structure of market as 2. 11 (36,7%) participants rated the product value, 8 (26,7%) people rated rivals, 6 (20,0%) people rated demand & supply and finally 5 people (16,7%) people rated the market structure as 3.

Considering these results, it can be said that the most important factor in pricing strategies is costs (100%).

5. DISCUSSION AND CONSLUSION

This survey is conducted with 30 managers, 29 of which are male and 1 of them is female. In other words, most of the managers are males in hotel managements in Southeast Anatolia as they are in any other sector in Turkey. Ages of the participants range from 35 to 44 with the average of 39.

Tourism sector is a dynamic one and therefore, we can infer that hotels choose young people as their managers for this reason. Moreover, the average year of professional experience was found out to be 9 years.

When we look at the educational backgrounds of participants almost 93 % (n=28) of them had bachelor's degree and 7 % (n=2) of them had graduate education. As it is important in every other field, employing people with good educational backgrounds in tourism sector is very important with regards to contributing to the establishment. It is also vital for the sector in need of making strategic decisions.

As a result of this study it can be seen that nearly all of the hotels in Southeastern Anatolia pay regard to cost-based and demand-based pricing strategies. Furthermore, competition-based pricing strategy is usually taken into consideration as a part of pricing policy of the hotels.

When managers were asked give numbers in order of importance from 1 (the most important) to 7 (the least important) about the factors affecting pricing, costs were ranked number 1, product value for customers ranked number, rivals ranked number 3, demand and supply ranked number 4, market structure ranked number 5, judicial factors ranked number 6 and finally mediators ranked number 7. Costs are seen as the most important factor whereas mediators are considered as the



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least important factor affecting pricing. We can say that pricing strategies of hotels in Southeastern Anatolia is cost-oriented.

Managers ranked the most profitable tourism products in the region, in the case that right pricing strategies are applied, as the following:

1. Culture tourism
2. Gastronomy tourism
3. Religious tourism
4. Congress tourism
5. Health tourism
6. Sports tourism

It is also known that Southeastern Region of Anatolia is famous with its unique cuisine in every aspect. The region seems to have appropriate qualities for improvement in catering and culture tourism but with a proper pricing strategy.

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