

# Pricing Strategies of Star Hotels

**DR. Ravindra Deshmukh<sup>1</sup>**

Associate Professor, Ahmednagar College, Ahmednagar

**Mahesh Wilayate<sup>2</sup>**

Research Associate, Ahmednagar

## **ABSTRACT**

The hotel industry is one of the fastest growing sectors of the economy. The hotel industry alone is a multi-billion dollar and growing enterprise. Good quality products and services at affordable prices should be the USP of any successful venture and hotels in the country looking forward for the same. Hotel today not only cater to the basic needs of the guest like food and shelter but also provide much more than that, like personalized service. Today, the hotel industry is facing an increasingly competitive market that pushes the hotels to have a greater need to differentiate for their customers. In order to survive in this present world of competition, hotels will have to formulate marketing strategies in a way to not only woo customers toward them but also retain them. Indian tourism and hospitality sector has reached new heights today. Travellers are taking new interests in the country which leads to the upgrading of the hospitality sector. Even an increase in business travel has driven the hospitality sector to serve their guests better. Hospitality Industry is closely linked with travel and tourism industries. India is experiencing huge footfalls as a favourite vacation destination of foreigners and natives and the hospitality industry is going into a tizzy working towards improving itself. There is tough competition in hospitality industry. The hotelier has to use various Pricing Strategies to attract the customer. In this research, researchers have tried to find out various strategies adopted by the star hotels regarding to pricing.

**Keywords: Hotel Industry, Star Hotel, Marketing Mix, Pricing Strategy.**

## **INTRODUCTION**

The hotel industry is one of the fastest growing sectors of the economy. The hotel industry alone is a multi-billion dollar and growing enterprise. Good quality products and services at affordable prices should be the USP of any successful venture and hotels in the country looking forward for the same. Hotel today not only cater to the basic needs of the guest like food and shelter but also provide much more than that, like personalized service. Today, the hotel industry is facing an increasingly competitive market that pushes the hotels to have a greater need to differentiate for their customers. In order to survive in this present world of competition, hotels will have to formulate marketing strategies in a way to not only woo customers toward them but also retain them.

## **OBJECTIVES**

The main objectives of this research papers are:

1. To understand the factors this influences pricing decision.
2. To understand which pricing methods are used by star hotels.

3. To study the various pricing strategies adopted by the star hotels.
4. To study pricing strategies adopted by the price discrimination method.
5. To study how the star hotels respond to competitor's price changes.

## **RESEARCH METHODOLOGY**

This research paper aims at examine the pricing strategies of star hotels in Pune city. The data was collected by administering a structured questionnaire from 30 star hotels. In order to supplement the information collected through the questionnaire method, interview of all HR managers were conducted with the help of interview guide. The researcher has also collected the secondary data from various sources to supplement the primary data. The data collected with the help of questionnaire was tabulated and then analyzed with the help of some simple statistical tools.

## **SAMPLE SIZE & METHOD:**

For the present study the sample size was 30 star hotels out of those 15 are five star, 10 are four star and 5 are three star hotels. All managers were interviewed. All five star and four star hotels were selected whereas 5 three star hotels were selected by using Random Sampling Method.

## **SCOPE**

The scope of the present research is as follows:

- The scope of the present study is confined to the geographical and corporation limit of Pune city.
- This research includes only three, four and five star hotels.
- This research is related to only pricing strategies.
- The sample size for the study is 30.
- The findings of the study are based on the primary data as well as secondary data. The primary data was collected through questionnaire and interviews.

## **HYPOTHESIS**

The main hypotheses of the present research are:

1. Cost and quality are the important internal factors and competitor's price and nature of market are the important factors which influence pricing decision.
2. Going-rate pricing and cost plus pricing are the important method of fixing the pricing.
3. Seasonal pricing and Promotional pricing: special-event, are the important pricing strategies adopted by hotels.
4. Maintain price and add value is the important way to respond to competitor's price changes strategy.
5. Customer segment pricing strategy adopted under price discrimination method.

**REVIEW OF LITERATURE**

**1. Mbungwana Christine Lungiswa<sup>1</sup> (2009)** has conducted the research on the topic of ‘Customer Satisfaction in Hotels in Cape Town’. His sample size was Hotel Guest: 55 and Hotel Employees: 50

**Objectives:**

1. To assess customer expectations and perceptions of service quality, and identify the gaps which can be mitigated using a six sigma approach. 2. To meet and exceed hotel customer satisfaction and expectations. 3. To develop a business service excellence model and strategy to improve service quality. 4. To exponentially improve the number of return customers to Cape Town hotels.

**Findings:**

1. The hotels make use of specific processes to gathering customer’s suggestions, feedbacks and complaints to assess customer satisfaction. 2. The customers are satisfied with the services provided by the hotels in Cape Town. 3. The hotels have developed a program to maintain good customer relations. 4. The hotel staff was significantly more positive and delivered good service.

**2. Ivana Blešić, Dragan Tešanović and Dorde Psodorov<sup>2</sup> (2011)** have conducted the research on the topic of ‘Consumer Satisfaction and Quality Management in the Hospitality Industry in South-East Europe’, at South-East Europe. Sample size were Hotel Guest: 618

**Objectives:**

1.) To measure the quality of service in the hotel.

**Findings:**

1. The results of researches have shown that guests in general are not satisfied with hotel services. 2. Their expectations have been higher than experienced quality of services with all determinants, except for determinants of ‘empathy’, where the positive values of the gap is the result of low expectation.

**Recommendations:**

1. Developing a strategy with short and long-term plans and by stimulating investment in the development of spa tourism. 2. Furnishing and construction of facilities that comply with the requirements of a modern guest, would lead to the extension of the tourist season and attracting wealthier tourists.

**3. Dr. Sathya Swaroop Debasish and Mr. Sabyasachi Dey<sup>3</sup> (2015)** have conducted the research on the topic of ‘Customer Perceptions of Service Quality towards Luxury Hotels in Odisha using Servqual Model’ at Odisha and the sample size were Hotel Guest: 194

**Objectives:**

1. To study the customer’s perception of service quality of selected luxury hotels of Odisha.  
2. To analyse the service gaps with respect to hotel industry and to draw inferences thereof, concerning the importance of different dimensions of service quality in these studies.

**Findings:**

1. Visually appealing physical facilities and hotel staffs provide prompt service to the customers are some of the areas where the luxury hotels are doing relatively well from customer's perspective and the hotels should uphold what they are doing to sustain quality service delivery.
2. All items showed positive gap scores, which means that the expectations of the customers of the luxury hotels on service quality items were higher than their perceptions.

**4. C. Karthigai Prakasam<sup>4</sup> (2010)** has conducted the research on the topic of 'A Study of Customer Satisfaction in Hotel Industry: with special reference to Annapoorna Group of Hotels in Coimbatore Dist. of Tamilnadu', Coimbatore. Sample Size were Hotel Guest: 300

**Objectives:**

1. To identify the level of customer satisfaction towards various hotel attributes like quality offered, quantity provided, varieties available, interior decoration, parking facility, drive-in facility, neatness and cleanliness, amenities, price, taste and waiters' service.
2. To seek out the customers' order of preference towards the various hotel attributes.
3. To make a comparative study of hotels of high esteem with the target hotel 'Sree Annapoorna Sree Gowrishankar' group.
4. To identify the customer's choice of cuisine and branch.

**Findings:**

1. Most of the respondents were satisfied with the neatness and cleanliness the hotel.
2. Most of the respondents were satisfied with the quantity offered by the hotel for the items like breakfast, midday items and dinner items.
3. The respondents belonging to north zone had given on an average higher opinion on quality, variety, taste, quantity, interior decoration than the south zone.
4. The rate of customer retention is higher in north zone branches than the south zone.
5. North zone branches had given more satisfaction to their customers than south zone branches.

**Research Gap:**

Number of researches has been carried out by the researchers to understand the customer's satisfaction regarding hotels. Few researches have been carried out to study the various strategies used by hotel management. The researcher has not come across any research where pricing strategy of hotels have been studied. Now a days hotel industry is growing very fast. Price of the room plays an important role in attracting the customer. The customers gave topmost priority to the price while selecting the hotel. It is, therefore important to understand what are the various pricing strategies adopted by the star hotels. The researcher has not come across any research which is focussing on pricing strategies of star hotel. Therefore the researcher felt a need to conduct a research on the topic, 'Pricing Strategies of Star Hotels'.

**Analysis of Data**

Price is the important element of the marketing-mix that produces revenue; the other elements produce costs. The price refers to the value placed by the organisation on its products and services. Price is also the most important determinant of the profitability of the organisation. In this regard the researcher has studied various marketing strategies which are prepared for satisfaction of customers. These strategies are:

**i.) Internal Factors Influencing Pricing Decision**

The hotel has to consider many factors in setting its pricing policy. Internal factors are those factors that are related to the internal environment of the business and hence, are controllable. These factors play vital role in pricing decisions. The researcher wants to understand the internal factors that influence pricing decision. Therefore the researcher has asked the respondents regarding the internal factors that influence pricing decision and their responses are presented in the following table.

**Table No: 1-Internal Factors Influencing Pricing Decision**

Sr. No.	Internal Factors	No. of Respondents	Percentage (%)
1.	Company’s marketing/ pricing objectives	11	36.67%
2.	Marketing mix strategy	15	50.00%
3.	Costs	19	63.33%
4.	Quality	20	66.67%
5.	Profit	12	40.00%

The above table presents that 36.67% of the respondents expressed company’s marketing/ pricing objectives, 50% expressed marketing mix strategy, 63.33% expressed costs, 66.67% expressed quality and 40% of the respondents expressed profit were the internal factors which influence in pricing decision. This concludes that most of the respondents expressed quality and costs of the product are the internal factors which influence in pricing decision. They expressed that marketing mix strategy, profit and company’s marketing/ pricing objectives were also influence in pricing decision.

**ii.) External Factors Influencing Pricing Decision**

External Factors are those factors that are related to the external environment of the business. External factors are also known as environmental or uncontrollable factors. Hotel has to consider these external factors while setting the price of the products and services. The researcher wants to understand external factors that influence in pricing decision. Therefore the researcher has asked respondents regarding external factors that influence pricing decision and their responses are presented in following table.

**Table No: 2-External Factors Influencing Pricing Decision**

Sr. No.	External Factors	No. of Respondents	Percentage (%)
1.	Consumer behaviour	14	46.67%
2.	The nature of the market and demand	15	50.00%
3.	Competitor’s prices and offers	19	63.33%
4.	Government control	11	36.67%
5.	Macro-environmental factors such as demographic, economic, social-cultural, technological, legal, etc.	5	16.67%

The above table presents that 46.67% of the respondents expressed consumer behaviour, 50% expressed the nature of the market and demand, 63.33% expressed competitor’s prices and offers, 36.67% expressed governmental control and 16.67% expressed macro-environmental factors were external factors which influence in pricing decision.

This concludes that most of the respondents expressed competitor’s prices and offers, and the nature of the market and demand are the external factors which influence in pricing decision. They expressed that consumer behaviour, governmental control and macro environmental factors were also influence in pricing decision.

**iii.) Methods of Setting the Price**

Company set the price of their offerings in relation to the value delivered and perceived by the customer. Costs, competitor’s prices and customer’s demand are taken into consideration while setting the price. The hotel has to set the price in order to satisfy the customers and achieve the organisational objectives. It is important for the researcher to understand the methods of setting the price. Therefore the researcher has asked the respondents regarding the methods of setting the price and their responses are presented in the following table.

**Table No: 3-Methods of Setting the Price**

Pricing Methods	Very Often	Often	Some times	Rarely	Never	Total	Rank
	No. (%)	No. (%)	No. (%)	No. (%)	No. (%)	No. (%)	
Cost plus pricing	14 (46.67)	11 (36.67)	5 (16.67)	0 (0.00)	0 (0.00)	30 (100)	II
Target-return pricing: ROI (target rate of return on investment)	10 (33.33)	14 (46.67)	6 (20.00)	0 (0.00)	0 (0.00)	30 (100)	V
Perceived-value pricing: (customer’s perceived value)	11 (36.67)	10 (33.33)	6 (20.00)	3 (10.00)	0 (0.00)	30 (100)	III
Value pricing: (low price for high-quality offering)	11 (36.67)	9 (30.00)	5 (16.67)	5 (16.67)	0 (0.00)	30 (100)	IV
Going-rate pricing: (based on competitor’s prices)	15 (50.00)	11 (36.67)	3 (10.00)	1 (3.33)	0 (0.00)	30 (100)	I

- The above table presents that 46.67% of the respondents were used cost plus pricing method very often, 36.67% of the respondents were used this method often and 16.67% of the respondents were used this method sometimes.  
This concludes that 83.34% respondents were used cost plus pricing method often.
- The data shows that 33.33% of the respondents were used target-return pricing method very often, 46.67% of the respondents were used this method often and 20% of the respondents were used this method sometimes.  
This concludes that 80% respondents were used target-return pricing method often.
- The data shows that 36.67% of the respondents were used perceived-value pricing method very often, 33.33% were used this method often, 20% were used this method sometimes and 10% of the respondents were used this method rarely.  
This concludes that 70% of the respondents were used perceived-value pricing method often.
- The data shows that 36.67% of the respondents were used value pricing method very often, 30% were used this method often, 16.67% were used this method sometimes and 16.67% of the respondents were used this method rarely.  
This concludes that 66.67% were used value pricing method often.
- The data shows that 50% of the respondents were used going-rate pricing method very often, 36.67% were used this method often, 10% were used this method sometimes and 3.33% of the respondents were used this method rarely.

This concludes that 86.67% of the respondents were used going-rate pricing method often.

It concludes that the respondents have given first rank to going-rate pricing method to set the price. Hotel set the price of their products and services largely on competitor’s prices and offers. Hotel might charge the same, more or less than major competitors. They expressed that going-

rate pricing method is at most important for them followed by cost plus pricing, perceived-value pricing, value pricing and target-return pricing.

**iv.) Pricing Strategies Used**

Hotels usually do not set a single price, but rather a pricing structure that reflects variations in geographical demand and costs, market-segment requirement, purchase timing, order levels and other factors. Hotels need to consider pricing strategies, which must be linked to the quality standards offered by the operation. A carefully considered pricing strategy is vital to optimising both sales volume and profit. It is important for the researcher to understand various pricing strategies adopted by the hotels. Therefore the researcher has asked the respondents regarding the pricing strategies adopted by hotels and their responses are presented in the following table.

**Table No: 4-Pricing Strategies Used**

Pricing Strategies	Very Often	Often	Some times	Rarely	Never	Total	Rank
	No. (%)	No. (%)	No. (%)	No. (%)	No. (%)	No. (%)	
Market-penetration pricing	10 (33.33)	11 (36.67)	5 (16.67)	2 (6.67)	2 (6.67)	30 (100)	V
Market-skimming pricing	5 (16.67)	6 (20.00)	11 (36.67)	5 (16.67)	3 (10.00)	30 (100)	XI
Premium pricing/ prestige pricing	5 (16.67)	10 (33.33)	10 (33.33)	3 (10.00)	2 (6.67)	30 (100)	X
Economy pricing	10 (33.33)	11 (36.67)	9 (30.00)	0 (0.00)	0 (0.00)	30 (100)	IV
Seasonal pricing	11 (36.67)	14 (46.67)	5 (16.67)	0 (0.00)	0 (0.00)	30 (100)	II
Promotional pricing: special-event	11 (36.67)	10 (33.33)	9 (30.00)	0 (0.00)	0 (0.00)	30 (100)	III
Discriminatory pricing	9 (30.00)	15 (50.00)	5 (16.67)	1 (3.33)	0 (0.00)	30 (100)	VI
Geographical pricing	9 (30.00)	14 (46.67)	6 (20.00)	1 (3.33)	0 (0.00)	30 (100)	VII
Product-mix pricing	6 (20.00)	15 (50.00)	6 (20.00)	3 (10.00)	0 (0.00)	30 (100)	VIII
Psychological pricing: (image pricing)	6 (20.00)	12 (40.00)	9 (30.00)	3 (10.00)	0 (0.00)	30 (100)	IX
Price discounts and allowances	15 (50.00)	9 (30.00)	5 (16.67)	1 (3.33)	0 (0.00)	30 (100)	I

- The above table reveals that 33.33% of the respondents were used market-penetration pricing strategy very often, 36.67% of the respondents were used this strategy often, 16.67% of the respondents were used this strategy sometimes, 6.67% of the respondents were used this strategy rarely and 6.67% of the respondents were never used this strategy.

This concludes that 70% of the respondents were used market-penetration pricing strategy often.

- The data presents that 16.67% of the respondents were used market-skimming pricing strategy very often, 20% were used this strategy often, 36.67% were used this strategy sometimes, 16.67% were used this strategy rarely and 10% of the respondents were never used this strategy.

This concludes that 36.67% were used market-skimming pricing strategy often.

- The data presents that 16.67% of the respondents were used premium pricing/ prestige pricing strategy very often, 33.33% were used this strategy often, 33.33% were used this strategy sometimes, 10% were used this strategy rarely and 6.67% of the respondents were never used this strategy.

This concludes that 50% of the respondents were used premium pricing/ prestige pricing strategy often.

- The data presents that 33.33% were used economy pricing strategy very often, 36.67% were used this strategy often and 30% were used this strategy sometimes.

This concludes that 70% respondents were used economy pricing strategy often.

- The data presents that 36.67% were used seasonal pricing strategy very often, 46.67% were used this strategy often, 16.67% were used this strategy sometimes.

This concludes that 83.34% respondents were used seasonal pricing strategy often.

- The data presents that 36.67% were used promotional pricing strategy very often, 33.33% were used this strategy often and 30% were used this strategy sometimes.

This concludes that 70% respondents were used promotional pricing strategy often.

- The data presents that 30% of the respondents were used discriminatory pricing strategy very often, 50% were used this strategy often, 16.67% were used this strategy sometimes and 3.33% of the respondents were used this strategy rarely.

This concludes that 80% were used discriminatory pricing strategy often.

- The data presents that 30% of the respondents were used geographical pricing strategy very often, 46.67% were used this strategy often, 20% were used this strategy sometimes and 3.33% of the respondents were used this strategy rarely.

This concludes that 76.67% were used geographical pricing strategy often.

- The data presents that 20% of the respondents were used product-mix pricing strategy very often, 50% were used this strategy often, 20% were used this strategy sometimes and 10% of the respondents were used this strategy rarely.

This concludes that 70% respondents were used product-mix pricing strategy often.

- The data presents that 20% of the respondents were used psychological pricing strategy very often, 40% were used this strategy often, 30% were used this strategy sometimes and 10% of the respondents were used this strategy rarely.

This concludes that 60% were used psychological pricing strategy often.

- The data presents that 50% of the respondents were used price discounts and allowances strategy very often, 30% were used this strategy often, 16.67% were used this strategy sometimes and 3.33% were used this strategy rarely.

This concludes that 80% were used price discounts and allowances strategy often.

It concludes that the respondents have given first rank to price discounts and allowances as a pricing strategy. Hotels adjust their list price and give discounts and allowances for volume purchases, off-season buying etc. in order to maximise sales and profits. They expressed that this

strategy is important for them followed by seasonal pricing, promotional pricing, economy pricing, market-penetration pricing, discriminatory pricing, geographical pricing, product-mix pricing, psychological pricing, premium pricing/ prestige pricing and market-skimming pricing.

**v.) Pricing Strategy Adopted Under Product-Mix Pricing Method**

Product mix is the total number of variety of products that a hotel sells to their customers. When a product is part of a product mix, the strategy for setting a product’s price often has to be changed. Then, the hotel looks for a set of prices that will maximise profits on the total product mix, instead of on the individual product. The researcher wants to understand the pricing strategies adopted under product-mix pricing method. Therefore the researcher has asked the respondents regarding the pricing strategies adopted under product-mix pricing method and their responses are presented in the following table.

**Table No: 5-Pricing Strategy Adopted Under Product-Mix Pricing Method**

Pricing Strategy	Very Often	Often	Some times	Rarely	Never	Total	Rank
	No. (%)	No. (%)	No. (%)	No. (%)	No. (%)	No. (%)	
Product-line pricing	10 (33.33)	14 (46.67)	6 (20.00)	0 (0.00)	0 (0.00)	30 (100)	II
Product-bundle pricing: (tour package)	14 (46.67)	10 (33.33)	6 (20.00)	0 (0.00)	0 (0.00)	30 (100)	I
Two-part pricing: membership fee	6 (20.00)	9 (30.00)	11 (36.67)	3 (10.00)	1 (3.33)	30 (100)	III

- The above table presents that 33.33% of the respondents were used product-line pricing strategy very often, 46.67% of the respondents were used this strategy often and 20% of the respondents were used this strategy sometimes.

This concludes that 80% respondents were used product-line pricing strategy often.

- The data shows that 46.67% of the respondents were used product-bundle pricing strategy very often, 33.33% of the respondents were used this strategy often and 20% of the respondents were used this strategy sometimes.

This concludes that 80% were used product-bundle pricing strategy often.

- The data shows that 20% were used two-part pricing strategy very often, 30% were used this strategy often, 36.67% were used this strategy sometimes, 10% were used this strategy rarely and 3.33% were never used this strategy.

This concludes that 50% of the respondents were used two-part pricing strategy often.

It concludes that respondents have given first rank to product-bundle pricing strategy under product-mix pricing method. Hotel priced two or more products or services as a package with a single price. The price of the bundle is typically less than when the two items are purchased separately. Therefore to give more benefits to the consumers the products are bundle together and set the single price. They expressed that this strategy is important for them followed by product-line pricing and two-part pricing.

**vi.) Pricing Strategy Adopted Under Price Discrimination Method**

Price discrimination is a pricing strategy that sells the same product or service at different prices to different customers, in order to maximise sales and profits. Hotel charges different prices according to customer-segment, products, services, location, time, etc. It is important for the researcher to understand the various pricing strategies used under price discrimination method. Therefore the researcher has asked the respondents regarding the pricing strategies used by the hotels under price discrimination method and their responses are presented in the following table.

**Table No: 6-Pricing Strategy Adopted Under Price Discrimination Method**

Pricing Strategy	Very Often	Often	Some times	Rarely	Never	Total	Rank
	No. (%)	No. (%)	No. (%)	No. (%)	No. (%)	No. (%)	
According to customer (customer-segment pricing)	15 (50.00)	9 (30.00)	6 (20.00)	0 (0.00)	0 (0.00)	30 (100)	I
According to product/ service	11 (36.67)	10 (33.33)	9 (30.00)	0 (0.00)	0 (0.00)	30 (100)	III
According to time (time pricing)	14 (46.67)	11 (36.67)	5 (16.67)	0 (0.00)	0 (0.00)	30 (100)	II
According to quantity used/ volume purchased	11 (36.67)	9 (30.00)	9 (30.00)	1 (3.33)	0 (0.00)	30 (100)	IV
According to location (location pricing)	11 (36.67)	9 (30.00)	5 (16.67)	5 (16.67)	0 (0.00)	30 (100)	V
Channel pricing	9 (30.00)	10 (33.33)	9 (30.00)	2 (6.67)	0 (0.00)	30 (100)	VI

- The above table reveals that 50% of the respondents were used customer-segment pricing strategy very often, 30% of the respondents were used this strategy often and 20% of the respondents were used this strategy sometimes.

This concludes that 80% were used customer-segment pricing strategy often.

- The data presents that 36.67% of the respondents were used pricing strategy according to product/ service very often, 33.33% of the respondents were used this strategy often and 30% of the respondents were used this strategy sometimes.

This concludes that 70% of the respondents were used pricing strategy according to product/ service often.

- The data presents that 46.67% were used time pricing strategy very often, 36.67% were used this strategy often and 16.67% were used this strategy sometimes.

This concludes that 83.34% respondents were used time pricing strategy often.

- The data presents that 36.67% were used pricing strategy according to quantity used/ volume purchased very often, 30% were used this strategy often, 30% were used this strategy sometimes and 3.33% were used this strategy rarely.

This concludes that 66.67% of the respondents were used pricing strategy according to quantity used/ volume purchased often.

- The data presents that 36.67% of the respondents were used location pricing strategy very often, 30% were used this strategy often, 16.67% were used this strategy sometimes and 16.67% of the respondents were used this strategy rarely.

This concludes that 66.67% were used location pricing strategy often.

- The data presents that 30% of the respondents were used channel pricing strategy very often, 33.33% were used this strategy often, 30% were used this strategy sometimes and 6.67% of the respondents were used this strategy rarely.

This concludes that 63.33% were used channel pricing strategy often.

It concludes that the respondents have given first rank to customer-segment pricing strategy. Different customer groups are charged at different prices for the same product or service to maximise the amount that each customer pays. They expressed that this strategy is at most important for them followed by pricing strategy according to time, according to product/ service, according to quantity used/ volume purchased, according to location and channel pricing.

**vii.) Price-Adjustment Strategies Adopted Under Price Discounts and Allowances Method**

Hotels adjust their list price and give discounts and allowances for volume purchases, off-season buying, etc. as it increases the sales revenue of the hotel. Hotels give discounts and allowances to the customers and channel members to increase the sales. It is important for the researcher to understand the various price adjustment strategies used under price discounts and allowances method. Therefore researcher has asked respondents regarding price-adjustment strategies used by hotel under price discounts and allowances method and their responses are presented in the following table.

**Table No: 7-Price-Adjustment Strategies Adopted Under Price Discounts and Allowances Method**

Price-Adjustment Strategies	Very Often	Often	Some times	Rarely	Never	Total	Rank
	No. (%)	No. (%)	No. (%)	No. (%)	No. (%)	No. (%)	
Cash discount	9 (30.00)	11 (36.67)	9 (30.00)	1 (3.33)	0 (0.00)	30 (100)	III
Quantity discount/ volume discount	11 (36.67)	12 (40.00)	6 (20.00)	1 (3.33)	0 (0.00)	30 (100)	II
Seasonal discount	11 (36.67)	14 (46.67)	5 (16.67)	0 (0.00)	0 (0.00)	30 (100)	I
Trade discount/ functional discount	9 (30.00)	10 (33.33)	11 (36.67)	0 (0.00)	0 (0.00)	30 (100)	IV
Allowance: promotional allowance	0 (0.00)	3 (10.00)	9 (30.00)	15 (50.00)	3 (10.00)	30 (100)	VI
Commissions/ trade incentives	5 (16.67)	11 (36.67)	6 (20.00)	5 (16.67)	3 (10.00)	30 (100)	V

- The above table presents that 30% of the respondents were used cash discount very often, 36.67% were used this strategy often, 30% were used this strategy sometimes and 3.33% of the respondents were used this strategy rarely.  
This concludes that 66.67% respondents were used cash discount strategy often.
- The data shows that 36.67% of the respondents were used quantity discount/ volume discount very often, 40% of the respondents were used this strategy often, 20% of the respondents were used this strategy sometimes and 3.33% of the respondents were used this strategy rarely.  
This concludes that 76.67% of the respondents were used quantity discount/ volume discount strategy often.
- The data shows that 36.67% of the respondents were used seasonal discount very often, 46.67% of the respondents were used this strategy often and 16.67% of the respondents were used this strategy sometimes.  
This concludes that 83.33% were used seasonal discount strategy often.
- The data shows that 30% of the respondents were used trade discount/ functional discount very often, 33.33% of the respondents were used this strategy often and 36.67% of the respondents were used this strategy sometimes.  
This concludes that 63.33% of the respondents were used trade discount/ functional discount strategy often.
- The data shows that 10% of the respondents were used allowance strategy often, 30% were used this strategy sometimes, 50% were used this strategy rarely and 10% of the respondents were never used this strategy.  
This concludes that 10% of the respondents were used allowance strategy often.
- The data shows that 16.67% of the respondents were used commissions/ trade incentives very often, 36.67% of the respondents were used this strategy often, 20% of the respondents were used this strategy sometimes, 16.67% of the respondents were used this strategy rarely and 10% of the respondents were never used this strategy.  
This concludes that 53.34% of the respondents were used commissions/ trade incentives strategy often.

It concludes that the respondents have given first rank to seasonal discount. A seasonal discount is a price reduction to customers who buy products or avail services out of season, when the demand is lower. Seasonal discounts allow the hotel to keep demand steady during the year. They expressed that this strategy is at most important for them followed by quantity discount/ volume discount, cash discount, trade discount/ functional discount, commissions/ trade incentives and allowance.

**viii.) Ways to Respond to Competitor’s Price Changes**

Competitive pricing is setting the price of a product or service based on what the competition is charging. Hotel might charge the same, more or less than major competitors. It is important to understand when the competitor changes the price of their offerings then how hotel respond to a price change. Therefore the researcher has asked the respondents regarding the ways to respond to competitor’s price changes and their responses are presented in the following table.

**Table No: 8-Ways to Respond to Competitor’s Price Changes**

Particulars	Very Often	Often	Some times	Rarely	Never	Total	Rank
	No. (%)	No. (%)	No. (%)	No. (%)	No. (%)	No. (%)	
Maintain price	19	6	5	0	0	30	II

	(63.33)	(20.00)	(16.67)	(0.00)	(0.00)	(100)	
Maintain price and add value	20 (66.67)	5 (16.67)	5 (16.67)	0 (0.00)	0 (0.00)	30 (100)	I
Reduce price	12 (40.00)	6 (20.00)	12 (40.00)	0 (0.00)	0 (0.00)	30 (100)	IV
Increase price and improve quality	14 (46.67)	9 (30.00)	6 (20.00)	1 (3.33)	0 (0.00)	30 (100)	III

- The above table presents that 63.33% of the respondents were maintaining the price very often, 20% of the respondents were used this practice often and 16.67% of the respondents were used this practice sometimes.  
This concludes that 83.33% of the respondents were maintaining the price often.
- The data presents that 66.67% of the respondents were maintaining the price and add value very often, 16.67% of the respondents were used this practice often and 16.67% of the respondents were used this practice sometimes.  
This concludes that 83.34% were maintaining the price and add value often.
- The data presents that 40% of the respondents were reducing the price very often, 20% of the respondents were used this practice often and 40% of the respondents were used this practice sometimes.  
This concludes that 60% of the respondents were reducing the price often.
- The data presents that 46.67% of the respondents were increase price and improve quality very often, 30% of the respondents were used this practice often, 20% of the respondents were used this practice sometimes and 3.33% of the respondents were used this practice rarely.  
This concludes that 76.67% of the respondents were increase price and improve quality often.

It concludes that most of the respondents have given the first rank to maintain the price and add value to their products and services to respond to competitor’s price changes. Hotels may find it cheaper to maintain price and improve perceived quality than to cut price and operate at a lower margin. The respondents expressed that this practice is important for them followed by maintain price, increase price and improve quality, and reduction in price.

**FINDINGS**

1. Most of the respondents expressed quality and costs of the product are the internal factors which influence in pricing decision.
2. Most of the respondents expressed competitor’s prices and offers, and the nature of the market and demand are the external factors which influence in pricing decision.
3. The respondent have given first rank to going-rate pricing method to set the price followed by cost plus pricing and perceived rate pricing. The responds agreed that they also used value pricing and target-return pricing.
4. The respondents have given first rank to price discounts and allowances as a pricing strategy. Hotels adjust their list price and give discounts and allowances for volume purchases, off-season buying etc. in order to maximize sales and profits. They expressed that this strategy is important for them followed by seasonal pricing, promotional pricing, economy pricing, market-penetration pricing, discriminatory pricing, geographical pricing, product-mix pricing, psychological pricing, premium pricing/ prestige pricing and market-skimming pricing.

5. The respondents have given first rank to product-bundle pricing strategy under product-mix pricing method. Hotel priced two or more products or services as a package with a single price. The price of the bundle is typically less than when the two items are purchased separately. Therefore to give more benefits to the consumers the products are bundle together and set the single price. They expressed that this strategy is important for them followed by product-line pricing and two-part pricing.

6. The respondents have given first rank to seasonal discount. A seasonal discount is a price reduction to customers who buy products or avail services out of season, when the demand is lower. Seasonal discounts allow the hotel to keep demand steady during the year. They expressed that this strategy is at most important for them followed by quantity discount/ volume discount, cash discount, trade discount/ functional discount, commissions/ trade incentives and allowance.

7. The respondents have given the first rank to maintain the price and add value to their products and services to respond to competitor's price changes. Hotels may find it cheaper to maintain price and improve perceived quality than to cut price and operate at a lower margin. The respondents expressed that this practice is important for them followed by maintain price, increase price and improve quality, and reduction in price.

## References

1. Mbungwana Christine Lungiswa (2009), 'Customer Satisfaction in Hotels in Cape Town', Peninsula University of Technology, Theses & Dissertations, Page 121 [http://dk.cput.ac.za/td\\_cput/121](http://dk.cput.ac.za/td_cput/121)
2. Ivana Blešić, Dragan Tešanović and Dorde Psodorov, 'Consumer Satisfaction and Quality anagement in the Hospitality Industry in South-East Europe', African Journal of Business Management, Vol. 5(4), 18 February, 2011, pp. 1388-1396. Available online at <http://www.academicjournals.org/AJBM>
3. Dr. Sathya Swaroop Debasish and Mr. Sabyasachi Dey (2015), 'Customer Perceptions of Service Quality towards Luxury Hotels in Odisha using Servqual Model', International Journal of Research in Business Studies and Management, Vol.2, Issue 9, pp. 1-9. Retrieved from [www.ijrbsm.org/pdf/v2-i9/1.pdf](http://www.ijrbsm.org/pdf/v2-i9/1.pdf)
4. C. Karthigai Prakasam (2010), A Study of Customer Satisfaction in Hotel Industry: with special eference to Annapoorna Group of Hotels in Coimbatore Dist. Of Tamilnadu, Doctoral Thesis, Bharathidasan University, Tiruchirapalli. Retrieved from <http://shodhganga.inflibnet.ac.in/handle/10603/4835>