

Title: The influence of marketing communications, location and offerings on the pricing strategies of short term accommodation enterprises within the Makana District, South Africa: An empirical study.

Mark Maritz*

Timothy Ross

Matthew Theijssen

Department of Management

Rhodes University

Department of Management

Rhodes University

P.O Box 94

Grahamstown, 6140

South Africa

Email: m.maritz@ru.ac.za

Telephone number: +27 (0)46 603 8736

Fax: +27 (0)46 603 8913

Cell number: +27 (0)82 673 8005

Keywords: Pricing strategy, marketing communications, location, offerings.

Title: The influence of marketing communications, location and offerings on the pricing strategies of short term accommodation enterprises within the Makana District, South Africa: An empirical study.

Abstract: Research was conducted in the Makana district's short-term accommodation industry to determine the effects of location, offerings and marketing communications on the pursued pricing strategies of current existing market players. The short-term accommodation industry is a highly competitive one, where enterprises need to keep their level of service high, their input costs low, and ensure customer satisfaction in order to build sustainable competitive advantage and long-term sustainability. This study gives insight in to the current levels of competition that exist within the Makaanadistrict, with specific focus given to what the "competitive" price to charge customers is, as well as what current market players, and new market entrants need in order to be fully and competently competitive within such a competitive industry. The study was an empirical one, with particular focus given to accommodation enterprises in Grahamstown-West, Makana District, South Africa.

INTRODUCTION

Research Overview

When an enterprise considers the pricing strategy it wishes to pursue, a number of factors and influences need to be considered. The enterprise's ability to survive and respond to the ever changing global market, in which top quality services and offerings, as well as the ability to retain customers are crucial aspects to realise sustained profits (Olsen and Roper, 1998: 112).

When a customer (an individual travelling to the Makana District) seeks to book their accommodation, there are a number of factors that are considered before making a final booking decision. The attractiveness of the enterprises marketing communications (via a communications medium), the enterprise's offerings and services, and its location are key considerations undertaken when making a decision on where to stay. This is particularly important if the enterprise on offer has not been heard of before, or if the region has not been visited previously by the customer. Without informed knowledge of a place, customers rely on price, location and imagery to make their final booking decision. Enterprises seek to gain customer loyalty through quality service and offerings, a point highlighted by Chi and Gursory (2009: 245), who state that an enterprise's ability to satisfy its customers in order to invoke their return will result in customer loyalty.

Purpose of the Study

This study contributes to the field of management as it provides market entrants, as well as existing enterprises with a gauge on how to set prices, and what bouquet of offerings are required in order to compete with rival enterprises that currently exist within the market. This is a pilot study which can serve as a generic model, applicable to any area, region or district. Further, the study tested the effects of location as a source of competitive advantage, where positioning in relation to greater town attractions allowed for the charging of certain price premiums.

Problem Investigated

The short-term accommodation industry is a highly intense and competitive industry, and within the Makana District this is no different. Many enterprises compete with one another in order to ensure that clients return to their enterprise, where the standards need to be high in relation to the present competition in the market. This will aid in insuring sustainability and survival (Kandampully and Suhartanto, 2000: 346).

LITERATURE REVIEW

Pricing Structure/Strategy

In any industry, enterprises that seek to maximise profits must carefully study consumer demand, as well as determine what the targeted customer is willing to pay for a particular product or service (Burrow, 2009: 407). Burrow (2009:408) further suggests that customers are less sensitive to the needs of a particular enterprise, and rather seek to get maximum satisfaction from a particular product or service, at the best price, as is available on the market. This then means that when setting a price, enterprises must be ever vigilant of what the market benchmark is so that they, at all times, remain competitive. Prices ought to be set as high as possible in order to successfully cover an enterprise's costs with the goal of realizing substantial profits (Burrow, 2009: 408). This is known as *breaking-even*, and many firms, in deciding their prices, will formulate their *minimum* price for a product or service by performing a breakeven analysis (Burrow, 2009: 409). The breakeven point is further defined by Burrow (2009: 409) as the "quantity of a product that must be sold (so that) total revenues (equals) total costs".

Abrate, Fraquelli and Viglia (2012: 160) through their literature identify factors that contribute greatly to the understanding of how pricing strategies are formed and implemented by individual enterprises that seek to "achieve optimal dynamic prices" (Abrate *et al.*, 2012: 160). These include "service provision (offerings), reputation (star rating and brand image) and site-specific attributes (like location in relation to nearby attractions)" as well as the involvement of an enterprise on a particular internet site (Abrate *et al.*, 2012: 161; Tso and Law, 2005; Kannan and Kopalle, 2001). These factors reveal a price differentiation between competing enterprises and, coupled with the types of customers targeted, reveal how enterprises arrive at the prices they do when charging customers. In defining the types of customers targeted, Abrate *et al.* (2012: 162) defines customers as either high-value customers that have a "low degree of patience", or low-value customers that conversely have a "high degree of patience". This means that when setting prices, enterprises take *time* in to consideration, where prices are higher the further away the date is, and are lowered as time passes in order to ensure full capacity at any given time (Abrate *et al.*, 2012:162). However, it is pointed out that star ratings and number of rooms available are factors which negate the necessity of enterprises to lower their prices, and which allow for the maintenance of a particular pricing strategy (Abrate *et al.*, 2012: 162).

This literature is useful to the study of pricing strategies pursued by enterprises in the Makana district as it provides ground for testing the validity of the above statements in proving or disproving whether such factors play a role in enterprise price determination.

Another consideration to the determination of pricing strategy considers the elements of the marketing mix, such as the Product, Promotion and Place, as described by Jobber (1995: 326), which are deemed the "cost" elements of the mix, with the final element, the Price, invariably noted as the "odd-one-out" of the mix, since it is the "revenue earner" for any enterprise. Price is where return is realized through revenue, and must cover all the efforts put in to the other three cost elements of the mix (Jobber, 1995: 326; Burrow, 2009: 407). Careful planning must take place in this respect, as without proper research in to what the market currently offers, as well as the market viability of setting at a particular price, unnecessary risk may be borne by an enterprise, and unsold products or lost profits may arise while conducting business (Burrow, 2009: 407). When determining the price that an enterprise will charge, covering costs that arise from the other three P's is critical to survival, and indeed the enterprise's set strategy (Jobber, 1995: 326). When setting a price, an enterprise must always consider that *undercharging* in an industry (which results in a lost

margin) or *overcharging* (which results in lost sales) may have “dramatic effects” on an enterprises profit making abilities, as well as its long term ability to survive within the industry (Jobber, 1995: 326).

The Makana district contains a vast number of short-term accommodation enterprises. Through the study pricing strategy was examined by way of census wards in order to determine what the industry mean was, as well as which enterprises are “outliers” for any particular reason, within a particular ward.

Location

Location can be seen as one of the most important factors for any enterprise to achieve success in their business ventures, as well as provide the basis for a competitive advantage (Barney, 1991: 108; Porter, 1985: 83). This is especially true for the hospitality industry (Yang, Wong and Wang, 2012: 675).

A good strategic location will be beneficial in allowing the enterprise to perform at a superior performance level in terms of revenue, in the short- and the long-run (Hoffman and Schniederjans, 1990: 176; Johns, Howcraft and Drake, 1997: 125; Chuang, 2002: 1037). This optimal location may also have the effect of reducing transportation costs and improving the relationship between the enterprise and its consumers and suppliers, therefore improving the competitiveness and profitability of enterprises (Chuang 2000: 1037).

Lewis and Chambers (1989) argue that location is the most important factor influencing the selection of accommodation for a business tourist. The same was also found to be true for leisure tourists seeking accommodation (Barsky and Labagh, 1992; Chu and Choi, 2000: 366). Location, along with cleanliness, security, price, service quality and the overall reputation of the enterprise were factors considered as important from a consumers view point (Le Blanc and Nguyen, 1996; Chu and Choi, 2000: 366). In a study conducted by Rivers, Toh and Alaoui (1991), it was discovered that location plays a big factor within the consumers mind when choosing short-term accommodation to utilise. The convenience of the location was found to carry the most weight in consumer’s decision making.

Newell and Seabrook (2006) sought to identify the factors that influence a hotel investment decision by those entering the market. It was found that location is one of five key factors impacting such a decision and plays an integral role in performance (Johns *et al.*, 1997: 125; Chuang, 2002: 1037). This insight holds true for those entering the short-term accommodation industry, such as for Bed and Breakfasts (B&Bs), guest houses and hotels.

Offerings

The hospitality industry, and more specifically the short-term accommodation industry, is a highly and globally competitive one which has led to “intense competition in the market place” (Kandampully and Suhartanto, 2000: 346; Hung, Shang, and Wang, 2010: 378). This description of the industry means that the “given” service offerings that Chi and Gursoy (2009: 245) describe, or the “minimum entry standards” that Whitla, Walters and Davies (2007: 781) refer to, are no longer suitable enough to ensure customer satisfaction and retention. The basic “room, restaurant, bar, nightclub or health club” (Kandampully *et al.*, 2000: 346) are no longer considered as industry luxuries, leaving enterprises with strategic decisions to make in order to remain competitive within the industry, and ensure the maintaining of customer satisfaction. This requires a balance of the standardized service offerings with amenities to customer interest and satisfaction through a degree of local adaption and “local flavour” (Whitla *et al.*, 2007: 783). This is especially important since

customers “expect a similar range of services” *within* the industry (Whitlaet *al.*, 2007: 781), but which are not entirely replicated *across* the industry (Whitlaet *al.*, 2007: 783).

The research conducted within the Makana District sought to discover what the industry “givens” were, and deduce whether or not a benchmark bouquet of offerings exists. This then aids in an enterprise determining their individual pricing structures, as well as whether the “ordinal nature of the market”, as Kandampully *et al.* (2000) describes, exists within the short-term accommodation industry of Makana.

Marketing Communications

Marketing communications is defined by Lamb, Hair, McDaniel, Boshoff and Terblanche (2008: 294) as “communication by marketers that informs, persuades, and reminds potential buyers of a product in order to influence their opinion or elicit a response”. By analysing the different forms of marketing communications that individual enterprises utilize, it can be determined whether or not such utilization gives way to an industry competitive advantage or not.

In becoming competitive, and ultimately remaining competitive, within a particular industry, emphasis is placed on individual enterprises developing customer loyalty as opposed to relying solely on pricing structure and strategy as a way to retain customers (Kandampully *et al.*, 2000: 346). Due to the few distinguishing products and services that enterprises offer, developing a strong customer loyalty is imperative to ensuring long-term sustainability, and is derived through high customer satisfaction and service quality (Kandampully *et al.*, 2000: 347). To do this, enterprises need to develop a strong image, which is dictated to through positive marketing activities and communications. This image, in the customer’s mind, is the perception gained based on the goods and services offered, as well as the result of the combined effects of advertising, public relations, physical image, word-of-mouth and their actual experiences that a particular enterprise employs (Kandampully *et al.*, 2000: 347). Similarly, Mazanec (1995: 85) concluded that image plays a positive role in customer’s preference and satisfaction, identified as dimensions of customer loyalty within the accommodation industry.

Research Objectives

The objectives of the study were three-fold, and are as follows:

- To examine the effects of an enterprise’s location on the pricing strategy pursued.
- To examine the effects of an enterprise’s offerings on the pricing strategy pursued.
- To examine the effects of an enterprise’s marketing communications on the pricing strategy pursued.

RESEARCH METHODOLOGY

Introduction

The purpose of the research was to identify the relevance and relationships between an enterprise’s location, offerings and marketing communications (activities)(independent variables) on its particular pricing strategy pursued (dependent variable). By conducting this research, insight was gained as to how enterprises determine their particular pricing structure when charging customers, as well as to draw on trends that arise between various enterprises in similar geographical wards, or those with similar bouquets of offerings, and to draw on trends between different geographical wards. The research methodology section outlines the study’s research design, with particular focus given to the research paradigm – which is of quantitative data collection; the research method utilised – that of the survey/questionnaire; as

well as the unit of analysis procedures – which considers the sampling strategy used and units of analysis. The statistical analysis makes use of the Pearson’s Chi-square test of independence – in order to note the differences between the variables of the study; as well as the One-Way Analysis of Variation (ANOVA) test to note the dependencies of the variables on one another. Finally the validity, reliability and ethical implications of the study are discussed, with a conclusion drawn on how the study is relevant to the field of management.

The Research Paradigm

When conducting research on a particular subject, it is critical to ensure that the research strategy is properly defined, as it is the plan of how one will go about answering the research questions set out in the study, as well as how to go about answering the research goals and objectives (Saunders, Lewis and Thornhill, 1997: 74). Quantitative data collection as a research paradigm refers to the collection of either continuous or discrete data, (Saunders *et al.*, 1997: 289) which then needs to be statistically analysed and interpreted in order to gain insight and meaning out of what has been collected during the data collection period (Saunders *et al.*, 1997: 287). Quantifiable data is that which can be measured numerically as a quantity, and is more accurate than the counter research paradigm (qualitative data collection) as it can be positioned on a numerical scale (Saunders *et al.*, 1997: 289), as well as be used objectively to draw valid conclusions (Welman, Kruger and Mitchell, 2005: 8). Qualitative research gives emphasis to words rather than quantification in the collection and analysis of data (Bryman, 2012: 380). Quantitative data analysis served as the primary research paradigm, with a qualitative analysis conducted for some of the data collected, which required more interpretive analysis than what could be offered through statistics and numbers.

The Research Method: Survey Questionnaires

According to Creswell (1994: 15), surveys include “cross sectional and longitudinal studies using questionnaires or structured interviews for data collection, with the intent of generalising from a sample of a population”. The researchers chose the medium of a survey for data collection as it allowed each enterprise to respond to the same set of questions which appeared in a predetermined order (Saunders *et al.*, 1997: 243). The survey thus served as an efficient way to collect responses from a large sample, prior to quantitative analysis (Saunders *et al.*, 1997: 244). For the purposes of this study, the survey served as an inexpensive and convenient way to collect data, as well as to gather related data from the chosen and outlined sample which covered the Makana-West region.

Data Collection Procedures – Unit of Analysis

The unit of analysis for the study constituted short-term accommodation enterprises that exist within the Makana District. This was done in order to analyse and scrutinise the effects of location, offerings and marketing communications on the chosen and pursued pricing strategy of the various enterprises, in order to gain insight on how customers are charged and whether or not any similarities and trends exist between the competing enterprises and pre-determined wards within the Makana District.

Sampling Strategy

For the purposes of this study, the quantitative probability method of cluster sampling was used to determine the sample from the population. Cluster sampling is implemented when dealing with a large geographical area or when the population of the research is dispersed and therefore can be represented by a range of enterprises (Riley, Wood, Clark, Wilkie and Szivas, 2000: 84). This sample then allows for the drawing of similarities and trends that exist within the delimited geographical area – that of the Makana District.

The sample was chosen from the population, namely, all short-term accommodation enterprises within the Grahamstown region. The Makana Tourism department was approached for a list of registered short-term accommodation members that exist within the Makana District. Once the region was divided into pre-determined geographical wards, using census lines as a basis for ward allocation, cluster sampling was used to determine the sample from this population. It became clear that not all enterprises contacted would complete and return the survey, thus a sample size of forty (40) enterprises was deemed adequate for the purposes of this pilot study. Through the course of data collection it was unfortunate, however, that the desired goal of 40 enterprises was unattainable due to: lack of response from enterprises; time constraints on the study; as well as some enterprises either no longer being in operation, or being unregistered from the “total” population. The sample size was thus reduced to thirty (30) enterprises, with a recommendation for future research being that a larger sample size be collected. Statistical analysis was still conducted and results drawn.

Data Collection

Data collection was conducted through the research medium of a survey, and was sent electronically to the sample of short-term accommodation enterprises within the Makana District. Survey Monkey, an online survey website, was used initially to create surveys. This however was not a viable medium in which to collect data, thus the survey was instead emailed to enterprises as an attachment using Microsoft Word, and manual collection was conducted in order to elicit responses. This proved to be a more effective method with a higher response rate achieved.

Statistical Analysis

A total of fifty-one (51) enterprises were contacted during the data collection period, however only thirty (30) (return rate = 58.82%) of those enterprises responded with valid data. Data analysis included both quantitative and qualitative analysis, as the study was found to contain aspects of both research paradigms. In analysing the data collected, the researchers made use of Statistica¹. Through the program, two statistical analysis tools were used in order to compute and make sense of the data collected, making primary use of descriptive statistic techniques.

The first tool was that of the Pearson Chi-square test of independence, which tabulates a single population and classifies them according to two different variables (Kitchens, 1998: 652). The Chi-square statistic measures the discrepancy between actual counts and expected counts, as noted in the population, as well as any dependency that may arise between the classifying variables (Kitchens, 1998: 652). When determining whether the observed value of χ^2 is statistically large, the respective p-value must be read from the χ^2 table, where significance of less than $p < 0.05$ makes the value statistically significant (Kitchens, 1998: 655).

The second statistical tool used was an analysis of variance tool, which computes and compares more than two population distributions, using independent random samples (Kitchens, 1998: 785). The tool used was that of the One-Way Analysis of Variance (ANOVA), which seeks to answer whether there are *observed* differences in the *sample* means, which are different enough to conclude that the *population* means are different (Kitchens, 1998: 786), and are often best noted through the use of side-by-side box plot diagrams (Kitchens, 1998: 786). When comparing population means, it is often thought that a simple *t*-test constitutes an accurate measure; however, it has been found that such a test may

¹Statistica is a statistics and analytics software package developed by StatSoft (StatSoft, 2012).

give rise to a Type I error in excess of 40%, especially when comparing population means with a 5% level of significance (Kitchens, 1998: 784). By using an analysis of variance, a set of tools are provided that control the overall risk of a Type I error (Kitchens, 1998: 784).

Validity, Reliability and Ethical Considerations

Validity is considered of vital importance in quantitative research, as the “objective of the study must be representative of what the researcher is investigating” (Welman *et al.*, 2005: 9). Welman *et al.* (2005: 9), describes quantitative research as being valid when remaining objective, being reliable in terms of consistency, as well as stable measurement of the data, which is ultimately replicable.

The largest ethical concerns involved with conducting such research are the issues of consent and anonymity. Consent must be informed by the enterprises allowing research into their location, offerings, marketing communications and pricing strategies, before such research may begin (Blanche, Durrheim and Painter, 2008: 63). It is unethical to conduct such research if the enterprises concerned do not provide consent. The enterprises need to be made fully aware of the purpose of the research project, what information shall be collected from them and what results will be deduced from the information gathered, as well as the benefits that may arise through their participation (Blanche *et al.*, 2008: 67). A cover letter containing details regarding the purpose and design of the questionnaire was delivered to all the enterprises that were investigated, as well as feedback from the findings of the research. It was also stated within this cover letter that the questionnaire is voluntary and shall remain completely anonymous (Blanche *et al.*, 2008: 59). Anonymity was upheld through the random allocation of an alphabetical character to each enterprise and placing them in their respective, randomly numbered ward, which served as the only means of identification.

RESULTS AND DISCUSSION

After collecting and analysing data on the Makana short-term accommodation industry, with a response rate of 58.82%, the following results were found. The results section gave rise to a number of findings and recommendations, as well as limitations to this study that may require further investigation in the future. These are listed below, with the focus being on the determinants of pricing structure based on location, offerings and marketing (communications) activities.

Pricing Structure

Category	Count	Percentage
200-399	11	37
400-599	10	33
600-799	6	20
800-999	1	3
1000+	2	7

Table 1 - Enterprises Pricing Structure

Referring to table 1, it can be seen that 11 enterprises, or 37% of the sample, fall into the R200 – R399 price range, while 10 enterprises, or 33% of the sample, fall into the R400 – R599 price range. This totals to 21 out of a total of 30 surveyed enterprises, or 70%, fall between the R200 – R599 price range, meaning on average the Makana District is a fairly low-charging short-term accommodation industry.

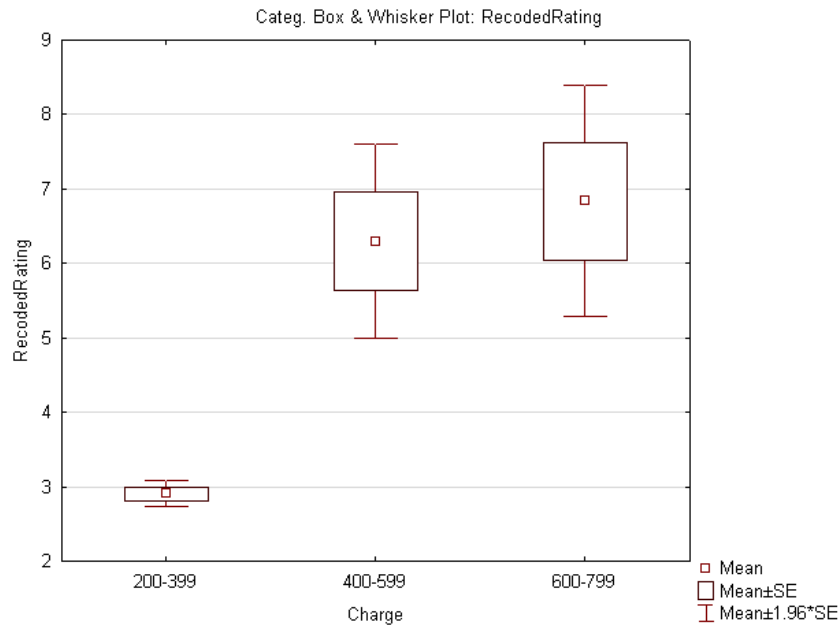


Figure 1 - Box/Whisker Plot (Rating v Price)

Another observation discovered during analysis of the collected data was the trends that emerged between the variables of charge and rating. The overall ratings for each enterprise were recoded, with a 1 pineapple being allocated a 1 rating and so on up to 4 pineapples being allocated a 4 rating. A 1 star then became a 5 rating and progressed up to a 5 star enterprise being allocated a 9 rating on the recoded system. There was significant correlation in this analysis with a p value of 0.000024 being recorded, with the test having marked effects with significance at p being less than 0.05. The results show a significant difference between the R200 - R399 price range and the R400 - R599 and R600 - R799 price ranges. In the R400 - R599 and R600 - R799 price ranges there is not a significant difference in the enterprises rating with means of 6.3 and 6.8 respectively, however there is a significant difference as soon as an enterprise charges within the lower price bracket of R200 - R399. The mean rating for this lower price range drops to 2.9. This illustrates significant disparity between the pricing strategies pursued, and the star/pineapple rating held by enterprises. There are few enterprises ranging from a recoded rating of 3 through to 6, or, referring to the original data, from 3-pineapple ratings up to 2-star enterprise ratings, with only one observation being recorded from a 4-pineapple rating through to a 2-star rating.

Location

Through the study, two goals were sought in determining the influences of location on the pricing strategies pursued by competing short-term accommodation enterprises. The first was to see any inter-ward relation that arose – that is, what one ward was charging in relation to another. The second was to take note of any significant intra-ward relations or abnormalities that arose.

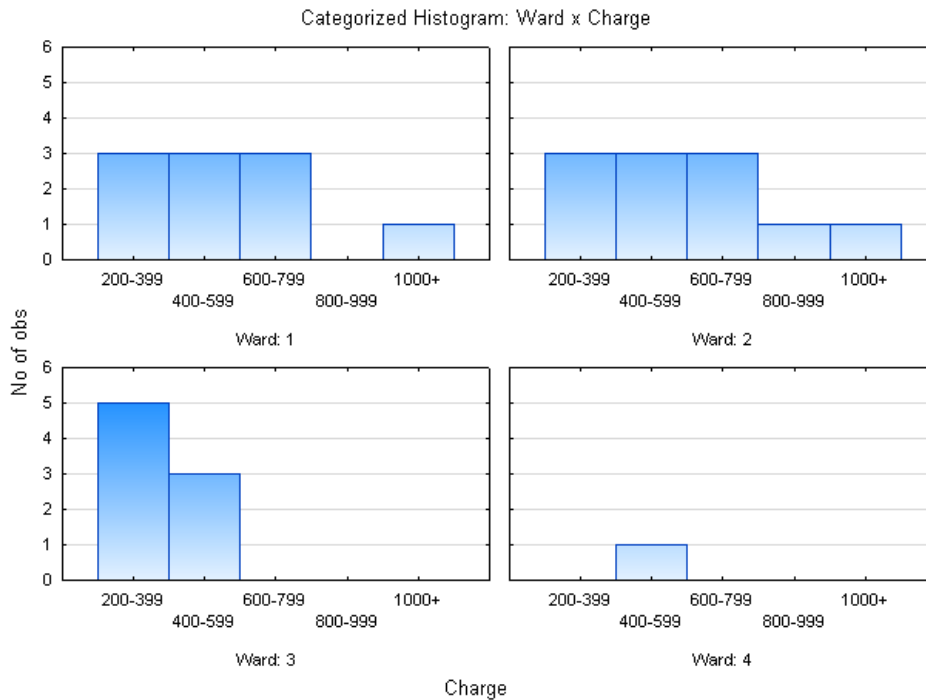


Figure 2 - Ward v Charge

The results revealed that the spread of pricing across the demarcated census wards was quite even, with wards one (1) and two (2) revealing the majority of pricing strategies ranging from R200 – R799 with a few counts of R800 – R1000+. This may be due to the significance of schools and other attractive sites in relation to the enterprise, as well as the distance from the centre of town. Ward three (3), which is further away from the centre of town and the surrounding schools, illustrated the majority of pricing ranges to be between R200 and R599. This may be due to the fact that surrounding sites of attraction do in fact play a role in the popularity (and thus the price determination) of short-term accommodation enterprises, since the data reveals that the further out of town the enterprise is, the less inclined it is to charge a premium price for overnight stay.

After collecting data and conducting a statistical (quantitative) and qualitative analysis, a number of notable findings arose. The first is that location does seem to influence the amount that enterprises charge their customers, with enterprises closer to the centre of town noted to charge more of a price premium. A shortfall, and thus recommendation, is that the response rate for the study was lower than what was desired and thus any significant correlation between and within the demarcated census wards was unavailable. A larger sample size would have yielded greater ward distribution of the effects of pricing structure as determined by location. The p-values were not statistically significant, a limitation to this study.

Offerings

Of the 27 offerings provided within the survey, in the form of a checkbox, only 3 of these offerings (10% of offerings) had a significant correlation with the prices being charged by enterprises. This means that the other 24 offerings provided by these enterprises can be seen as an 'industry standard', as there is no significant correlation with the price these enterprises are charging. Such a finding correlates with literature studied, which both Chiet *al.*(2009: 245) and Whitlaet *al.* (2007: 781) describe as no longer satisfactory in order to gain and sustain competitive advantage.

Analysis of Significant Perceived Luxury Offerings

Charge	Air-con (No)	Air-con (Yes)	Safe-box (No)	Safe-box (Yes)	Cooked Continental (No)	Cooked Continental (Yes)
200-399	8.8	2.2	5.5	5.5	4.77	6.23
400-599	8	2	5	5	4.33	5.67
600-799	4.8	1.2	3	3	2.6	3.4
800-999	0.8	0.2	0.5	0.5	0.43	0.57
1000+	1.6	0.4	1	1	0.87	1.13
p-value	0.002964		0.013231		0.008505	

Table 2 - Perceived Luxury Offerings

Table 2 above illustrates the spread of enterprises across the pricing structures, and which offered perceived “luxury” offerings. A finding of the distribution, which may skew the validity of the data, was the number of respondents that fell within the lower price range levels. This, with the low response rate of the study, may impact upon the findings of the effects of such offerings on pricing structure, however, statistically the p-values of the four offerings is statistically significant, which may be due to a number of reasons. Such reasons were scrutinised qualitatively, and the following was deduced. During the study, enterprise owners were questioned on their use of a fan or an air-con. The statistical significance of having an air-con suggests that it is a more luxury offering in comparison to that of a fan, where the majority of lower level pricing structures revealed not having such an offering.

The use of a safe-box by enterprises illustrates the importance of security within the short-term accommodation industry, and with a p-value of 0.013231 suggests that such an offering is indeed a luxury offering.

Enterprises were given a selection of breakfast types that they offered to their customers. It was found through the study that offering a cooked continental breakfast bore greater significance and was more highly regarded by customers than the other forms of breakfasts, and this is illustrated through the significant p-value of 0.008505.

It was noted through the course of the study, however, that the majority of offerings (in general) bore no significant influence on the pricing strategy set by short-term accommodation enterprises. This is line with the literature, which suggests that the bouquet of offerings is an industry “given”. A recommendation for future research would be to rank the offerings on perceived level of importance so that more important offerings are given a ‘greater weighting’ in order to see the effects of not having some of them in relation to having them. Unfortunately, due to the scope of the research project, this was not a possibility given the time constraints, and serves as a recommendation for future research.

Marketing Activities

Use of Marketing Communications

	Count	Percentage
Strongly Agree	20	67
Agree	10	33

Frequency of Use of Marketing Communications

	Count	Percentage
Daily	6	20
Weekly	6	20
Monthly	7	23
Yearly	11	37

Table 3 - Frequency of Marketing Use

As Lamb *et al.* (2008: 294) suggests, the use of marketing communications is important for enterprises to gain and hold competitive advantage within their respective markets. Table 3 above (left) illustrates the *perceptions* of use of marketing communications by short-term accommodation enterprises, where respondents were asked to gauge their perceived importance of marketing communication usage within their business operations. 100% of respondents agreed to the use of marketing communications, illustrating the need for its use to gain and sustain competitive advantage. However, when examining the *frequency* of use of marketing communications as a constituent of the respondent's business plans it was noted that the majority of respondents only took to reviewing their marketing mediums on an annual basis (yearly = 37%), as opposed to more regular daily or weekly reviewing (20% each).

The analysis below examines the *forms* of marketing communications utilised, with the following results drawn.

Marketing Mediums Utilised		
	Yes	No
TV	0	30
Radio	0	30
Newspaper (Local)	7	23
Newspaper (National)	0	30
Newsletters	1	29
Street Flyers	7	23
Online	30	0

Table 4 - Different Marketing Mediums

Of the respondents surveyed, it was noted that 100% of enterprises made use of internet as a form of marketing communications. This statistic illustrates the new age of technology reliance, where for many enterprises the use of online media is vital for success and sustainability. As an aside to this observation, it was noted through the collection period that the majority of enterprises not only make use of their own online media account, but are further listed with travel company intermediaries that aid in linking searching guests with available accommodation. These intermediaries then charge a percentage fee (normally around 20%) for the services provided, and for filling enterprise's rooms. Another observation was the lack of use of traditional forms of marketing media, such as TV, radio, newspapers, newsletters and flyers. This suggests that the reach of many enterprises is to the market outside of Grahamstown, with parents, teachers and travelling students the primary target market for this industry.

Marketing management theory suggests that gaining customer loyalty is imperative for enterprise survival, and this was found to be all too prevalent in the study conducted. As an aside from the statistics, many of the respondents noted the use of word-of-mouth media and "positive reviews" as a telling point on whether or not customers return to the enterprise. In most instances this was found to be the case, with many enterprises booked out a year in advance for peak seasons due to satisfied customers displaying positive signs of customer loyalty, irrespective of the price charged. These findings suggest that the current literature on marketing communications management is accurate, where enterprises in a highly competitive short-term accommodation industry seek to evoke customer loyalty, and gain word-of-mouth recommendations enabling them to survive and remain competitive. A recommendation to future study would be to determine exactly which online media sites are made use of to determine popularity of what may be deemed the "critical" intermediaries to

be enlisted with since it is clear that the more traditional forms of media management are now outdated and limited in scope.

Additional Qualitative Findings

Through the course of data collection a two influences on the pursued pricing structures and overall success of the short-term accommodation enterprises within the Makana district were discovered. These serve as additional commentary to the study, as they were findings found over-and-above the data analysed.

The first influence is that of the enterprise owner, with respect to their character and personal skills. It was noted than in most cases the enterprises were largely owned and managed by individuals who were outgoing, confident and friendly by nature. It can be argued that being outgoing is a prerequisite to being in the hospitality industry, and if the owner/manager of a short-term accommodation enterprise does not possess such attributes, this could decrease the number of return customers and referrals that the enterprise receives. This could be of large significance to the enterprise because, as previously mentioned, word-of-mouth, referrals and repeat customers are of vital significance in such an industry, especially in a small and highly competitive town such as Grahamstown.

The second influence discovered was the issue of whether the income from the short-term accommodation enterprise was primary or secondary in nature for the owner/manager. It was *generally* observed that if the income received from the operation was of a primary nature, the owner seemed to take more interest in the operations and overall success of the enterprise, and the information given was more comprehensive and detailed. This is because the owner is then reliant on the income flowing from the enterprise, and will grant more time and effort to the cause, ensuring that all bases are covered and *costs: revenues* are properly accounted for. This increased effort results in a more professional package that the customer will 'consume' throughout the course of their stay, which will lead to higher levels of satisfaction, and thus success for the enterprise in the long-run. If the income is secondary in nature, or if the owner is a retiree, generally, less effort was found to be put into the operations of the enterprise. Less emphasis is placed on the overall success of the operation by the owner, as they are not fully dependant on the income made by the enterprise. This is due to incomes from primary employment or pension funds.

CONCLUSION

The study conducted set out to establish the needs of short-term accommodation enterprises when setting their pursued pricing strategy in order to be, and remain, competitive within the highly competitive short-term accommodation industry. The research was aimed at determining what influences the pricing structure set by short-term accommodation enterprises, with specific focus set on the influence of location, offerings and marketing communications on the structure.

In conducting the research, the researchers made use of both quantitative and qualitative researching. The survey questionnaire was utilised as the medium for quantitative data collection, while qualitative insight was gained through interaction of the researchers with the respondents, and led to findings over and above those found in the surveys. The data was run through Statistica, and led to observable findings, with others limited by the number of respondents collected and nature of the research project for Honours students.

The results of the study illustrated:

The pricing structure of the Makana district is relatively low-cost, with the majority of respondents found to charge within the R200-R599 price category. This illustrates the competitiveness that exists among market players, where the ability of enterprises to charge a price premium is limited. Further it was found that there exists disparity between the star/pineapple rating that enterprises hold, and the price that they charge their customers.

- The spread of pricing strategies across the demarcated census wards (1 and 2) was found to be fairly even, with the exception of ward 3 enterprises being moderately lower due to being further out of town. This may be due to the influence of major attractions such as schools, the University and shopping centres.
- As confirmed by the literature reviewed it was found that offerings no longer influence the pricing strategies pursued by accommodation enterprises, suggesting they are “industry givens”. This was illustrated by the absence of statistical significance, with the exception of three offerings, perceived as “luxury” offerings.
- Marketing communications were found to be of great importance to enterprise owners; however the frequency of use was low, with the majority of respondents either monthly or yearly reviewing their communications mediums. Further it was found that the more traditional forms of marketing communications are less prevalent in the new day and age. More so, referrals and word-of-mouth marketing were noted to be of significant importance to enterprise owners, attributing to good customer retention and loyalty.

The study gave great insight in to the current competitiveness of the hospitality industry in the Makana District, and provided valuable insight in to the determinants of pursued pricing strategies. However, there were a number of limitations to the study which provide opportunity for further future research.

LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

There were several limitations that were found during the course of the study. Firstly, the Makana tourism season is highly seasonal due to various activities that take place as the surrounding schools and Rhodes University. Weekend derby days, the University’s O-Week, Graduation, and the Grahamstown Festival are all high attraction events, and cause a “sell-out” in the market, impacting the *average* occupancy rate highlighted in the study. Secondly, and which serves as a suggestion for future research, while the above study may serve as a tool to benchmark and measure the standards of enterprises within the Makana District, Grahamstown-West is not an adequate depiction of the rest of the province, nor the country, and thus cannot represent the trends of the industry within bigger and other geographical settings. Thirdly, the response rate and (thus) sample size used out of the Makana population is lower than was sought after, thus the validity and accuracy of the results found may not be entirely accurate – suggesting that perhaps for future research, more time is needed to complete the study, with a more efficient response tool being utilized than the email and door-to-door collection method used in this study. As a final comment, the study was immensely interesting, and a large variety of people were met and interacted with when collecting the data. The study conducted gave good insight in to the type of people that exist within the industry – which was often women, as well as the reasons why people may enter in to such an industry – often to bring in supplementary income in addition to steady and permanent income.

REFERENCE LIST

- ABRATE, G., FRAQUELLI, G., and VIGLIA, G., 2012. Dynamic pricing strategies: Evidence from European hotels. *International Journal of Hospitality Management*. 31: 160-168.
- BARNEY, J., 1991. Firm resources and sustained competitive advantage. *Journal of Management*. 17, 1: 99-120
- BARSKY, J. and LABAGH, R., 1992. A strategy for customer satisfaction. *The Cornell Hotel and Restaurant Administration Quarterly*. 35, 5:32-40.
- BLANCHE, M. T., DURRHEIM, K. and PAINTER, D., 2008. *Research in Practice: Applied Methods for the Social Sciences*. University of Cape Town Press: Cape Town.
- BRYMAN, A., 2012. *Social Research Methods (4e)*. Oxford University Press: New York.
- BURROW, J., 2009. *Marketing (3e)*. South-Western CENGAGE Learning: Ohio.
- CHI, C., AND GURSOY, D., 2009. Employee satisfaction, customer satisfaction, and financial performance: An empirical examination. *International Journal of Hospitality Management*. 28: 245-253.
- CHU, R. K. S. and CHOI, T., 2000. An importance-performance analysis of hotel selection factors in the Hong Kong hotel industry: a comparison of business and leisure travellers. *Tourism Management*. 2, 4: 363-377.
- CHUANG, P. T., 2002. A QFD approach for distribution's location model. *International Journal of Quality and Reliability Management*. 19, 9: 1037-1054.
- CRESWELL, J.W., 1994. *Research design: Qualitative and quantitative approaches*. Thousand Oaks: Sage
- HOFFMAN, J. J. and SCHNIEDERJANS, M. J., 1990. An international strategic management/goal programming model for structuring global expansion decisions in the hospitality industry: the case of Eastern Europe. *International Journal of Hospitality Management*. 9, 3: 175-190.
- HUNG, WT., SHANG, JK., and WANG, FC., 2010. Pricing determinants in the hotel industry: Quantile regression analysis. *International Journal of Hospitality Management* pp. 378-384
- JOBBER, D., 1995. *Principles and Practice of Marketing*. McGraw-Hill: Berkshire.
- JOHNS, N., HOWCRAFT, B. and DRAKE, L., 1997. The use of data envelopment analysis to monitor hotel productivity. *Progress in Tourism and Hospitality Research*. 3: 119-127.
- KANDAMPULLY, J. and SUHARTANTO, D., 2000. Customer loyalty in the hotel industry: the role of customer satisfaction and image. *International Journal of Contemporary Hospitality Management*. 12, 6: 346-351.
- KANNAN, P.K., KOPALLE, P.K., 2001. Dynamic pricing on the Internet: importance and implications for consumer behavior. *International Journal of Electronic Commerce* 5:63-83.
- KITCHENS, L.J., 1998. *Exploring statistics: A modern introduction to data analysis and inference(2e)*. Brooks/Cole Publishing Company: California.

- LAMB, C. W., HAIR, J. F., MCDANIEL, C., BOSHOFF, C. and TERBLANCHE, N. S., 2008. *Marketing* (3e). Oxford: Cape Town.
- LEBLANC, G. and NGUYEN, N., 1996. An examination into the factors that signal hotel image to travellers. *Journal of Vocational Marketing*. 31, 1: 32-42.
- LEWIS, R. C. and CHAMBERS, R. E., 1989. *Marketing Leadership in Hospitality*. Van Nostrand Reinhold: New York
- MAZANEC, J.A., 1995. Positioning analysis with self-organizing maps: An exploratory study on luxury hotels. *Cornell Hotel and Restaurant Administration Quarterly*. 36: 80-95.
- NEWELL, G. and SEABROOK, R., 2006. Factors influencing hotel investment decision making. *Journal of Property Investment and Finance*. 24, 4: 279-294.
- OLSEN, M. D. and ROPER, A., 1998. Research in strategic management in the hospitality industry. *International Journal of Hospitality Management*. 17: 111-124.
- PORTER, M., 1985. *Competitive Advantage: Creating and Sustaining Superior Performance*. Simon & Schuster Inc: New York.
- RILEY, M., WOOD, R. C., CLARK, M. A., WILKIE, E. and SZIVAS, E., 2000. *Researching and Writing Dissertations in Business and Management*. Thomson Learning: Australia.
- RIVERS, M. J., TOH, R. S. and ALAQUI, M., 1991. Frequent-stayer programs: the demographic, behavioral, and attitudinal characteristics of hotel steady sleepers. *Journal of Travel Research*. 30, 2: 41-45.
- SAUNDERS, M., LEWIS, P., and THORNHILL, A., 1997. *Research methods for business students*. Pitman Publishing: London
- STATSOFT, INC., 2012. *Statistica data analysis software system* (11) [Online]. Available at: <http://www.statsoft.com/>. Accessed on 21 October 2013
- TSO, A., LAW, R., 2005. Analysing the online pricing practices of hotels in Hong Kong. *International Journal of Hospitality Management* 24: 301-307
- WEIERS, R.M., 2011. *Introductory business statistics* (7e). South-Western: China
- WELMAN, C., KRUGER, F., MITCHELL, B., 2005. *Research Methodology* (3e). Oxford University Press: Cape Town
- WHITLA, P., WALTERS, P.G.P., and DAVIES, H., 2007. Global strategies in the international hotel industry. *International Journal of Hospitality Management*. 26: 777-792.
- YANG, Y., WONG, K. K. F. and WANG, T., 2012. How do hotels choose their location? Evidence from hotels in Beijing. *International Journal of Hospitality Management*. 31: 675-685.