MASTER'S THESIS

Service Pricing Strategy in the Application of Hotel Industry

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Joint MSc PROGRAM IN MARKETING AND ELECTRONIC COMMERCE
Abstract

Finch et al., (1998), Potter (2000) and O’Connor (2003), and Shipley and Jobber (2001) have suggested that pricing is the only element of the marketing mix that produces revenues for the firm, while all the others are related to expenses. Diamantopoulos (1991) has also argued that price is the most flexible element of marketing strategy in that pricing decisions can be implemented proportionately quickly in comparison with the other elements of marketing strategy.

Pricing decisions are not only important, they are also complicated. For example, hotel manager should achieve to these goals: maximise owner investment objectives, contribute to brand integrity, satisfy heterogeneous guests, minimise the effect of product perish ability and incur minimal administrative costs. Also to stakeholders’ interests and the nature of the room product, there may be room-pricing issues related to timing, manager accountability and insufficient market and technical knowledge, administrative costs and a growing availability of pricing information all contribute to making room pricing decisions difficult.

None of the pricing approaches are an ideal pricing method that simultaneously meets the criteria of cost structure, profit margin, competition, elasticity of demand, and supply and demand. Due to the difficulty and complexity of pricing in the real business world, setting and managing prices is one of the most important elements of a marketing manager’s duty (Campbell, 1999).

Another point is that pricing strategies in Iranian hotel is not certainly exist it means that most of the hotels try to sell their services with higher price that the governmental rules allowed them. They set their prices experimentally and it is not based on academic knowledge. So this thesis has an empirical contribution in the hotel and service market of Iran.

Hotel operators may be better off using various pricing approaches to set hotel room prices instead of using one single pricing approach. So we can see the complexity and difficulty of adopting a pricing strategy for hotel so I use a model that it named Multi-Stage Synthetic Hotel Room Pricing Model that is used to incorporate the complicated factors affecting hotel
room pricing such as cost structure, profit goal, market competition, demand and supply, and differentiation premium. The term *synthetic* is used because a combination of multiple pricing approaches rather than only one pricing approach is adopted in this study (Tung et al., 1997). That is expanded and added new factors by Woo Gon Kim et al, (2003).

This multi-stage synthetic pricing approach has seven stages that the final destination of this research is to calculating market premium price that is based on customers view, market and competitor.

I had to survey first is hotel Esteghlal customers and the second is hotel Homa customers. I collected 308 questionnaires and analyze them. Based on these data, I calculated differentiation premium of hotel Esteghlal and hotel Homa.

I decide to work on the pricing Strategy of Hotel Esteghlal as my case. Also I need to study market situations to find main competitor of hotel Esteghlal. Hotel Esteghlal is the most famous five star hotels in Tehran that it has luxury customers. One of its competitors in this segmentation of market is hotel Azadi that it was in the reconstruction during my research, also both of Esteghlal and Azadi hotels are belong to a same chain that is Parsain hotels chain, so I didn’t choose hotel Azadi as a competitor. In other hand hotel Homa (ex Shrayeton) is another five Star hotel in Tehran that I choose it as a competitor of hotel Esteghlal for my study. I calculate the average price of hotel Homa to use it as ACP (average competitor price).
Acknowledgement

Moving each step forward, I achieved the understanding as to the sweetness of endeavor to gain knowledge.

I acknowledge my thanks and appreciation for the esteemed people who have graciously helped in this challenge. I would like to extend my deepest gratitude to my supervisor in Lulea University of Technology, Professor Pete Naude, for all his guidance, ideas, attitude, support and inspiration throughout this research as well as exceptional course which I had with him during my master program also I thank my supervisor in Tarbiat Modares University, Doctor Nassim Nahavandi, for his continuous support and guidance.

Finally I would like to give my deepest thanks to colleagues and friends who provide me guidance with their genuine thinking: Dr. Salehi, Dr. Albadvi, Dr. Sepehri and all my classmates who provided me with their ideas and thoughts.

Last, but not least, I highly appreciate continuous support of my loving family for which words are not enough to express my “THANKS”.
List of abbreviations

MPP: Market Premium Price

Pdp = differentiation premium price after SL adjustment;

DP = differentiation premium;

Ap = availability premium;

Rtp = reputation testability premium;

Clp = commitment incentive premium;

Psp = price sensitivity premium;

ACP = average competitor’s price;

(SL) = governmental or industrial price standard limit.
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Appendixes

Appendix 1: The Research Questionnaire

<table>
<thead>
<tr>
<th>#</th>
<th>Phrase</th>
<th>1</th>
<th>2</th>
<th>3</th>
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<th>5</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>This Hotel has a strong reputation among the Iranian hotels.</td>
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<td>2</td>
<td>This hotel is successful in creating a good image.</td>
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<td>3</td>
<td>I think that this hotel has an excellent facilities and service quality.</td>
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<td>4</td>
<td>It seems that this hotel recruit and train its staffs carefully.</td>
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<td>5</td>
<td>Hotel is offering great width or depth of service assortment.</td>
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<tr>
<td>6</td>
<td>The hotel uses information from your prior stays to customize services for you.</td>
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<tr>
<td>7</td>
<td>The staff recognizes when you arrive.</td>
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<tr>
<td>8</td>
<td>This hotel is providing a good frequent traveler award program.</td>
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<tr>
<td>9</td>
<td>This hotel has a convenient location.</td>
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<tr>
<td>10</td>
<td>I thin that the hotel has extended operating hours.</td>
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</tbody>
</table>

This questionnaire is designed in order to measured in improve to quality of services of the hotel. Your cooperation will be highly appreciated.

Please state your level of agreement-disagreement with each of these statements blow ranging from 1(highly disagree) to 5(highly agree) in comparison to other hotels in Tehran.
<table>
<thead>
<tr>
<th></th>
<th>Room reservation is well and guaranteed.</th>
<th></th>
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<tbody>
<tr>
<td>11</td>
<td>Offering good online reservation feature and website.</td>
<td></td>
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<tr>
<td>12</td>
<td>This hotel is adopting up-to-date information technology.</td>
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<tr>
<td>13</td>
<td>I am willing to pay more for the extra services or upgrade.</td>
<td></td>
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<tr>
<td>14</td>
<td>I like to pay less for this hotel by giving up (sacrificing) the additional service and customization.</td>
<td></td>
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<tr>
<td>15</td>
<td>I am willing to pay higher differentiation premium for this hotel due to high degree of <em>customization</em>.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td></td>
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چکیده پایان نامه

استراتژی قیمت گذاری خدمات هتل داری در ایران

مطالعه هتل استقلال تهران

بسیاری از صاحب‌نظران بزار بازاریابی معتقدند که تها مسئولیت ی پزاریابی که برای بنگاه درآمد تولید می‌کند، قیمت گذاری است. و سایر عوامل مرتب به هزینه می‌گردد. هم‌چنین قیمت گذاری انعطاف‌پذیر ترین عامل استراتژی بازاریابی است؛ چرا که تصمیمات گرفته شده در این جهت بسیار سریع تر به عمل می‌آورند.

تصمیمات قیمت گذاری نه تنها مهم هستند بلکه پیچیده‌تر نیز می‌باشند. برای مثال می‌توان انتظار داشت که برای گرفتن این تصمیم که هم‌اکنون در مورد اخیاری شامل هزینه‌های اداری و غیره و اندازه‌های کننده این اهداف به صورت بی‌پیچیده‌ای است.

در مورد ادبیات استراتژی‌های گوناگونی در قیمت گذاری وجود دارد که هر یک به یکی از عوامل تأثیرگذار برداخته اند و از کدام استراتژی از این برای قیمت گذاری نمی‌باشد. از جمله این‌ها تأثیرگذار به‌ساختار هزینه، سود، رقابت، کشاورزی و عرضه می‌توان اشاره کرد.

در ایران، اثر هر یک از این‌ها واقعی قیمت گذاری یا به‌عبارتی هزینه استفاده می‌کنند که در این رویه سایر عوامل و شرایط بازار و مشتری در نظر گرفته نمی‌شود و سود حاصل با سود ماکزیمم اختلاف زیادی خواهد داشت.

در تحقیق حاضر، برای بررسی اجرای سایت قیمت گذاری در یک هتل ایران از مدل به نام مدل ترکیبی مدل کین در سال 2004 اثرات شده است. مزیت این مدل در این است که مدل‌های بر مبنای هزینه، شرایط بازار، رقباً و مشتری را با یکدیگر ترکیب نموده و مدلی ارائه نموده که تمام این فاکتورها را در نظر می‌گیرد و اثر آن بر به دست آوردن قیمت بهینه یا هزینه است.

در تحقیق حاضر، هتل استقلال تهران به عنوان هتل مطالعه موردی برای بررسی مدل ترکیبی قیمت گذاری اثرات هزینه انتخاب شده است و بنابر شرایط مدل، هتل رقیب هتل استقلال نیز باید در نظر گرفته می‌شود و جمع
آوری پرسشنامه از هر دو هتل صورت می‌گرفت. بنابراین هتل هماهنگ تهران، دیگر هتل پنجم ساله تهران نیز به عنوان رقیب انتخاب گردید. در مجموع 308 پرسشنامه ی صحیح جمع آوری گردید و آنالیزها بر روي آنها انجام گردید. بنابر نتایج تحلیل، هتل استقلال می تواند وضعیت خود را در ابعاد قوت و ضعف هزینه، مشتری و شرایط بازار با هتل هما مقایسه نماید. بنابراین قیاس از استراتژی قیمت گذاری ترکیبی، قیمت بهره برای ماکزیمم گردیده سود هتل به دست آمده است.

کلید واژه‌ها: استراتژی قیمت گذاری، بازاریابی، تعیین گذاری قیمت، آنالیز

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نام استاد راهنما: دکتر نسیم نهاندی
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