Klover Journal of Tourism and Hospitality Management
Volume 11 Issue 4, October-December 2023
ISSN: 2995-3634
Impact Factor: 7.41
http://kloverjournals.org/journals/index.php/thm

LUXURY LEDGER: A COMPREHENSIVE STUDY OF GUEST PURCHASE DECISIONS THROUGH THE ART OF PRICING IN NAKURU CITY'S HOTELS

Michael Kiprono Bett and Prof. Collins Waweru Kimani
Department of Business Administration; Faculty of Business Studies, Chuka University, Chuka, Kenya

Abstract
The travel and hospitality sector, renowned for its substantial contributions to global economic development, has historically played a pivotal role in enhancing Gross Domestic Product (GDP), employment opportunities, and foreign exchange generation (Manzo, 2019; WTTC, 2019). This economic sector has not only sustained nations worldwide but has also significantly benefitted countries in Africa. Local communities in particular have reaped rewards from tourist hotels and lodges, enjoying increased job prospects and the procurement of locally sourced products (Mrema, 2015; Ampofo, 2020). Moreover, the sector is widely recognized as a cornerstone in boosting revenue and fueling economic growth for nations (Ampofo, 2020; Sucheran, 2021).
Kenya serves as a compelling example of the profound economic influence of the hotel sector. In 2018, the hotel industry accounted for 16.6% of the annual GDP, marking a noteworthy increase of 2.3% compared to the 2017 contribution of 14.3% (Government of Kenya, 2018). This surge was bolstered by the withdrawal and relaxation of travel advisories, ultimately resulting in a 32.8% rise in hotel bed night occupancy in 2018, compared to 31.2% in 2017 (GoK, 2018).

Keywords: Hospitality Sector, Economic Development, Tourism, GDP Contribution, Kenya Hotel Industry

1.0 Introduction

The travel and hospitality sector contribute significantly to global economic development (Manzo, 2019). Through different years, the sector has made significant contribution to the Gross Domestic Product, creation of employment as well as providing foreign exchange (World Travel and Tourism Council (WTTC), 2019). Countries within Africa have also benefited significantly from hotel sector. For instance, local communities' benefits from tourist hotels and lodges through job opportunities and purchase of local products (Mrema, 2015; Ampofo, 2020). The sector has also been identified as key in contributing towards countries revenue generation and economic growth (Ampofo, 2020; Sucheran, 2021). In Kenya, hotel sector contributes significantly to the country's economy. In the year 2018, the sector had a contribution of 16.6% to the annual Gross Domestic Product (GDP) which was a growth of 2.3% compared to that of 14.3% in 2017 Government of Kenya (GoK), 2018) This was supported by withdrawal and relaxation of travel advisories which consequently led to increase in hotel bed night's occupancy by 32.8% in 2018 compared to 31.2% in 2017 (GOK, 2018).
Despite the significant contribution of the hotel industry to the economy, purchase of hotel service are greatly affected by natural disasters, travel advisories and global pandemics (Kim, Lee, & Tang 2020). In 2020, the sector was worst hit by COVID 19 pandemic. Globally, most hotels recorded a decline of walk in guest by about 90% and laying of about 80 % of the employees. This was instituted by international travel ban, social distancing initiatives and lock down imposed by many countries to curb spread of the disease. Arrival of guest also dropped to zero in many hotels (Dube, Nhamo & Chikodzi,

2021). During the same year there was massive cancellation of hotel bookings as well as low bookings which resulted to reduced purchase of accommodation services (Nhamo, Dube, & Chikodzi, 2020).
Hotels in Africa were also not spared by the adverse effect of COVID 19 pandemic. Sucheran, (2021) in a case study of South Africa found 88.4% of the surveyed hotels had experienced a decline of more than 75% in income earned. During the same time most hotels indicated 91-100% of their employees were likely to lose their jobs. In 2020 the Kenyan hotel sector experienced a contraction of 83.3% compared to expansion of 12.1% in 2019 (GOK, 2020). Therefore, it is necessary to identify how purchases of hotel services can be improved and recover from the adverse effect of pandemic.
In the year 2021 and 2022, the hotel sector made significant steps towards recovery from the COVID 19 pandemic. Globally, an increase in occupancy percentage was witnessed in hotels across different regions. Widz, Krukowska, Walas, and Kruczek, (2022) in a case study of hotels in Poland Europe found that in 2021 the average occupancy of hotels in that city had increased to 37.7% from 26.8 % in 2020. However this was still low compared to 67.8% in 2019. In Kenya average hotel occupancy for 2021 was 31.6% (CBK, 2021). The central bank of Kenya Monetary policy committee hotel survey – 2022 further identified that 100% of the 80 hotels surveyed across the country had resumed operation compared to 90.3% in 2021 and 39.0% in 2020 (CBK, 2022). The recovery was attributed to the reopening of the economy, lifting of the restrictions, increased conference and meetings, as well as increased recognition of the hotel sector at the international markets (Ivanov & Ayas, 2017; Sucheran, 2021).
Despite the recovery steps made by the hospitality sector from the effects of COVID 19, purchase of hospitality services is still affected by other forces such as pricing strategies used by hotels, inflationary pressures and increased competition from serviced apartments. Nkukuu, (2016), in a case study of Kenyan market noted an Increasing shift in consumer preference away from mainstream hotels towards serviced apartments for accommodation. In 2016, serviced apartments in Nairobi city had an average occupancy of 90% which was higher than 33% of the hotels within the same region. The serviced apartments were also 33.5% cheaper than hotel rooms Nkukuu, (2016) which resulted to guests preferring them due to their cheaper prices, more secure environment and with larger room sizes.
Hotels in Nakuru City have been greatly relying on cost based pricing strategies (Mugambi, 2017). Cost based pricing results to fixed prices which enables hotels generate profit from its services. However, despite hotels generating profit from cost based pricing, some guest perceive the fixed prices set to be unfair. Eventually guests' loyalty and purchases to the hotel services reduces which affects their long term performance (Ivanov & Ayas, 2017). Therefore this study aimed at identifying effectiveness of Value added, discounted and concession pricing strategies as an alternative strategy in influencing guest purchase decision in Nakuru Cityin response to prevailing market challenges.

2.0 Literature Review

Value Added Pricing Strategy

Value added pricing is a method of setting prices for hotel services based on the perceived benefits customer are likely to get (Liozu, 2016). This strategy enables hotel managers to create a service that solves guests' problem and present benefits achieved during service encounter (Terho, 2012). Service providers can either develop the value they desire to give to customers or search for value sought by guests or integrate the two. To ensure mutual benefit for guest and hoteliers, segmentation of customers, service differentiation and price adjustment is necessary for effective value added pricing to be adopted (Nagle, 2010).
Guest purchase decision is influenced by the perceived or desired value in a service or product. Perceived value refers to the cost guests incur in the purchase process compared to the benefits achieved from the service (Ntimane & Tichaawa, 2017). The specific elements evaluated by guests includes;

functional, symbolic or emotional features of a service. For instance, on the functional element value is determined by a service being fairly priced while symbolic element value is determined by aspects such as reputation of the hotel and proper working condition (Bukhari, Awan, Siddiquei & Raza, 2012). In addition, guests can perceive a service to be of value if employee interaction during service encounter is characterized by care and friendship as well as enhancement of social concept (Andreu, Sanche & Mele, 2010).

Hotel features that communicate value obtained from a service have been found to have a significant influence on guest choice of hotel. Previous research has indicated that setting price using value based pricing strategy promote purchase choice of a service. Lee (2010) through a descriptive and exploratory design that assessed factors that influenced guests' selection of a hotel found quality customer employee relationship, accessibility to attraction and historic site benefits of a service to be among the elements that influence guest purchase decision.

Analysis of 368 guest response from 17 five star hotels in South Korea found adoption of value added pricing had influenced guest repurchase decision of hotel services (Lee, 2010). Yang et al., (2019), established the effect of value added pricing on 220 urban hotels in Los Angeles on guest choice of hotel, it was found out that purchase decision of 37 guests in each hotel was influenced by the benefits promised in a service. Using the mixed effect ordered logit Model Agresti, (2010) found similar results to Lee, (2010) that value added pricing plays a significant role in guests' choice of hotels. These study adopted descriptive research design and targeted respondents from star rated hotels.

In addition, functional, symbolic and emotional attributes of a service, have been found to influence guest selection of a service significantly (Torrent et al., 2011). Functional, symbolic and emotional elements of a service form part of benefits likely to be incurred through consumption of a service ((Ntimane & Tichaawa, 2017)). For instance, functional elements such as fair pricing, attract purchase from both business and leisure travelers. A study by Graziana, Govanni and Vigila (2012) analyzed how consumer responds to value based pricing in 1000 hotels in Europe. The random effect model results indicated 30% of hotels change prices based on the reputation of hotel from review by guest while 60% changed during peak season, 20% based on the features in a service (Graziana et al., 2012). The study further found star rated hotels were able to utilize value added pricing compared to those without ratings. However, the study did not identify the effect value added pricing had on guest purchase decision. These study addressed this gap.

Discounted Pricing Strategy

Discount refers to price adjustments by companies to reward customers who either pay bills earlier, purchase in bulk or buy items off-season (Lee, 2010). Chao & Liao, (2016) found companies can either choose quantity, functional or seasonal discounts. Quantity discount is offered to customers who purchase products in large volumes; functional discounts are offered by sellers to intermediaries who perform certain functions such as storing while seasonal discounts are offered to buyers who purchase services out of season. For instance, though a customer may be required to pay for a service within 30 days but commits himself to pay within 10 days, a 2% discount may be offered (Santini, Sampaio, Perin & Vieia, 2015)

Discounting is used by hoteliers as a competitive strategy for responding to forces within the market place (Croes & Semrad, 2012). It is also used in instances where the actual service demanded by a hotel is less than the expected (Kalnins, 2006). This application is enhanced by the nature of price ability to influence buyer's choice (Kotler, 2011). Kime, (2017) found hotels target price sensitive customers such as leisure travelers, conference attendees and business travelers while making discounts aiming at

influencing their purchase decision. Discounting is further adopted by hoteliers in an effort to reduce perishability of the hotel services, and to maintain historical occupancy level (Lee, 2016).

Hotel managers set discounts based on, the booking window; duration to a certain check in date, competitors' rates and likelihood of a guest cancelling a reservation (Lee, 2015). Lee, (2016) assessed how hotels in United States make discounting decision. Through a conjoint analysis of 117 hotels, the study found booking duration, room rates and potential for cancelling a reservation to significantly affect discounting by 33.24%, 23.94%, and 21.98% respectively. Similarly, Smith, (2016) found that discounting greatly influence leisure travelers. Lee, (2016) further found star rated hotels with a range of 300-700 rooms are more likely to discount prices while those located along attraction sites are less likely to adopt discounting. The study's aim was to assess the effect of discounted pricing on leisure and business guest purchase decision in star rated hotels.

In a case study of Houston, USA, research was conducted to assess whether discounting prices had a significant effect on hotel occupancy. The study found discounting prices contributed significantly to reducing losses due to increased occupancy through guest acceptance of discount offered (Kim, Roehl & Lee, 2019). Another case study of Las Vengas, was conducted to examine the effect discounting had on influencing unplanned guest purchase decision. Using quasi experimental design, the study found that surprise discounts influenced unplanned guest purchase of room products (Kim et al., 2019). Wangui, Kiragu and Wachira, (2018) conducted a study in Nyeri, Kenya to establish the effect pricing had on growth of hotels. The study found that discounted pricing strategy significantly influenced hotel growth.

Smith, (2016) analyzed the effect of discount prices on guest willingness to purchase in hotels located within south Eastern USA. The analysis of 415 guests, 61.6% of the respondents were found to be influenced by discounts on prices in their purchase decision. A discount of more than 20 dollars on the reference price was found to influence guest willingness to purchase positively. Kim, Roehl & Lee, (2019) assessed the effect discounted prices had on recovery to crisis among 287 hotels in Texas USA. The study found that 1% discount on rates positively influenced hotels occupancy during low season. However, the effect of discount to brand choice and alternative hotels was not evaluated. This study aimed at filling this gap.

Concession Pricing Strategy

Concession pricing is done on the basis of cost benefit analysis. It gives provision for guests and hotels to negotiate and reach to concession on the rate to be charged for a service (Rapaccini, 2015). It is a contractual agreement whereby one party proposes something of value to another. In the hotel sector, concessions may mean special deals such as issuance of discounts, complementary services such as wi-fi, food and beverage discounts and VIP amenities demanded by guests in setting prices (Xu, 2016). Concession may further be applicable to contracts with particular prices to enhance consistent provision of quality service (Vives & Payeras, 2018).

Owing to the nature of hospitality service, such as great demand, dynamic nature of customers, formulating a concession price based on the benefits likely to be incurred by each party has been found to be significant (Rapaccini, 2015). Formulation of the agreement is done among though not limited to business to business facilities such as industrial catering and event catering (Noone et al., 2013). The value of a service is factored when making the decision of a concession price which can result to high or low price depending on the type of guest and demand season (Su & Sun, 2007).

When setting concession prices, hotel focuses on the request made by a guest. For instance, a guest may request a complimentary room for every 50 rooms purchased. Hotels can also offer an expensive suite for every set number of standard room sold. In the case of meeting space, guests may request for a

concession for instance if they agree to spend a minimum amount on food and beverage, the fees for meeting space can be waived (Su& Sun, 2007). Where concession pricing has been applied hotels are able to increase guest occupancy (Chen, 2010). Despite previous studies focusing on impact of concession pricing on revenue growth Xu, (2016), little has been done in establishing its effect on guest purchase decision this study aimed at filling this gap.

Information availability has made guests more complicated in price negotiations. This has been enabled by technology advancement through which guests search offers from multiple suppliers and choose the best offer (Pan, Zhang & Law, 2013). In an effort to respond to this, hotels have devised strategies to collect and analyze more detailed information about potential customers, their needs, preferences and buying habits. With the information collected hotels are able to set concession prices (Yan, Liu & Wang, 2014). Guest on the other hand are keen on purchasing services that satisfies their needs. Besides hotels being keen on meeting guests need through concession pricing, previous studies have indicated efforts on how concession pricing has been achieved between hotels and intermediaries.

Zeng, Shi and Xie (2019) in a case study of china sought to identify how best concession pricing can be done between hotels and its intermediaries. The study found both the hotel and promoters of its services were keen on how profitable prices charged for its services were to each stakeholder. This initiated the need for each stakeholder being involved in negotiating for the prices before being charged to guests. Guo, Ling, Dong and Liang, (2013) conducted a study assessing how best pricing can be done when hotels involve intermediaries in its distribution channel. The study identified that whenever hotels increased the commission offered to its intermediaries the promoters improved its marketing skills to increase hotels visibility. These studies have focused on concession pricing between hotel and its stakeholders. There exists a gap of how concession is done between hotel and guests. This study aimed at filling this gap.

Guest Purchase decision

Guest purchase decision refers to the measurement of the extent to which a customer will choose to purchase a service from a hotel (Maxwel, 2007). Guest base the decision upon distribution of advantages they are likely to receive from the relationship encountered in a service. In every purchase decision, guest take into consideration service factors significant to them in the process of evaluating a service (Smith, 2016). When a guest is presented with a different price, they begin the process of making purchase decision depending on the extent to which prices differ. According to utility theory, an increase or decrease in price of a product affect guest purchase decision. In order to understand the relationship between increase, decrease and adjustment of price with guest purchase decision, guests will be allowed to retain their reference price which they compare the preferable hotel price with (Nusair, Yoon, Naipaul & Parsa, 2010).

The type of guest also has an effect on how they evaluate price while considering purchasing a service (El Gayar, Saleh, Ativa & Zakhary, 2011). Ivanov, (2014) found price sensitivity depends on whether the guest is a business or leisure traveler. Business travelers afford to pay high price and therefore are ready to purchase services at fixed prices while leisure travelers always look for discounts. The time of purchase of each segment is also different for instance business travelers are committed to purchase services during weekdays while leisure travelers during weekend.

Features searched by each guest also differ since the facilities needed by one group may not be needed by another. For instance, conference guest may negotiate for a low price, corporate or travel agencies may require some price deduction while individual mays not have negotiating power (Vives, Marta, & Payera, 2018).

Conceptual Framework

Klover Journal of Tourism and Hospitality Management
Volume 11 Issue 4, October-December 2023
ISSN: 2995-3634
Impact Factor: 7.41
http://kloverjournals.org/journals/index.php/thm

In the hotel sector, purchase decision can be influenced by pricing strategies such as value added, discounted and concessionpricing(Santos, 2016; Liozu, 2016; Croes & Semrad, 2012). These pricing strategies directly or indirectly influence purchase decision of a guest. Therefore, they were believed to be significant in examining the effect they can have on brand choice, purchase timing, purchase price and purchase amount of a hotel service by a guest. Guest also evaluate alternative, search for information in the purchase process. This is shown in figure 1.

Conceptual Framework

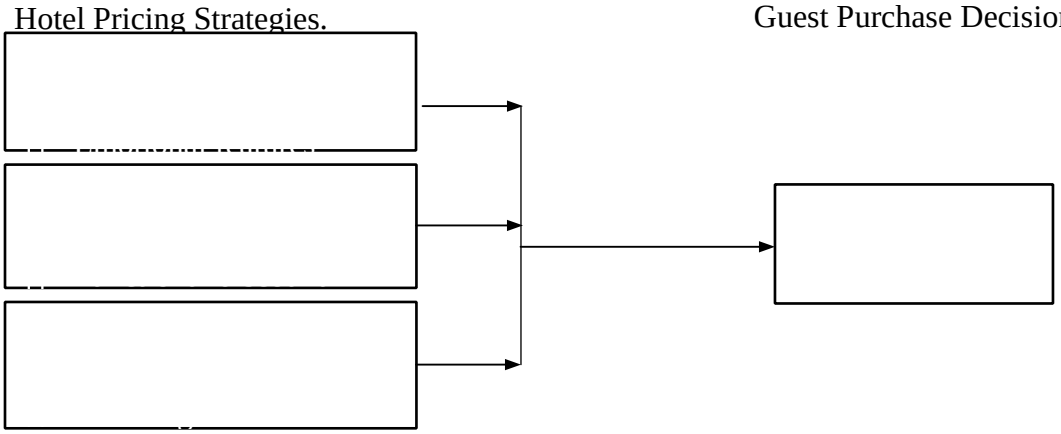

Figure 1: Conceptual Framework

Methodology

Research Design

The study adopted descriptive cross sectional research design. Descriptive cross sectional research design is used when collecting information about people's attitude, habit, education and social issues at the market (Taherdoost, 2016). Thus description of the service attributes that guest evaluate before purchase enabled the researcher to examine the nature of the relationship between the pricing strategies and guest purchase decision (Hall, 2011). The research design was used since data was collected once at a time in each hotel. The data was further collected from star rated hotel in a cross sectional manner.

Target Population

The estimated target population for the study was 978 guests. This was the bed capacity of the star rated hotels in Nakuru City at 54.6% occupancy percentage. According to tourism regulation authority of Kenya (2019), there are 19 star rated hotels in Nakuru City with a bed capacity of 1,792 at 100% occupancy rate.

Sampling Procedure and Sample size

The study employed purposive proportionate sampling procedures. Purposive sampling was used to select hotels in Nakuru City. This was done based on the researchers' knowledge and according to Tourism Regulation Authority of Kenya (2019) star classification. Proportionate sampling was used to select guests who gave responses to the research instruments. This is shown in table 1.The study sample size of the guest was derived according to Krejcie and Morgan, 1970, using the formulae,

$$S = \frac{x^2\, NP(1-P)}{d^2(N-1) + x^2 P\,(1-P)}$$

Where: s = required sample size

P = proportion of the population having the characteristics, in this case the standard population proportion

of 50% (0.5) which is the maximum sample size one can select from a population that is used N = Population size
1-p and d = degrees of accuracy
N = the z value (confidence level) in this case it is taken as 1.96.

$$= \frac{1.96^2 * 978 * 0.5 * 0.5}{0.05^2(978-1) + (1.96^2 * 0.5 * 0.5)}$$

$$S = \frac{939.2712}{(2.4425) + (0.9604)}$$

$$S = 276$$

The entire sample size for the guest was 276. The study obtained a sample for each hotel proportionate to bed capacity (Table 1). Guests residing in the hotels at the time of data collection and willing to participate in the study were considered.

Table 1 Summary of Sample size for each hotel.

	Hotel	Star rating	Sample	Achieved sample
1	Sarova Woodlands & SPA	5	21	21
2	Sunbird Lodge	4	20	19
3	Sentrim Elementaita Lodge	4	20	14
4	Lake Naivasha Sopa resort	4	21	18
5	Lake Elementaita Mountain Lodge	4	25	15
6	Lake Naivasha Crescent camp	4	23	20
7	Ole Ken Hotel	3	24	20
8	Lake Elementaita Pebbles & SPA	3	21	19
9	Seasons Elemtaita Country Lodge	3	25	22
10	Chester Hotel	2	26	25
11	Kabarak Guest House	2	26	24
12	Hotel city max	2	24	22
	Total		276	239

Data Collection

Data was collected using structured questionnaires.The questionnaires comprised close-ended questions with a Likert scale. Primary data was collected from guest purchasing hotel services at the time of data collection.

Research instruments

Questionnaire for the guest was used in this research. The questionnaire had four sections namely A, B, C, D and E. Section A questions aimed at measuring the socio-economic characteristics of the respondents. Section B, C, D and E consists of questions seeking to measure the effects of value added, discounted, concession and hedonic pricing strategies on guest purchase decision in Nakuru City respectively.

Reliability of the research Instrument

Reliability was performed using the Cronbach Alpha and the Cronbach Alpha coefficient was α = 0.895 as indicated in Table 2. Therefore, the items in the questionnaire proved to be worthy to be retained.

George and Mallery (2003) provided the following rules of thumb: α > 0.9 - excellent, α > 0.8 - good, α > 0.7- acceptable, α = 0.6 - questionable, α = 0.5 =poor, and α < 0.5 = unacceptable.

Table 2: Results of Reliability Statistics using Cronbach's Alpha

Variable	Value
Scale reliability coefficient	0.895
Number of Items in the scale	25

Validity of the Research Instruments

A pilot study prior to actual data collection was conducted to ensure validity of the research instruments. Questionnaires were subjected to experts' opinion. Face validity was enhanced by using headings that were linked to the study topic and research objectives in the questionnaires.

These headings were bolded and clearly written in all questionnaires for the different target respondents identified by the researcher. Content validity was enhanced through the researcher by ensuring that the literature reviewed and the questionnaires constructed fully represent the domain of guests how purchase services in Hotels.

Data Analysis

The data collected using questionnaires was coded, organized, and then analyzed with aid of SPSS (Version 21) to search for patterns of relationship that exist among the variables. Analyzed data was presented using descriptive and inferential statistics. Descriptive statistic included measurement of percentages, mean, median and frequency particularly on demographic characteristics of respondents. Inferential statistics were used to compare the findings between variables. Multiple regression analysis were used to establish the relationship between value added, discounted and concession pricing strategies and guest purchase decision in Nakuru City. This is shown in Table 3. To test the hypotheses, significant levels were sought at $p \leq 0.05$.

Multiple regression equation.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where;

Y=Guest purchase decision.

β_0= Constant.

X_1= Value added pricing strategy.

X_2= Discounted pricing strategy.

X_3= Concession pricing strategy.

ε= Error margin.

$\beta_1, \beta_2, \beta_3$ = regression coefficients.

Table 3 Data analysis matrix

Objective	Independent variable	Dependent variable	Statistical test
To establish the effect of value added pricing strategy on hotel guest purchase decision in Nakuru	Functional elements Symbolic elements	Guest purchase decision	Multiple regression analysis

	Emotional features		
To establish the effect of discounted pricing strategy on hotel guest purchase decision in Nakuru City	Bulk purchase Season of purchase Functional discount	Guest purchase decision	Multiple regression analysis
To establish the effect of concession pricing strategy on hotel guest purchse decision in Nakuru City	Complementary services VIP amenities. Price negotiations.	Guest purchase decision.	Multiple regression analysis

Results and Discussions

Demographic Characteristics of the Respondents

The response rate for the questionnaires filled and returned by the respondents was 85.51%. The distribution for the respondents is indicated in Table 1. Majority of the respondents in the study were male (56. 49%) and minority were female (43.51%). Abrian, Adrian, and Surendra, (2019) reported consistent findings that most guests who visits hotels are males. It also indicates that majority of the respondents were leisure travelers, (30.96%) followed by business travelers at 28.03%. Conference participants formed (26.78%) of the respondents while those guests on family tour were the least (14.23%).

Klover Journal of Tourism and Hospitality Management
Volume 11 Issue 4, October-December 2023
ISSN: 2995-3634
Impact Factor: 7.41
http://kloverjournals.org/journals/index.php/thm

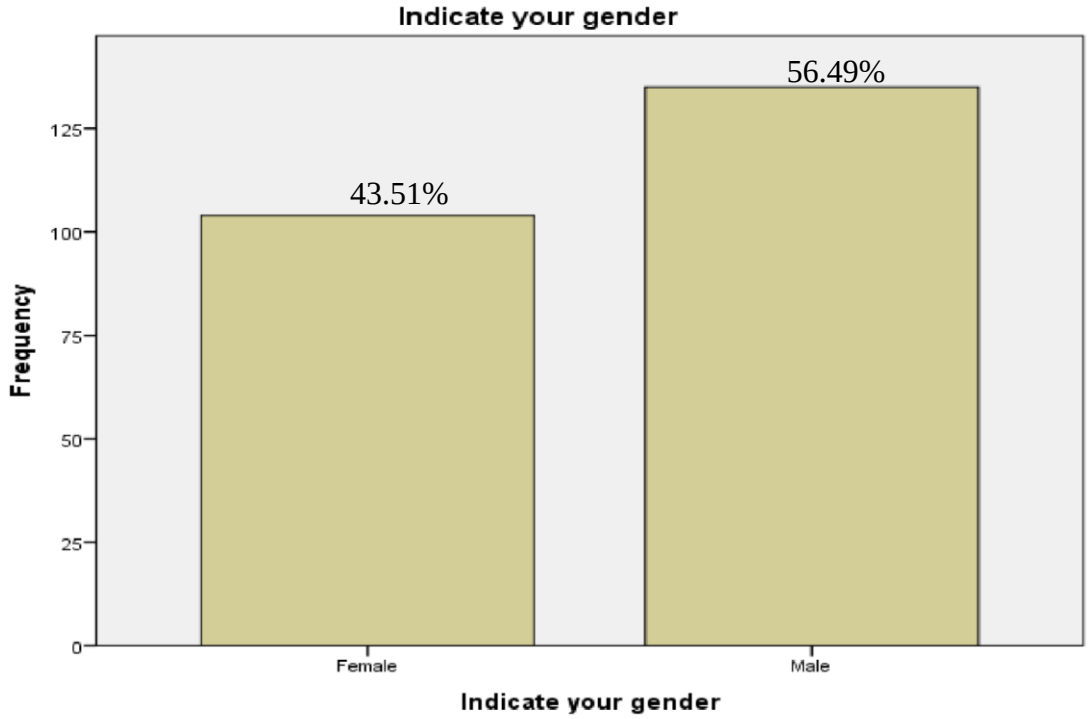

Figure 2: Gender of the guest

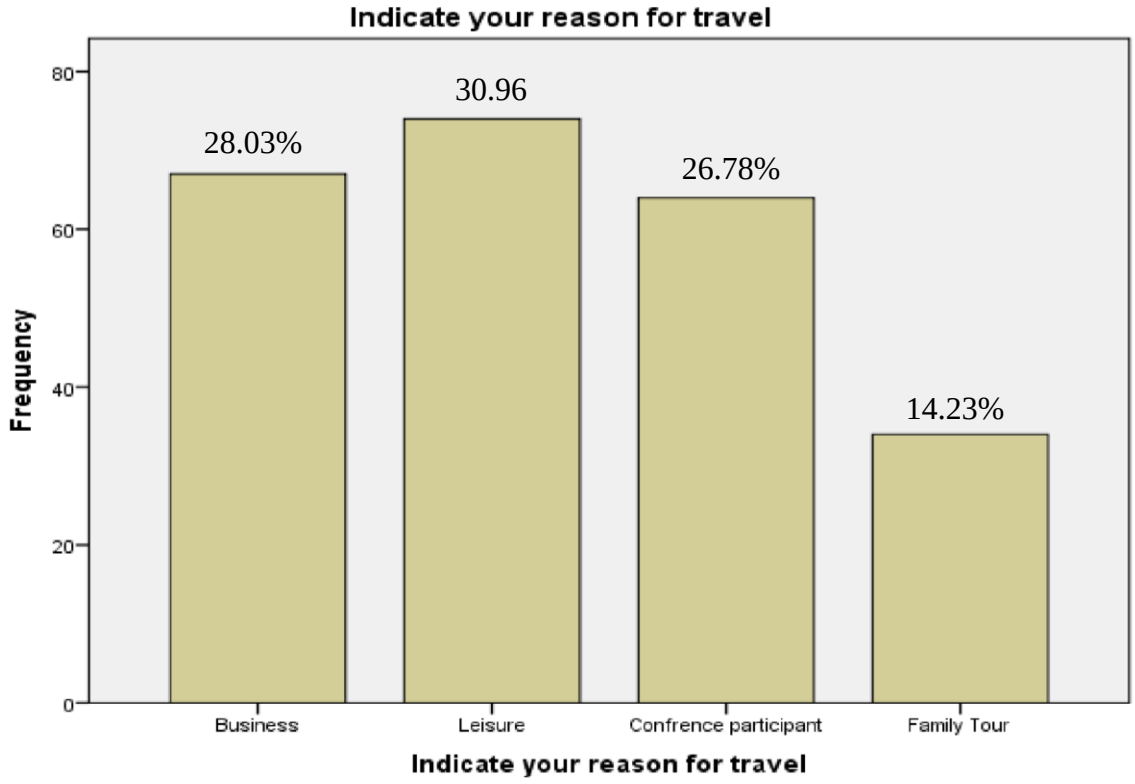

Figure 3: Guests Reason for travel.

Klover Journal of Tourism and Hospitality Management
Volume 11 Issue 4, October-December 2023
ISSN: 2995-3634
Impact Factor: 7.41
http://kloverjournals.org/journals/index.php/thm

The frequency of visit to the hotel was measured using first time and regular guest with majority being regular guest (53.56%) and 46.44% being first time visitors. Han and Ryu, (2012) identified that guests who visits hotel frequently have information about their decision making patterns. With majority of guests being regular visitors 53.56%, the data collected could be used to provide information about guest purchase decision.

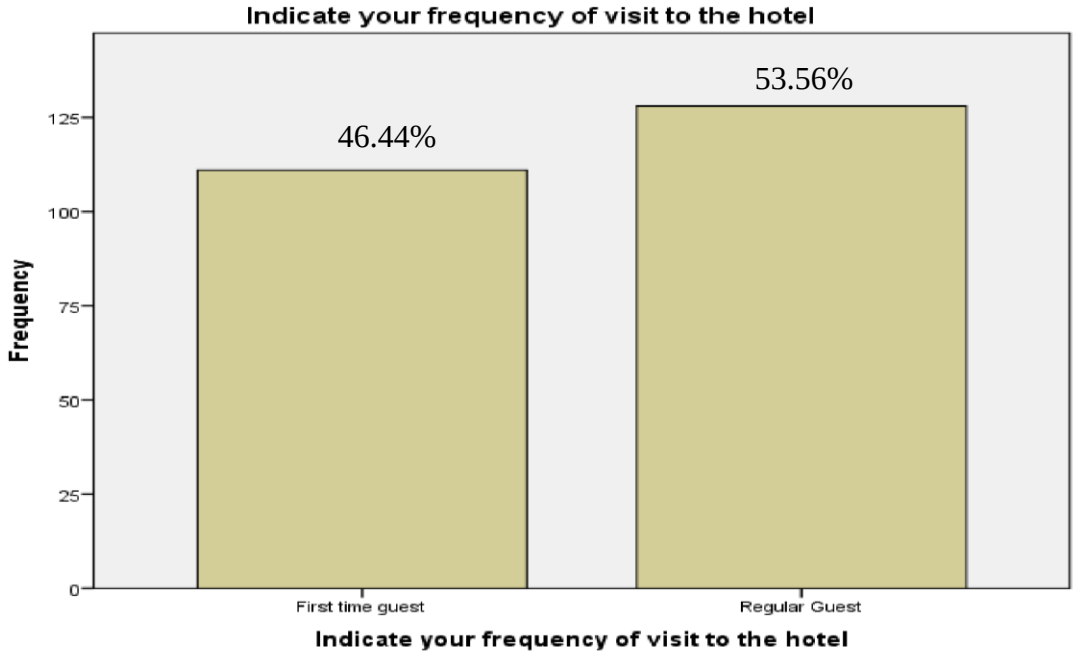

Figure 4: Frequency of Guest visit to the hotel

Majority of the respondents' age 36.4% lies between 36-45 years, 31.8% between 26-35 years, 14.23% between 46-55 years 12.13% between 16-25 Years with the least 5.44% between 55-65 years. From table 5, results indicated that majority of the respondents 30.67% average income raged between Kshs. 40,001-80,000 per month, 19.33% earned between Kshs. 80,001-120,000, 17.65% between Kshs. 120,001-160,000, 15.13% between Kshs. 10,001-40,000, 14.71% between 160,001-200,000 while the least 2.52% earned between Kshs. 1-10,000.

Klover Journal of Tourism and Hospitality Management
Volume 11 Issue 4, October-December 2023
ISSN: 2995-3634
Impact Factor: 7.41
http://kloverjournals.org/journals/index.php/thm

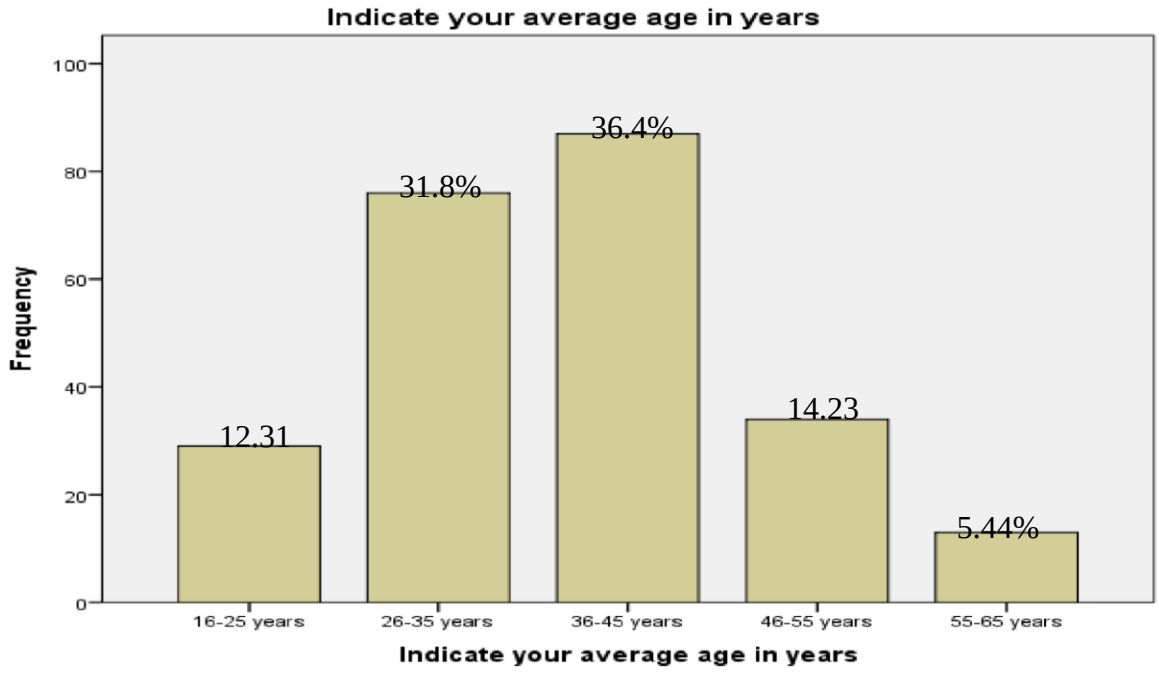

Figure 5: Age of the guest in years

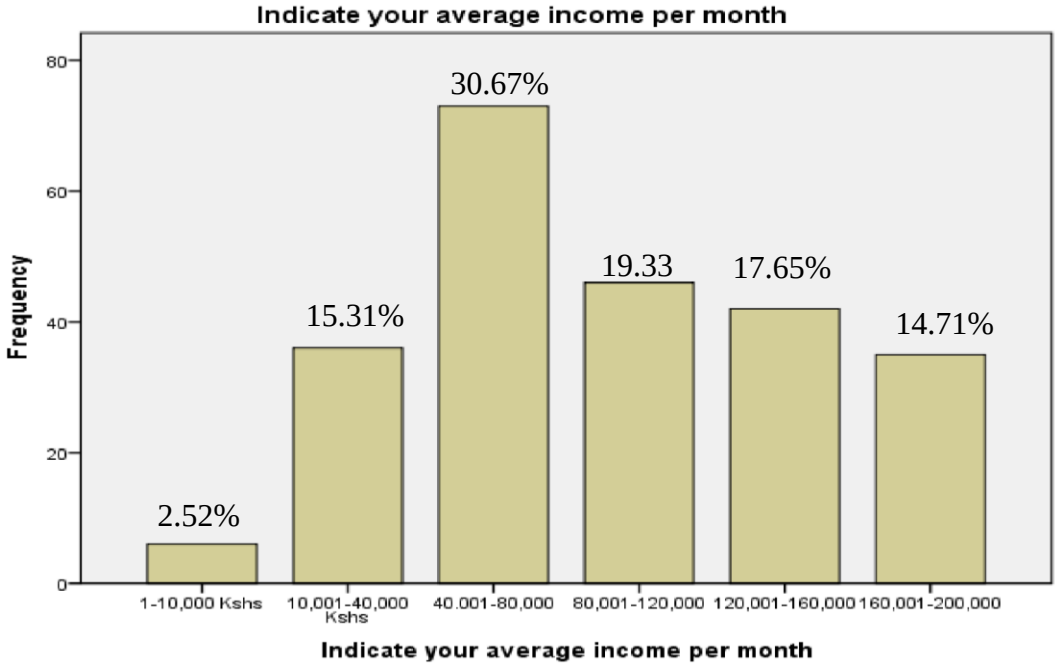

Figure 6: Average income of guest

Effect of pricing strategies and guest purchase decision

The study conducted inferential statistics using multiple regression analysis. This was done to determine the effect of value added, discounted and concession pricing strategies on guest purchase decision with significant levels sought at $p \leq 0.05$. Results indicated that the model was statistically significant (Adjusted $R^2=0.425$, f=58.13% $p < 0.01$). This means that 42.5% of the variance in guest

purchase decision can be explained by value added, discounted and concession pricing strategies. This is indicated in table 4 and 5

Table 4: Regression Model Summary

Model Summary				
Model	R	R square	Adjusted R square	Std. Error of the Estimate
1	.658a	0.432	0.425	4.05373
Dependent Variable Purchase Decision				
Predictors (constant) Value-added, Discounted Concession				

Table 5: Regression ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2865.670	3	955.223	58.129	.000[b]
	Residual	3763.094	229	16.433		
	Total	6628.764	232			
a. Dependent Variable: Purchase Decision						
b. Predictors: (Constant), Concession, d Discounted, valueadde						

Three independent variable were tested to determine their effect on guest purchase decision. This included; value added, discounted and concession pricing strategies. Value added pricing (p=0.000), discounted pricing (p=0.114) and concession pricing (p=0.000).

Table 6: Multiple regression coefficient

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.407	2.03		5.619	.000
	Value added	0.411	0.062	0.362	6.68	.000
	Discounted	0.358	0.121	0.16	2.95	0.004
	Concession	0.495	0.075	0.353	6.556	.000
a Dependent Variable: Purchase Decision						

Results indicated that value added pricing (β=0.362, p=0.000) and concession pricing (β= 0.353, p=0.000) were found to have a positive and significant relationship with guest purchase decision.

Discounted pricing (β =0.16, p=0.004), have a positive but insignificant relationship with guest purchase decision. This is shown in Table 6.

$Y = 11.40 + 0.362X1 + 0.16X2 + 0.353X3 + \varepsilon$

The study's result were similar to Yang et al., (2019) who in a case study of Los Angeles who found value added pricing to have a significant effect on guest purchase decision. The significance of functional, symbolic and emotional elements of value in influencing value added pricing were consistent with Bukhari et al., (2012) findings who identified them to have a significant effect on guest purchase decision. Lee, (2010) stated that hotel use value added as an important tool of influencing choice. The result of this study are similar to Lee, (2010). Moro, Rita and Oliveira, (2018) reported consistent findings that hotels in Portuguese utilize value added pricing attributes in determining their rates. The study's findings that discounted pricing didn't have a significant effect on guest purchase decision differed with Lee, (2016) who found that discounting prices influenced guest purchases significantly. The results for discounted pricing also differed with Kim, Roehl and Lee, (2019) who found that hotels utilize discounts to influence guests' acceptance of the hotels. However, the study showed similar results with Chao & Liao, (2016) that guests were not willing to increase their purchases in case they were offered discounts.

Globally hotels in different regions have been adopting strategies for enhancing purchase of their services. Guillet & Chu, (2021), sought to examine the strategies hotels were using to enhance purchases of hotel services in Hong Kong China. From the analysis the researcher identified that due to the decrease demand of hotel services during COVID 19 pandemic, hotels were setting different rates for each market segments. Guillet & Chu, (2021) further identified discounting prices didn't influence purchases significantly since most guests were not willing to purchase reduced prices. In addition the findings showed that value obtained from the services consumed was a key concern to the hotels when setting pricing (Guillet & Chu, 2021). The utilization of value added and discounted pricing strategy in Nakuru City and its significant role in purchase decision is consistent with the findings of the utilization of the strategy in other parts of the globe. Both value added pricing (p=0.000) and discounted pricing (p=0.004) findings were similar to those of hotels in Hong Kong, China (Guillet & Chu, 2021).

The results that concession pricing influenced guests purchase decision significantly (p=0.004) were similar to Rapaccini, (2015) findings that guest negotiate with the hotels on the rates to be charged for a service. The significance of concession elements such as Wi-Fi, food and beverage discounts were similar to Xu, (2016) who found that hotels utilize these elements when setting concession prices. The findings of the study agreed with Zeng, (2019) who in a case study of China found that hotels and intermediaries were keen on the benefits each got from a service which was achieved through price negotiations.

The findings of the study were consistent with the study area characteristics for Nakuru City. Tourism is one of the economic activities carried out in Nakuru City due to the touristic nature of the area which attracts both domestic and international visitors. Price adjustment is one of the activities carried out in areas with touristic activities due to change in demand during different seasons (Abrate et al., 2012). According to Mohammed, and Law, (2019), the study area characteristic are expected to influence prices since they form part of the market forces. The significant results of utilization of value added pricing and concession pricing in influencing guest purchase decision were expected in this geographical area.

From the results of the analysis, hypothesis that there is no statistically significant effect of value added pricing strategy on guest purchase decision was rejected (p=0.000), there is no statistically significant

effect of discounted pricing strategy was accepted (p=0.004) and there is no statistically significant effect of concession pricing strategy on guest purchase decision was rejected (p= 0.000).
The research findings in this study contributes significantly to pricing policies utilized in hotels. Abrate, Fraquelli, Viglia, (2012) identified that pricing policies adopted by hotels are key concern to both the guests and the hotels. Guo, Ling, Dong and Liang, (2013) identified that value added, discounted and concession pricing strategy presents a win-win policy to both guests and hoteliers during purchase decision making process. Guizzardi, Pons, & Ranieri, (2017) identified that utilization of value added, discounted and concession pricing strategies had become a popular strategy across different hotels. Therefore this study's findings that pricing strategies influences' guest purchase decision significantly contributes to pricing policies used in hotels.

Conclusion

The study concluded that purchase of hotel services can be highly influenced by utilization of value added, discounted and concession pricing strategies. Therefor hotels need to ensure that the functional, symbolic and emotional elements of service are factored in the pricing process. The benefits incurred from consumption of a service needs to be communicated to guests to influence their decisions. Hotels need to encourage price negotiations with guests. Through the negotiations, hotels can clarify the complementary services included in their price packages. Despite price discounts having an insignificant effect on guests purchase decision, hotels can utilize them but only upon requests by guests as well as for conference packages.

References

Abrate, G., Fraquelli, G., & Viglia, G. (2012). Dynamic Pricing Strategies: Evidence from European Hotels. *International Journal of Hospitality Management*, *31*(1), 160-168.

Abrian, Y., Adrian, A., & Surendra, R. (2019). Analysis of Factors Affecting Guest Decision in Purchase of Room Service in Hotel 'Grand Inna Padang,' J. Bus. Hosp. Tour, 5(2), 193-200.

Ampofo, J. A. (2020). Contributions of The hospitality industry (Hotels) in the development of Wa municipality in Ghana. International Journal of Advanced Economics, 2(2), 21-38.

Agresti, Alan. (2010). *Analysis of Ordinal Categorical Data*, 2nd ed. Hoboken, NJ: Wiley.

Andreu, L., Sánchez, I., & Mele, C. (2010). Value co-creation among Retailers and Consumers: New Insights into the Furniture Market. *Journal of Retailing and Consumer Services*, *17*(4), 241-250. Central Bank of Kenya (2021). *Monetary policy*: Report of the survey of Hotels.

Central Bank of Kenya (2022). *Monetary policy*: Report of the survey of Hotels

Chao, R. F., & Liao, P. C. (2016). The impact of brand image and discounted price on purchase intention in outlet mall: Consumer attitude as mediator. *The Journal ofGlobal Business Management*, *12*(2), 120-128.

Chen, C. F., & Rothschild, R. (2010). An Application of Hedonic Pricing Analysis to the Case of Hotel Rooms in Taipei. *Tourism Economics*, *16* (3), 685-694.

Croes, R., & Semrad, K. J. (2012). Does Discounting work in the Lodging Industry? *Journal of Travel Research*, *51*(5), 617-631

De Oliveira Santos, G. E. (2016). Worldwide Hedonic Prices of Subjective Characteristics of Hostels. *Tourism Management*, *52*, 451-454.

Dube, K., Nhamo, G., & Chikodzi, D. (2021). COVID-19 cripples global restaurant and hospitality industry. *Current Issues in Tourism*, *24*(11), 1487-1490.

El Gayar, N. F., Saleh, M., Atiya, A., El-Shishiny, H., Zakhary, A. A. Y. F., & Habib, H. A. A. M. (2011). An Integrated Framework for Advanced Hotel Revenue management. *International Journal of Contemporary Hospitality Management*.

George, D., & Mallery, P. (2003). SPSS for Windows step by step: A simple guide and reference. 11.0 update (4th Ed.). Boston, Massachusetts, USA: Allyn & Bacon.

Government of Kenya (2018). *Economic Survey:* Kenya National Bureau of Statistic Government Press.

Government of Kenya (2020). Quarterly Gross Domestic Product Report Second Quarter, 2020 *Economic Survey:* Kenya National Bureau of Statistic.

Guo, X., Ling, L., Dong, Y., & Liang, L. (2013). Cooperation contract in tourism supply chains: The optimal pricing strategy of hotels for cooperative third party strategic websites. *Annals of Tourism Research*, *41*, 20-41.

Guillet, B. D., & Chu, A. M. C. (2021). Managing hotel revenue amid the COVID-19 crisis. *International Journal of Contemporary Hospitality Management*.

Guizzardi, A., Pons, F. M. E., & Ranieri, E. (2017). Advance booking and hotel price variability online: Any opportunity for business customers?. *International Journal of Hospitality Management*, *64*, 85-93.

Hair, J., Black, W., Babin, B., & Anderson, R. (2010). Multivariate Data Analysis a Global Perspective, Prentice Hall. *Upper Saddle River, NJ*.

Hall, J. (2011). *Encyclopedia of Survey Research Methods*. Sage Publications. Thousand Oaks, 173.

Hall, C. M., Scott, D., & Gössling, S. (2020). Pandemics, transformations and tourism: Be careful what you wish for. *Tourism geographies*, *22*(3), 577-598.

Han, H., & Ryu, K. (2012). The theory of repurchase decision-making (TRD): Identifying the critical factors in the post-purchase decision-making process. *International Journal of Hospitality Management*, *31*(3), 786-797.

Ivanov, S. (2014). Hotel Revenue Management*: From Theory to Practice*. Zangador.

Ivanov, S., & Ayas, Ç. (2017). Investigation of the Revenue Management Practices of Accommodation Establishments in Turkey: An Exploratory study. *Tourism management perspectives*, *22*, 137-149.

Kalnins, A. (2006). Markets: The US Lodging Industry. *Journal of Economic Perspectives*, *20*(4), 203-218.

Kim, J. K., Lee, S. K., & Tang, L. R. (2020). Effects of epidemic disease outbreaks on financial performance of restaurants: Event study method approach. *Journal of Hospitality and Tourism Management*, 43, 32–41.

Kim, M., Lee, S. K., & Roehl, W. S. (2016). The Effect of Idiosyncratic price Movements on short-and LongRun Performance of hotels. *International Journal of Hospitality Management*, *56*, 78-86.

Kim, M., Roehl, W., & Lee, S. K. (2019). Effect of Hotels' Price Discounts on Performance Recovery after a Crisis. *International Journal of Hospitality Management*, *83*, 74-82.

Kimes, S. E. (2017). The Future of Hotel Revenue Management.

Krejcie, R. V., & Morgan, D. W. (1970). Determining sample size for research activities. *Educational and psychological measurement*, *30*(3), 607-610.

Kotler, P., & Keller, K. (2011). *Marketing Management 14th Edition*. Prentice Hall.

Liozu, S. M. (2016). The Evolution and Future of Pricing Capabilities. *Journal of Revenue and Pricing Management,* 15(3-4), 306-316.

Lee, S. K. (2015). Quality Differentiation and Conditional Spatial Price Competition among Hotels. *Tourism Management*, *46*, 114-122.

Lee, S. H. (2016). How Hotel Managers decide to Discount Room Rates: A Conjoint Analysis. *International Journal of Hospitality Management*, *52*, 68-77.

Lee, K. W., Kim, H. B., Kim, H. S., & Lee, D. S. (2010). The Determinants of Factors in FIT Guests' Perception of Hotel Location. *Journal of Hospitality and Tourism Management*, *17*(1), 167-174.

Manzo, G. G. (2019). Travel and Tourism Economic Impact 2019. *World Travel & Tourism Council, London, UK*.

Maxwell, S. (2007). *The price is wrong: Understanding what makes a Price seem fair and the true cost of Unfair Pricing*. John Wiley & Sons.

Moro, S., Rita, P., & Oliveira, C. (2018). Factors influencing hotels' online prices. *Journal of Hospitality Marketing & Management*, *27*(4), 443-464.

Mohammed, I., B. D., & Law, R. (2019). Last-minute hotel-booking and frequency of dynamic price adjustments of hotel rooms in a cosmopolitan tourism city. *Journal of Hospitality and Tourism Management*, *41*, 12-18.

Mrema, A. A. (2015). Contribution of Tourist Hotels in Socio-economic Development of Local Communities in Monduli District, Northern Tanzania. *Journal of Hospitality Management and Tourism*, *6*(6), 71-79.

Mugambi, E. (2017). *Marketing Activities Expenditure and Performance of Selected hotels in Nakuru City, Kenya* (Doctoral Dissertation, Kenyatta University).

Nagle, T. T., Hogan, J. E., & Zale, J. (2010). *The Strategy and Tactics of Pricing: A Guiden to Profitable Decision Making*. Prentice Hall, and London.

Nhamo, G., Dube, K., & Chikodzi, D. (2020). Impacts and implications of COVID-19 on the global hotel industry and Airbnb. *Counting the Cost of COVID-19 on the global tourism industry*, 183-204.

Nagle, T. T., & Muller, G. (2018). *The strategy and tactics of pricing*. Routledge.

Ntimane, V., & Tichaawa, T. M. (2017). Customers' perceptions of value in relation to hotels in Gauteng, South Africa.

Noone, B. M., Canina, L., & Enz, C. A. (2013). Strategic Price Positioning for Revenue Management: The Effects of Relative Price Position and Fluctuation on performance. *Journal of Revenue and Pricing Management*, *12*(3), 207-220.

Nusair, K., Jin Yoon, H., Naipaul, S., & Parsa, H. G. (2010). Effect of Price Discount Frames and Levels on Consumers' Perceptions in Low-End Service Industries. *International Journal of Contemporary Hospitality Management*, *22*(6), 814-835.

Nkukuu, E. (2016) Kenyas hospitality sector report. Cytonn Real Estate https://cytonn.com/uploads/downloads/Kenyas-Hospitality-Sector-Report.pdf

Pan B, Zhang L X., & Law R, The complex matter of online hotel choice, *Cornell HospitalityQuarterly*, 2013, 54(1): 74–83.

Raza, M. A., Siddiquei, A. N., Awan, H. M., & Bukhari, K. (2012). Relationship between service quality, perceived value, satisfaction and revisit intention in hotel industry. *Interdisciplinary journal of contemporary research in business*, *4*(8), 788-805.

Rapaccini, M. (2015). Pricing Strategies of Service Offerings in Manufacturing Companies: A Literature Review and Empirical Investigation. *Production Planning & Control*, *26*(14-15), 1247-1263.

Rigall-I-Torrent, R., Fluvià, M., Ballester, R., Saló, A., Ariza, E., & Espinet, J. M. (2011). The effects of beach characteristics and location with respect to hotel prices. *Tourism Management*, *32*(5), 1150-1158.

Santini, F. D. O., Sampaio, C. H., Perin, M. G., & Vieira, V. A. (2015). An analysis of the influence of discount sales promotion in consumer buying intent and the moderating effects of attractiveness. *Revista de Administração (São Paulo)*, *50*(4), 416-431.

Sahoo, K. K., Awuor, E., & Panigrahi, R. R. Impact of COVID-19 on Hospitality Industry: A Case Study of Hotels in Nairobi and Mombasa in Kenya.

Sucheran, R. (2021). Preliminary economic impacts of the COVID-19 pandemic on the hotel sector in South Africa. *African Journal of Hospitality, Tourism and Leisure; Vol. 10, Issue 1*.

Su, C. S., & Sun, L. H. (2007). Taiwan's hotel rating system: A service quality perspective. *Cornell Hotel and Restaurant Administration Quarterly*, *48*(4), 392-401.

Smith, S. J. (2016). Relationship between Hotel Rate Increases and Discounts and Consumers' WillingnessTo-Purchase: A Prospect Theory Perspective. *International Journal of Revenue Management*, *9*(2-3), 108126.

Taherdoost, H. (2016). Sampling Methods in Research Methodology; How to Choose a Sampling Technique for Research. *International Journal of Academic Research in Management*, 5(2), 18-27.

Terho, H., Haas, A., Eggert, A., & Ulaga, W. (2012). "It is almost like taking the sales out of selling' – towards a conceptualization of value-based selling in business markets", *Industrial Marketing Management*, Vol. 41 No. 1, pp. 174-185.

Tourism Regulation Authority, (2019). *Classification Register*.

Vives, A., Jacob, M., & Payeras, M. (2018). Revenue Management and Price Optimization Techniques in the Hotel Sector: A Critical Literature review. *Tourism Economics*, *24*(6), 720-752.\

Widz, M., Krukowska, R., Walas, B., & Kruczek, Z. (2022). Course of Values of Key Performance Indicators in City Hotels during the COVID-19 Pandemic: Poland Case Study. *Sustainability*, *14*(19), 12454.

World Travel and Tourism Council (WTTC) (2019). Travel and tourism economic impact. World Travel and Tourism Council, London.

Xu, X. (2016). Revenue sharing contract versus wholesale price contract in a tourism supply chain. *International Journal of Supply Chain and Operations Resilience*, *2*(2), 144-165.

Yan X, Liu K, & Wang Y, Optimal pricing, production, and sales policies for new product under supply constraint, *Journal of Systems Science &Complexity*, 2014, **27**(2): 289–306.

Yang, Y., Jiang, L., & Schwartz, Z. (2019). Who's hiding? Room rate discounts in opaque distribution channels. *International Journal of Hospitality Management*, *80*, 113-122.

Zeng, X., Shi, P., & Xie, W. (2019). Contract design for a multi-channel hotel service supply chain. *Nankai Business Review International*.