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## FACTORS INFLUENCING PRICING IN THE ACCOMMODATION SECTOR IN SOUTH AFRICA

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### ABSTRACT

Price is a significant factor of competitiveness. Price is a complex issue and is determined by a variety of demand and supply factors. These factors also differ from industry to industry. The purpose of this article is to determine the factors that influence pricing in the South African accommodation sector. In order to generate proper data, a survey was conducted at various South African accommodation establishments that were obtained from the databases of the three major associations in the accommodation sector. Two-hundred and forty seven questionnaires completed by

managers from accommodation establishments were used in this research. Principal component factor analyses with Varimax rotation in STATISTICA were carried out. These resulted in ten factors, namely environmental qualities, amenities, image, management factor, positioning, quality service factor, infrastructure service factor, location, marketing and product quality factor. The results revealed that the major factors in pricing are service quality, image and product quality. Consequently this article can be used to assist managers in pricing and in obtaining a better competitive position in the industry by revising management structures and marketing campaigns.

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**Keywords and phrases:** Tourism industry, price competitiveness, service quality, image, product quality, entrepreneur and factor analysis.

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## INTRODUCTION

The tourism industry has become a key sector in the world economy and a major driver of economic growth and employment worldwide (Blanke & Chiesa, 2008:3). Despite the realities presented by the economic slowdown 2008 remained a buoyant year for the South African tourism industry with international tourist arrivals increasing by 5,4%. The domestic tourism market has also grown since 1991 (South African Tourism, 2008:1). This has led to price increases especially in popular tourist destinations such as Cape Town and Johannesburg. This situation makes these destinations inaccessible for many local tourists who cannot afford these prices (Saayman 2001:5). Adding to the dilemma of price increases is the fact that the bulk of accommodation establishments are SMMEs (small, medium and micro-enterprises) (Department of Environmental Affairs and Tourism, 2004:24; Van der Westhuizen & Saayman, 2007:123). As such entrepreneurs find it difficult to enter this sector. This is largely because of the absence of the necessary pricing guidelines (Du Plessis, 2010:76), since viability studies are based on faulty information and this leads to 'price following'. Price following, as described by Rogers (1995:220), is a means of coping with the complexity of price decision-making and the price set by the market leaders becomes the ceiling by which entrepreneurs are forced to operate. Supply and demand was a contributing factor to the average price increase despite warnings by the World Travel and Tourism Council (World Travel & Tourism Council, 2007:2) that the demand for global travel and tourism is expected to slow down because of issues like increases in fuel prices and rising transport costs. It seems that managers and entrepreneurs find it easier to apply 'price following' to cope with the complexity of price and reap the benefits of the market trends and high prices. 'Price following', as a pricing method, cannot be seen as a sustainable strategy over a long period and cannot be promoted since the factors influencing price

differ from one accommodation establishment to the next (Collins & Parsa, 2006; Thrane, 2005).

According to Cassidy and Guilding (2007:278), the significance of continued price increases in the accommodation sector can leave the tourism industry in a competitive crisis, considering that food, transport, and entertainment are not yet included in travel packages. It is also essential to bear in mind that the South African tourism industry is by no means immune to the effects of the international economic crisis (South African Tourism, 2008:1). The absence of guidelines in terms of pricing adds to the problem faced by South African managers and entrepreneurs in determining prices for different accommodation types with similar grading status (Haarhoff, 2007:56). Prices that are set too high or too low can have a devastating impact on the feasibility of the business. Therefore, value for money is paramount, especially from a tourist perspective (Dwyer, Edwards, Mistilis, Roman & Scott, 2009:68). This also applies to entrepreneurs entering the market who need to decide what prices to charge (Rogers, 1995:220; Bulhalis, 2000:110). Prices send clear a message to tourists as to what to expect concerning the quality of accommodation offered (Schindehutte & Morris, 2001:41). Getting the balance right is the key to being perceived by tourists as a value-for-money product (Wilkins, Merrilees & Herington, 2007:841)

Since accommodation plays such a crucial role in tourism (Tassiopoulos 2000:4), the aim of this research is to identify the factors influencing pricing in the accommodation sector in South Africa and provide entrepreneurs with the ability and knowledge to choose the correct combination of factors in establishing prices that contribute to the unique characteristics of every establishment and its manager or owner.

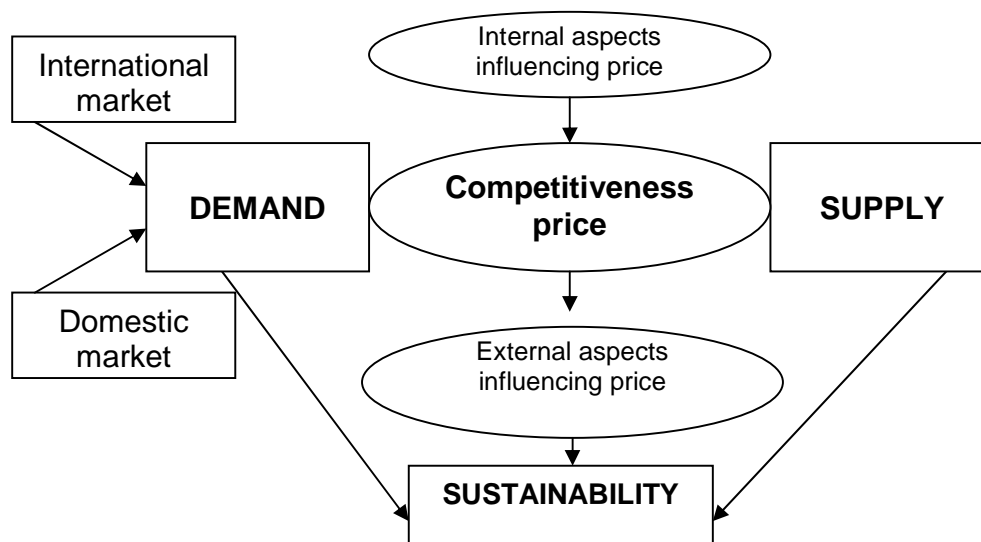
## **IDENTIFICATION OF PROBLEM**

Cassidy and, Guilding (2007:276) and Porter (1989:11) identify price as a significant factor in competitiveness and emphasise that pure competitive advantage may take one of two basic forms, namely low cost or differentiated products that are sold at premium prices. Schindehutte and Morris (2001:41) showed that, historically, managers have taken price for granted concluding that its principal function was to cover cost and generate a reasonable rate of return. Cassidy and Guilding (2007:276) also point out that pricing issues can be influenced by the diversity of managers' perceptions of prices and that these can result in complications and a lack of responsibility toward other role-players with respect to setting a competitive price. Researchers, such as Lockyer (2005), Chadee and Mattson (1995), Bolton and Drew (1991), Haarhoff (2007), Kim and Crompton (2002), Laarman and Gregerson (1996), and Rogers, Henderson and Ginsburg (1993), describe pricing as a complex concept with significant impact on sustainability.

Lumsdon (1997:153) defines price as the amount of money consumers or tourists are willing to pay for the exchange of benefits of having or using a service. Monroe (1990:7) adds to this stating that price is the amount of money that consumers exchange for an

assortment of products and services provided by sellers or, in this case, accommodation establishments. Keller (1997:12) points out that the tourist and accommodation establishment attach different meanings to price. To the tourist, price represents the amount of money that is being paid for a product or service and thus for the need satisfaction that is received. The tourist will view price as acceptable if the value equals the amount of money that is being paid for the product. To the establishment price relates directly to income and profitability. Travel and tourism prices are not always as straightforward to determine as they may appear. Various tourism products have different values to tourists, namely monetary value and the value of satisfying needs. These perceived benefits often relate directly to the product and the decision to visit and pay for the advantage (Haarhoff, 2007:6; Bennett, Jooste & Strydom, 2005:43-44). In setting the most sustainable competitive price, the literature review (George, 2004; Kotler, 2000; Porter, 1990; Haarhoff, 2007) identified a number of main aspects that managers and entrepreneurs need to understand and take into consideration. These researchers (George, 2004; Kotler, 2000; Porter, 1990; Haarhoff, 2007) further propose the pricing process as shown in Figure 1. It is clear that demand comes from both the international and domestic tourist and that the price charged for accommodation is influenced by various factors, for example, external values which include competition, demand, consumers' perceptions, environmental factors and price-value; while internal values include establishments' objectives, costs, marketing mix, and product-quality leadership. All these values must be taken into account to achieve a sustainable growth rate in tourism and, at the same time, for the industry to be competitive (Kotler, Bowen & Makens, 2003:376-388).

The following conceptual pricing framework is based on proposals from the literature review:



**Figure 1: Conceptual framework for a competitive price**

The situation is complicated by this aspect – that different people have different perceptions– with the result that managers take different factors into consideration when prices are determined. Experts, such as Lewis and Chambers (2000), Dwyer, Forsyth and Rao (2000), Cassidy and Guilding (2007) and Ritchie and Crouch (1993), rate pricing and price competition as the biggest problem facing managers and entrepreneurs in the tourism industry. According to Middleton and Clarke (2001:139), pricing is the least understood aspect in the management task; yet it is the most controllable tool. Rogers et al. (1993:34), Lewis and Schoemaker (1997:45), Middleton and Clarke (2001:138) and Haarhoff (2007:34) concur that price is a management tool that relates to the pursuit of business objectives and that it is also a tactical tool concerned with the management of demand and supply factors. Koc (2006:860) explains that managers and entrepreneurs of accommodation establishments have three main goals; firstly, to be profitable; secondly, to be competitive; and thirdly, to sustain the first two goals.

If the dynamics of price are understood, better choices can be made to control and use factors to determine price and to find a solution for the problem of competitiveness and sustainability (Kotler et al., 2003:375). When setting a price, managers must consider the suggestion made by Porter (1990:129) and Butcher (1997:33) namely, to also keep the product affordable to the domestic market since it remains a key market.

Dwyer et al. (2000:10), Mangion, Durbarry and Sinclair (2005:46), Middleton and Clarke, (2001:139) and Lewis and Chambers (2000:200) also stress that 'pricing is more art than science' because of the variety of factors that influence pricing. Factors of demand and supply are critical for pricing since these aspects differ from industry to industry, and also from destination to destination. Nevertheless they remain the two most important forces that determine price (Saayman, 2006:140). McIntosh, Goeldner and Ritchie (1995:297) indicated that the tourists' willingness to travel (demand) and choice will largely be determined by factors such as psychographic profile, socio-economic status and demographic variables such as population, income in country of origin, leisure time, education, occupation and family orientation. Choice is also influenced by the number of children and their preferences. In addition, Alegre and Pou (2006), Divisekera (2003), Athiyaman (1997), Lim (1997a, 1997b, 1999.), Mangion et al., (2005), Morley (1998), Ong (1995), Crouch (1995), De Keyser and VanHove (1994), González and Moral (1995) Gomezelj and Milhalič, (2008) and Dwyer, Forsyth and Rao (2002:330) indicated the cost of transport, relative prices, exchange rates, availability and quality of accommodation, availability of tour services, quality of food and beverage, variety of entertainment, children's facilities and qualitative factors. The latter comprise variables such as tourist appeal image, quality of tourist services, destination marketing, promotion and cultural ties.

Research by Saayman and Saayman (2008:84) identified a number of aspects that play a role in the demand of inbound tourism to South Africa, namely income of service

market, relative prices, transport cost, exchange rates, marketing expenses, qualitative factors (including tourists' attributes, which influence time available for travel), trade and cultural links between the countries, destination attractiveness, events taking place at the destination and social threats and supply factors. The combination, availability and quality of tourism products and infrastructure supplied to tourists influences tourism demand. Based on the research of Saayman and Saayman (2008:86), the most significant determinants of tourism demand were identified as the income of tourists, relative prices, travel cost, climate and capacity (bed and aircraft).

From a supply point of view, De Keyser and VanHove (1994:22), Sirše and Mihalic (1999:36) and Saayman (2006:33) indicated the following factors influence pricing: the availability of cultural events, beauty and quality of beaches, number of sunshine days, climate, architecture, variety of events, scenic beauty, wildlife, entertainment, exchange rate, accessibility, cost, attractions, price levels, labour supply and infrastructure. Gomezelj and Milhalič (2008:295) and Laarman and Gregerson (1996:247) found that over and above this list of aspects, 'green' and more environmentally friendly attractions and accommodation facilities play an increasingly important role in the minds of consumers. Managers realise the importance of supplying free range products, of supporting the effort to minimise the human carbon footprint on the environment and of managing the establishment in such a manner as to provide environmentally friendly products and experiences.

Ruta and Pedrosa (2005:275) divided the factors that influence pricing into four qualitatively distinct groups, namely (1) services, which include variables that directly affect the visitor's 'well-being'; (2) location variables, describing the establishment's location regarding major attractions, shopping malls and entertainment; (3) environmental variables, which affect the quality of the area near the accommodation facility; and (4) infrastructural service variables, which are expected to impact positively on accommodation prices.

The features raised above support the notion that pricing is a complex issue, especially in the accommodation sector, even though management theory states that price is generally determined by fixed and variable cost where after profit is added (Saayman, 2009:253). Tourism literature clearly shows that this is not sufficient since the final product entails an experience (Lubbe, 2005:112). This experience is influenced by several factors such as ambiance, location, and climate uniqueness and so on. From the literature review it becomes clear that limited research in the accommodation sector, from a supply side, has been conducted and this study will add to discourse on pricing.

## **METHOD OF RESEARCH**

The method of research used is discussed under the following headings: (i) the exploratory research done by means of a structured questionnaire, (ii) samples and (iii) the statistical analysis.

## The questionnaire

The questionnaire consisted of two sections. Section A focused on the demographic details (type of accommodation, price per person, number of beds, grading, province, level of training and primary market), while Section B contained Likert scale type questions. Respondents had to indicate to what extent they agreed or disagreed (1=not at all important; 2=less important; 3=no opinion; 4=important; 5=very important and 6=extremely important) with each of the 47 statements (Tustin, Ligtelm, Martins & Van Wyk, 2005:408). The questionnaire was based primarily on the studies by Ruta and, Pedrose (2005:275) and Mangion et al. (2005:64) including factors identified in the literature review.

This article concentrated on the information obtained from Section B.

## The sample

The research was conducted at various South African accommodation establishments, selected from the databases of the three major associations in the accommodation market, namely:

- SATSA (South African Tourism Service Association), one of the largest associations in the tourism industry. It is a member-driven association representing the private sector of the incoming tourism industry in Southern Africa and it also includes members that provide accommodation.
- FEDHASA (Federated Hospitality Association of Southern Africa). Since 1949, FEDHASA has been representing the South African hospitality industry at a local, provincial, national and global level to protect the interests of all stakeholders in the industry, thereby enabling members to achieve their objectives.
- TGCSA (Tourism Grading Council of South Africa). TGCSA was established in September 2000 to set a standard of quality in providing grading across all services and facilities offered by the South African tourism industry.

A sample of 238 members of the SATSA database (N= 936) was randomly selected and questionnaires were distributed to them electronically with the help of SATSA administration staff, as indicated in Table I. FEDHASA sent questionnaires to the entire database (N=660) of the association via email. The researcher selected every fifth member on the TGCSA database (N=6695), to eliminate inclusion of establishments that could also be represented in other databases, and distributed questionnaires via email to the respondents. Therefore, a total of 2457 questionnaires were distributed by electronic mail to the accommodation establishments over a period of five months. The questionnaires were returned via email or fax to the researcher.

Table I shows that 247 usable questionnaires were completed and returned; representing an overall response rate of 1.8 percent, which is a representative sample for this population (Cooper & Emory, 1995:126).

**Table I: Questionnaires distributed, completed and analysed**

| Association  | Number of members | Sampling size | Total of questionnaires received |
|--------------|-------------------|---------------|----------------------------------|
| SATSA        | 936               | 238           |                                  |
| FEDHASA      | 660               | 660           |                                  |
| TGCSA        | 6695              | 1559          |                                  |
| <b>TOTAL</b> | <b>8291</b>       | <b>2457</b>   | <b>247</b>                       |

### Statistical calculations

Descriptive statistics were used to gain insight into the research. A principal component factor analysis with Varimax rotation in STATISTICA was used with pair-wise deletion of missing data.

The factor analysis grouped the 47 individual statements into ten components that influence pricing in the accommodation sector in South Africa. To determine the appropriateness of principal components analysis (data reduction procedure) for the collected data, a correlation matrix for the motivational data was used to calculate the Kaiser-Meyer-Olkin measure of sampling adequacy and the Bartlett test of sphericity. The Kaiser-Meyer-Olkin measure of sampling adequacy aims to examine whether the relationship between variables is strong enough to proceed to a factor analysis. The Bartlett test was found to be significant ( $p < 0.00001$ ), indicating that there is correlation between items. Therefore, the data reduction by principal components would be legitimate. A factor analysis with Varimax rotation was performed. An eigenvalue of 1,0 was used for factor extraction criterion and loadings above .3 were used for item inclusion. Cronbach's coefficients were also examined for each factor to check the reliability of the data and to serve as a measure of internal consistency among the



items. All but one of the factors had a value of more than 0.60. The exception was positioning, which had a value of 0.49 (Table II).

A factor analysis is undertaken to establish whether a latent construct underlies statements in the questionnaire, which can be grouped together as one factor.

## **RESULTS**

The factor analysis identified ten factors (Table II), which were labelled according to items that contributed to it. These factors were labelled as environmental qualities (factor 1), amenities (factor 2), image (factor 3), management (factor 4), positioning (factor 5), quality service (factor 6), infrastructure service (factor 7), location (factor 8), marketing (factor 9) and product quality (factor 10).

**Table II: Results of the factor analysis**

Pattern Matrix

|  | Factors                         |                |            |                           |                  |                         |                                       |               |                |                          |
|--|---------------------------------|----------------|------------|---------------------------|------------------|-------------------------|---------------------------------------|---------------|----------------|--------------------------|
|  | 1<br>Environmental<br>Qualities | 2<br>Amenities | 3<br>Image | 4<br>Management<br>factor | 5<br>Positioning | 6<br>Quality<br>Service | 7<br>Infrastructure<br>Service factor | 8<br>Location | 9<br>Marketing | 10<br>Product<br>quality |
| Facility located in natural surroundings | .794                            |                |            |                           |                  |                         |                                       |               |                |                          |
| Quality of air                           | .719                            |                |            |                           |                  |                         |                                       |               |                |                          |
| The remoteness of the facility           | .613                            |                |            |                           |                  |                         |                                       |               |                |                          |
| Environmentally friendly operation       | .605                            |                |            |                           |                  |                         |                                       |               |                |                          |
| Quality of the water                     | .642                            |                |            |                           |                  |                         |                                       |               |                |                          |

|  |      |      |  |  |  |  |  |  |  |  |
|--|------|------|--|--|--|--|--|--|--|--|
| Variety of attractions                 | .672 |      |  |  |  |  |  |  |  |  |
| Climate                                | .681 |      |  |  |  |  |  |  |  |  |
| Location                               | .415 |      |  |  |  |  |  |  |  |  |
| Lift                                   |      | .446 |  |  |  |  |  |  |  |  |
| Facility has a casino                  |      | .918 |  |  |  |  |  |  |  |  |
| Facility has a disco                   |      | .891 |  |  |  |  |  |  |  |  |
| Facility has a golf course             |      | .780 |  |  |  |  |  |  |  |  |
| Facility has at least one tennis court |      | .705 |  |  |  |  |  |  |  |  |
| Kids' facilities                       |      | .524 |  |  |  |  |  |  |  |  |

|   |  |      |      |      |  |  |  |  |  |  |
|---|--|------|------|------|--|--|--|--|--|--|
| Recreation facilities (pools, snack bar etc.)   |  | .424 |      |      |  |  |  |  |  |  |
| Shops at the facility                           |  | .535 |      |      |  |  |  |  |  |  |
| Facility is disabled-friendly                   |  | .329 |      |      |  |  |  |  |  |  |
| The status (well known, famous) of the facility |  |      | .733 |      |  |  |  |  |  |  |
| The percentage profit desired                   |  |      | .394 |      |  |  |  |  |  |  |
| Uniqueness attributed by the product            |  |      | .610 |      |  |  |  |  |  |  |
| The target market                               |  |      | .504 |      |  |  |  |  |  |  |
| The total experience offered by the facility    |  |      | .525 |      |  |  |  |  |  |  |
| The cost incurred to develop the facilities     |  |      |      | .522 |  |  |  |  |  |  |

|   |  |  |  |      |      |      |  |  |  |  |
|---|--|--|--|------|------|------|--|--|--|--|
| Demand  |  |  |  | .472 |      |      |  |  |  |  |
| Quality of basic infrastructure                 |  |  |  | .391 |      |      |  |  |  |  |
| Distance to shopping malls                      |  |  |  | .532 |      |      |  |  |  |  |
| What competitors offer                          |  |  |  |      | .439 |      |  |  |  |  |
| Situated close to or part of a major attraction |  |  |  |      | .672 |      |  |  |  |  |
| Product quality                                 |  |  |  |      |      | .559 |  |  |  |  |
| Quality of food                                 |  |  |  |      |      | .609 |  |  |  |  |
| Level of hygienic conditions                    |  |  |  |      |      | .821 |  |  |  |  |
| Personal safety                                 |  |  |  |      |      | .766 |  |  |  |  |

|  |  |  |  |  |  |  |      |      |      |  |
|--|--|--|--|--|--|--|------|------|------|--|
| Variety of food (DBB, half board etc.) |  |  |  |  |  |  | .506 |      |      |  |
| Supply of electricity                  |  |  |  |  |  |  | .554 |      |      |  |
| Accessibility of facility              |  |  |  |  |  |  | .507 |      |      |  |
| Distance from airport                  |  |  |  |  |  |  |      | .538 |      |  |
| Distance from beach                    |  |  |  |  |  |  |      | .708 |      |  |
| Quality of the beach                   |  |  |  |  |  |  |      | .696 |      |  |
| The marketing expenses                 |  |  |  |  |  |  |      |      | .420 |  |
| Seasonality                            |  |  |  |  |  |  |      |      | .345 |  |
| Psychological considerations           |  |  |  |  |  |  |      |      | .600 |  |

|  |             |             |             |             |             |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Exchange rate in the case of foreigners                    |             |             |             |             |             |             |             |             | .717        |             |
| Postal and banking services with money changing facilities |             |             |             |             |             |             |             |             | .622        |             |
| Room density   |             |             |             |             |             |             |             |             | .479        |             |
| The facility's grading status                              |             |             |             |             |             |             |             |             |             | .443        |
| Services (air-conditioning, DSTV, internet, etc.)          |             |             |             |             |             |             |             |             |             | .671        |
| Privacy of rooms   |             |             |             |             |             |             |             |             |             | .532        |
| <b>Cronbach alphas</b>                                     | <b>.894</b> | <b>.813</b> | <b>.750</b> | <b>.706</b> | <b>.491</b> | <b>.801</b> | <b>.808</b> | <b>.781</b> | <b>.745</b> | <b>.611</b> |
| <b>Mean values</b>   | <b>4,37</b> | <b>3,19</b> | <b>4,87</b> | <b>4,29</b> | <b>4,55</b> | <b>5,06</b> | <b>4,46</b> | <b>3,59</b> | <b>3,87</b> | <b>4,78</b> |

## DISCUSSION

### Relationship between the findings and the literature

- Factor 1: Environmental qualities

The environmental qualities include aspects such as the natural surroundings, location, climate, quality of the air and water, whether the operation is environmentally friendly, the remoteness of the facility, and the variety of attractions. This research therefore confirms research by Dwyer, Mellor, Livaic, Edwards and Kim (2004:94) and Cassidy and Guilding (2007:277), who indicated that the natural environment as well as climate conditions (see Saayman & Saayman, 2008) are important attributes of a destination and therefore play a significant role when price is being decided. When establishments are located in a popular area or destination, the entrepreneur or manager has the scope to ask a higher price. These results also show that managers are taking tourists' growing environmental concerns into consideration when determining price. It also correlates with findings by De Keyser and Vanhove (1994:19) and Gomezelj and Milhalič (2008:295). This factor had a mean value of 4,37, which is the 6<sup>th</sup> highest value.

- Factor 2: Amenities

Amenities had the lowest mean value (3,19) and included facilities such as a lift, casino, disco, tennis court, children's facilities, recreation facilities and facilities that are disabled friendly. The tourist facilities are those elements in tourist products that do not necessarily provide the motivation for tourist flow, but the absence of which may deter the tourist from travelling to enjoy the attraction and accommodation (Das, Sharma, Mohapatra & Sarkar, 2007:106; Mangion et al. 2005:56). These results confirm research by Gomezelj and Milhalič (2008:298), who indicated these aspects as important in determining price. It therefore seems that a higher priority is given to amenities from the demand side. In this regard, White (2006:135) confirms that amenities addressing children's needs urge parents to pay more. The greatest advantage of a wide variety of amenities is that it caters for more markets.

- Factor 3: Image

Researchers, such as Kim (1998:340) and Knowles (1994:89), identified image as an important factor when determining a price. This is confirmed by this research. It may be regarded as crucial, since this factor had the second highest mean value (4,87). Image includes variables such as the status (well known, famous) of the facility, uniqueness of the facility, the percentage profit desired, the total experience offered and the target market. According to Bolton and Thompson (2004:16), image is created by word-of-mouth, previous visits, publicity and the marketing campaign. This factor stresses the importance of quality service in creating a favourable image (Koc, 2006:865).

- Factor 4: Management



Factor 4 has a mean value of 4,29, the seventh highest, and includes costs incurred to develop the facilities, demand, quality of the basic infrastructure and distance from shopping malls. Slabbert and Saayman (2003:98) concur that these aspects should be taken into consideration when determining prices; however, they found that in most cases managers and entrepreneurs do not take these aspects into account.

- Factor 5: Positioning

Positioning included aspects such as what competitors offer and where the facility is located in terms of other major attractions. Ruta, Pedrosa (2005:275) and Saayman (2006:137) also found positioning to be an important factor in determining price. It had a mean value of 4,55 and is rated fourth.

- Factor 6: Quality service

Quality service had the highest mean value (5,06) and consists of product quality, quality food, hygiene and safety. All four factors contribute to the overall service that a tourist experiences while visiting a tourist establishment and supports research by Stevens (1992:44), Crouch and Ritchie (1999:140), and Mangion et al. (2005:56). Furthermore, Du Plessis (2002), Haarhoff (2007), Van der Westhuisen and Saayman (2007) clearly indicated that these aspects are paramount in determining price and that they are also a key success factor in managing accommodation establishments. Entrepreneurs and managers need to focus on achieving and monitoring quality since the latter contributes to a positive word-of-mouth recommendation.

- Factor 7: Infrastructure service factor

The provision of basic infrastructure to tourists can influence the attractiveness of the destination and can have an influence on pricing (Ruta & Pedrosa, 2005:275; McIntosh et al., 1995:270). Infrastructure has a mean value of 4,46 and is seen as an important demand factor for accommodation (see Saayman & Saayman, 2008:77).

- Factor 8: Location

Location as a factor influencing price has been identified by Cassidy and Guilding (2007:279), Mangion et al. (2005:56) and Botha, Fairer-Wessels and Lubbe (2006:18). Their findings are confirmed by this research where the factor of location has a mean value of 3,59. Location included distance from an airport, distance from a beach and the quality of the beach. Entrepreneurs and developers need to take these aspects into consideration.

- Factor 9: Marketing

Saayman and Saayman (2008:184) concluded that marketing expenses play an important role in determining the demand from inbound tourists and therefore also the pricing. This factor has a mean value of 3,87 but encapsulates aspects such as seasonality and psychological considerations, which are all key aspects in tourism (Gomezelj & Milhalič, 2008:298).

- Factor 10: Product quality factor

The product quality factor includes a facility's grading status, services like air-conditioning, DSTV, internet, room service, en-suite rooms and the privacy of rooms. Lockyer (2005:348) and Crouch and Ritchie (1999:120) emphasise the importance of these aspects and argue that the quality (that is demonstrated in grading status) and availability of the products at the establishments can add to the perception of value for money and therefore have a significant influence on the pricing of the accommodation. This factor has the third largest mean value of 4,78.

## **IMPLICATIONS FOR MANAGEMENT**

The above findings have the following implications:

Firstly, entrepreneurs and managers take a combination of demand and supply factors into consideration when determining price. It is also clear that a wide variety of factors play a role in determining price, and managers cannot base their prices on merely a few aspects as is generally believed. Consequently, determining input cost plus a percentage for profit is not sufficient. It is therefore essential that managers, and especially entrepreneurs, starting new accommodation ventures receive training on price determination. The livelihood of an accommodation establishment, like all tourism ventures, is its income, which is derived from the price that customers have to pay. Therefore, this aspect should be seen as extremely important and implies that curriculums' of training institutions involved in the training of tourism managers and entrepreneurs should be reviewed accordingly.

Secondly, with regard to the three most important factors, as indicated by the mean values, namely quality service, image and product quality, it is clear that tourists' needs and perceptions have to be taken into consideration when price is being determined. Mangion et al. (2005) go further by stating that it should be a priority for this to happen and that both entrepreneurs and managers need to keep track of market trends and changes.

Thirdly, the research highlights the importance of quality, especially in the minds of managers, when price is being determined. A follow-up study is necessary to determine whether tourists have the same perception of quality as managers of accommodation establishments. This finding implies a greater understanding of quality aspects in the accommodation sector as well as focus on the curriculum and training of tourism managers.

Fourthly, the results support the notion that managers are also taking into consideration the growing environmental concerns. Therefore, managers should adapt an alternative management approach that could result in product modification. Examples include the use of alternative energy resources, environmentally friendly building designs, the use of environmentally friendly building materials, conservation of the environment through supplying organic amenities, eco-friendly products, free range products, controlling noise, water and air pollution and supporting local environmental concerns. Furthermore, managers have the responsibility to educate workers and tourists about recycling, reuse and conserving natural resources.

Lastly, this research also adds an additional group to the four groups identified by Ruta and Pedrosa (2005) that influence pricing, namely marketing variables, which include image, positioning and marketing itself.

## **DIRECTIONS FOR FUTURE RESEARCH**

This study recommends that further research be done to test the identified factors from the point of view of the tourist (demand side). This can provide important insights into adapting marketing strategies and product development, which can in turn result in a sustainable competitive advantage. It is also strongly recommended that research be undertaken to investigate the management policies regarding environmental concerns and the implementation of alternative methods and products to provide a service and to satisfy needs through an environmentally friendly experience.

## **CONCLUSIONS**

The purpose of this study was to identify the factors influencing pricing in the accommodation sector in South Africa. Results of this research indicated that managers and entrepreneurs in the South African accommodation sector identified ten factors that play a role in pricing. A similar combination of variables could not be found in existing literature, which confirms the notion that pricing is a complex issue and that various factors can influence pricing, especially in different circumstances and countries. This research therefore contributes to the scholarly debate on pricing. If pricing is not done properly it will eventually lead to the financial suicide of a business. Furthermore the research contributes to the existing work done by Ruta and Pedrosa (2005).

The findings support the importance of quality in tourism and stress the necessity of South African managers and entrepreneurs developing and improving the overall quality by sufficient training. Relevant training can result in better prices and secure the sustainability of the facility.

It is also clear from the findings that global market trends, such as environmental concerns, economic conditions and changing demand factors, contribute to managers' dilemma to set competitive prices.

As external environments become less predictable and more uncontrollable, it is necessary for managers to be more strategic in pricing behaviours in order to survive. The ten factors identified in this study can contribute such as planned pricing strategies.

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