

A study on pricing policies of tourism product in Andhra Pradesh

Dr. A Vijaya Govind, Research Scholar

(Rayalaseema University, Kurnool, Andhra Pradesh, Cell +919440986490 email: klnoffice13@gmail.com)

Abstract

Prices affect plans for the future direction of the business. It must be noted that establishing the right pricing policy for the business is an important strategic decision in tourism industry. Pricing policy has to achieve a number of important roles. Firstly, an organization's activities should meet its customer's requirement and secondly, an organization should ensure that the costs of production, service and distribution are recovered. Thirdly, organizations should have enough profits to achieve their economic, social and environmental objectives. Whether or not a price policy is employed, any organization working in the tourism industry has to take into consideration the potential tourist's perceptual assessment.



© IJRPS International Journal for Research Publication & Seminar

Introduction

Price is considered a key management tool for three reasons. Firstly, price sensitivity is a key segmentation variable with services. Time is often used to segment price sensitive and insensitive customers where some customers may be willing to pay much higher prices than others. For example, airlines know that business people are customers who are willing to stay and able to pay a higher price. Secondly, price may act as an indicator of perceived quality because it is often difficult to evaluate service before purchase. For instance, in a travel brochure the price charged by hotels may be used to indicate their quality. A management consultant in some firms expects to charge high fees which cannot be particularly good. Thirdly, price is an important tool in controlling and matching demand and supply that is critical in services because they cannot be stored. However, creative use of pricing can assist in smoothing demand.

Pricing Decisions

Pricing is one of the most important management decisions to take, as price fixes the terms of the voluntary exchange transaction between consumers willing to buy and producers wishing to sell. It also strongly affects other elements of the marketing mix.

Keywords: Tourism product, Price policy, Andhra Pradesh Tourism Development Corporation

Tourism pricing is a very complex decision, as it involves the high degree of competition in certain tourism markets, and difficulties in accurately forecasting the level of demand. Price is a critical component in the tourism and its marketing mix. The right price must satisfy tourists and meet the profit objectives of tourism companies. Generally, price plays an important role as a primary signal of quality and accessibility for customers.

When compared with similar purchases, their relative prices act as an indicator of what to expect from each product. For example, a good location of a hotel clearly increases the value of the lodging product to the customer. Thus, managers should charge a relatively constant premium room rate over competitors whose other attributes and qualities are similar but in an inferior location.

Literature Review

Noronha (1999) in his study highlighted that tourism in Goa lead to increasing land prices, increasing consumption level, rapid unplanned development, drug abuse and prostitution arousal. Moreover, local people felt threatened and degraded by inappropriate behavior of the tourists. **Jacobus Albertus Jonker (2003)**, analysed critical success factors to achieve international competitiveness for South African tourism in "The strategic identification and integration of critical success factors to achieve international competitiveness for South Africa as a tourism". **Nakkie Annemarie Kruger (2004)**, in his study on "A strategy for the development of domestic tourism in South Africa". Further research is recommended to determine the advantages and disadvantages of the introduction of a dual pricing system and to determine whether this would be economically and socially a viable option.



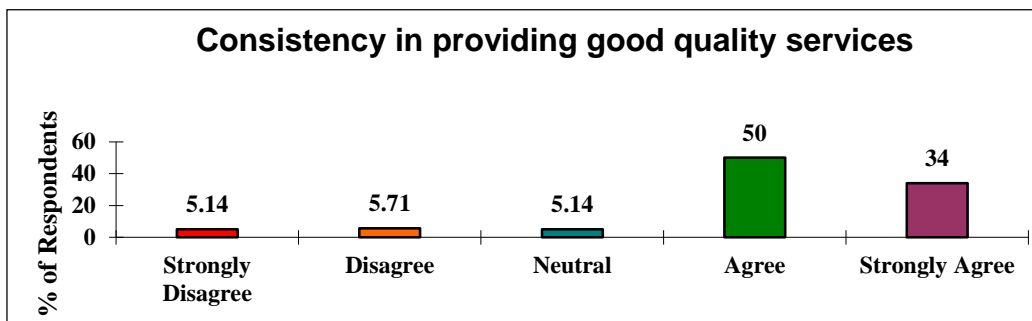


Table-1.2 shows the opinion of the respondents on the consistency in providing good quality services. The majority of the respondents with (50%) have agreed with the statement. This is followed by (34%) of respondents, who have strongly agreed. While, (5.71%) of the respondents expressed their disagreement, a small percentage of 5.14 respondents have strong disagreed and the same percentage of respondents have neither agreed nor disagreed. It can be concluded that there was a consistency in providing good quality services.

KOLMOGOROV-SMIRNOV TEST

Find out the relationship between price of tour package and consistency in providing good service (Table 1.1+ Table 1.2).

Aim: To test whether there is any relationship between price of tour package and consistency in providing good service.

Null Hypotheses (H₀): There is no significant relationship between tour package price and good service consistency.

Alternative Hypotheses (H₁): There is a significant relationship between tour package price and good service consistency.

Cross Table

Table No-1.3

Table No: 1.1 and Table No: 1.2 are cross tabulated and the following information is obtained

Consistency in providing good service	Price of tour package price					Total
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
Strongly Disagree	5 15.15	6 18.18	4 12.12	12 36.36	6 18.18	33
Disagree	6 14.63	2 4.88	3 7.32	26 63.41	4 9.76	41
Neutral	5 15.63	3 9.38	7 21.88	14 43.75	3 9.38	32
Agree	3 1.56	9 4.69	3 1.56	152 79.17	25 13.02	192
Strongly Agree	4 2.63	6 3.95	6 3.95	21 13.82	115 75.66	152
Total	23	26	23	225	153	450

Table showing Data

Consistency in providing good service	Disagree	Neutral	Agree	Total



Price of tour package price	Strongly Disagree				Strongly Agree	
Strongly Disagree	5	6	4	12	6	33
Disagree	6	2	3	26	4	41
Neutral	5	3	7	14	3	32
Agree	3	9	3	152	25	192
Strongly Agree	4	6	6	21	115	152
Total	23	26	23	225	153	450

Calculated weighted average

Consistency in providing good service Price of tour package price	Strongly Disagree			Disagree			Neutral			Agree			Strongly Agree		
	X	W	XW	X	W	XW	X	W	XW	X	W	XW	X	W	XW
Strongly Disagree	5	1	5	6	1	6	4	1	4	12	1	12	6	1	6
Disagree	6	2	12	2	2	4	3	2	6	26	2	52	4	2	8
Neutral	5	3	15	3	3	9	7	3	21	14	3	42	3	3	9
Agree	3	4	12	9	4	36	3	4	12	152	4	608	25	4	100
Strongly Agree	4	5	20	6	5	30	6	5	30	21	5	105	115	5	575
Total	23		64	26		85	23		73	225		819	153		698

Weighted average and rank

Factors	Weighted average	Rank
Strongly Disagree	2.78	5
Disagree	3.27	3
Neutral	3.17	4
Agree	3.64	2
Strongly Agree	4.56	1

Kolmogorov-Smirnov Test

F	CF	F ₀ (X)	E	CE	F _e (X)	F ₀ (X)-F _e (X)
4.56	4.56	0.26	3.49	3.49	0.20	0.06
3.64	8.20	0.47	3.49	6.97	0.40	0.071 (D _{max})
3.27	11.47	0.66	3.49	10.46	0.60	0.058
3.17	14.65	0.84	3.49	13.94	0.8	0.04
2.78	17.43	1	3.49	17.43	1	0
17.43			17.43			

F = Observed frequency.

CF = Cumulative frequency.

E = Expected frequency.

D_{max} = Maximum deviation.

H₀ = Null Hypotheses.

H₁ = Alternative Hypotheses.

n = Sample size.

Calculated value of D_{max} = 0.071

Table value @ 5% level of significance = 1.36/√n



$$=1.36/\sqrt{450}$$

$$= 0.064$$

Result: Calculated value of Dmax (0.071) is greater than the table value (0.064), Hence H0 is rejected and concluded that there is a significant relationship between price of tour package and consistency in providing good service.

Conclusions

Price is considered a key marketing tool for three reasons. Firstly, price sensitivity is a key segmentation variable with services. Time is often used to segment price sensitive and insensitive customers where some customers may be willing to pay much higher prices than others. Price is the most effective element in developing marketing strategy because it is the only component of the marketing mix that generates revenue, while all the others are costs. The marketing mix variable changes so quickly where competitors can react equally fast. Therefore, depending upon aggressive pricing without a cost advantage can be a dangerous strategy.

Suggestions

1. It is suggested that segment specific products i.e., different products and packages for adventure tourists, Wildlife tourism, Rural tourism, Pilgrimage tourism, family travelers, business travelers etc. need to be offered with competitive prices. Thus there is need to focus separately on these aspects.
2. It is suggested that the facilities for civic amenities and public facilities like Toilets, Drinking water, Rest rooms etc are to be improved and charged in almost all the tourist destinations. The facilities for elderly persons, children, physically handicapped or sick persons are also should be set up in most of the places.
3. It is suggested that APTDC should make an easy process for i) booking of ticket ii) Maintenance of arrival and departure timings. iii) Strict following of rules regarding discipline on the tour etc. The tourism experience is normally not highly dependent on the quality of service delivery as perceived by the user.

References

1. **Andhra Pradesh Tourism (2011).** *http://www.aptourism.in/investments-site/tourism_policy_2010.pdf*,
2. **Andhra Pradesh Tourism Development Corporation, (2011).** Information handbook, Tourism House, Himaynagar, Hyderabad.
3. **Ann Hartl (2002).** *Developing marketing strategies for tourism destinations in peripheral areas of Europe: the case of Bornholm*, Bournemouth University, Denmark.
4. **Jacobus Albertus Jonker (2003).** *The strategic identification and integration of critical success factors to achieve international competitiveness for South Africa as a tourism*, University of Pretoria, South Africa.
5. **Margarita Popova (2006).** *Factors that contribute to customer satisfaction in guesthouses in Gauteng Province*, University of Johannesburg, South Africa.
6. Noronha, F., "Ten Year later, Goa Still Uneasy Over the Impact of Tourism", *International Journal of Contemporary Hospitality Management*, Vol.11, 1999, pp.100-106.
7. **Nakkie Annemarie Kruger (2004).** *A strategy for the development of domestic tourism in South Africa*. North-West University, South Africa.
8. **Satish Babu A (2008).** *Tourism Development in India*, APH Publishing Corporation, New Delhi.
9. **Witt S and Witt C (1995).** *Forecasting tourism demand: A review of empirical research*, *International Journal of Forecasting*, Vol. 11 pp 447-475



