A STUDY OF FACTORS AFFECTING THE ROOM PRICE PROPOSED BY HOTELS TO INCOMING TRAVEL AGENCIES: FETHİYE SAMPLE

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Abstract

The purpose of the study was to assess to understand the factors affecting the room price proposed by hotels to incoming travel agencies. The data was collected from the managers hired in Fethiye hotels using questionnaire technique and analyzed using the statistical package programs. The degree of the factors affecting the room price such as the positive relations between hotel managers and travel agency managers, regular payments to hotels, the location of the hotel and so on were determined. This study aimed to contribute the travel agency managers on their strategies needed in order to improve screwing down on accomodation costs.

Key Words : Hotel,Travel Agency, Room Price

JEL Classification : M30

1. INTRODUCTION

Travel agencies are the retail arm of the travel and tourism industry. In the same way that a clothes shop sells products to shoppers, so travel agencies retail their products to the general public. The difference between these two types of retail outlets, is that, unlike the clothes retailer, travel agencies do not buy in stock in advance, but react to the wishes of their customers before contacting the holiday companies. (Youell, 1995: 96)

Travel agencies play a significant role on the sales and marketing of the hotels. (İçöz,1998:32) A lot of hotels in tourism industry prefer to sell their rooms using travel agencies. On the other side, clients also prefer travel agencies to buy their holidays including hotel rooms .(Dönmez, 2008: 82) Approximately 70% of hotel sales were made by travel agencies in USA. (İçöz, 1998: 32)Some factors like the positive relations between hotel managers and travel agency managers, regular payments to hotels, the location of the hotel, the travel agencies' capacity, payment type and the decision of hotel owner are considered affecting the room price proposed to travel agencies.

2.COMPONENTS OF TOURISM INDUSTRY

Tourism industry is defined as consisting of all the activities assembling the transportation, accomodation, food and beverage, entertainment and other needs of tourists during their holiday. (Kozak,1997: 25) This period starts upon their departures from their homes until their return. Producing and marketing the products and services, which are necessary to meet the tourists' accomodation, transportation and other needs, form tourism industry.(Öner,1997:14) In other words tourism industry provides tourists with the services and products they need to make their trip, such as transportation to get them there and hotels and restaurants to stay and eat in.(Spilsbury,2012:6)

Considering the above mentioned cases, the components of tourism industry are; transportation companies, hotels, restaurants, travel agencies and recreation companies. These companies are all active in tourism industry, but as the aim of this study is to understand the factors affecting the room price proposed by hotels to incoming travel agencies, we will examine travel agencies and hotels.

2.1 Travel Agencies

2.1.1. Definition of Travel Agencies

Travel agency is defined as a person or organization selling travel services (such as transportation, accommodation and inclusive tours) on behalf of principals (such as carriers, hotels and tour operators) for a commission in the Dictionary of Tourism&Travel Hospitality .(Medlik,2003:170) Another definition regarding to travel agency is that a business which is related to the selling of traveling based products and services, specially package tours, to end user customers on behalf of third party travel suppliers, such as airlines, hotels, tour companies and cruise lines. (Singh,2008:1) According to definitions, a travel agency is an intermediate organization between end user customers and tourism businesses that produce tourism products and services. Travel agencies earn commission from the

principals whose products they sell. The commission payment is usually expressed as a percentage and varies acoording to the product being sold and the commission policy of the principal. (Youell, 1995:97)

2.1.2. The Services and Classification of Travel Agencies

The law concerning Turkish Travel Agencies and the Association of Turkish Travel Agencies gives information about the services to be offered by them. The regulation pertaining to travel agencies prepared in accordance with the Law 1618 effective as of 04.09.1996 contains in further detail exclusive services of travel agencies as well as other services rendered by them. The Regulation specifies the exclusive services of travel agencies in detail under the subheadings;

- Organizing tours,
- Transfer,
- Reservation,
- Information,
- Organizing Congresses and Conferences,
- Renting Out Individual Vehicles for Tour Purposes,
- Selling Tickets for Transport Vehicles,
- Selling the Products of Travel Agencies.

Travel agencies are legally divided into three groups according to the services they perform. Group A agencies offer and perform all services specified above.

Group B agencies sell tickets for international land, sea and air transport and tours arranged by (A) group travel agencies. Finally, group C agencies organise and sell domestic tours for Turkish citizens.

Group B and C agencies can also carry out the services which are entrusted to them by A group travel agencies.(www.tursab.org.tr)

Travel agencies can functionally be divided into two categories as incoming and outgoing agencies.

- Incoming agencies are the local travel agencies that serve the international tourists in agency's country. Incoming agencies represent foreign tour operators in their own country. Local incoming agencies are the businesses

that are the source of foreign currency income and organize the trips and transfers. (Öner, 1997: 95)

- Outgoing agencies are the agencies that organize trips to abroad. The hotel bookings are made on behalf of the tourists. The outgoing agencies are responsible to fulfill the procedures of tourists such as visa and so on. The profitability ratios of outgoing agencies might be a little more than incoming agencies.(Mısırlı, 2002: 51)

2.1.3 Functions of Travel Agencies

Generally a travel agent sells either individual parts of or complete holiday packages to the customer. The main function of the travel agency is to sell the temporary use of transport (air, rail, coach, car), accomodation (hotel, motel, lodge) ,tours(packages) and other associated services such as insurance and foreign exchange. This means that they are involved in planning, booking, organization and documentation of travel arrangements for their clients. Often this also involves advising, reassuring, explaining and encouraging the customer. But, they usually operate hardly vehicles or accompany tourists themselves. (Singh,2008:6)

2.2 Hotels

Hotels are the hospitality businesses whose main functions are to meet the lodging needs of tourists. Besides, they possess the complementary and auxiliary units to meet their food and beverage and recreational needs. (İçöz, 2007: 42) A hotel is not simply a premises with rooms, food and beverage services, but a business oriented towards a constantly changing clientele. In some countries, there has been a rapid expansion of hotels into the fast growing health resort market (e.g. Iceland and Estonia). In other cases, the business of hotels has become highly competitive and independent. (Page, 2007: 211)

The Official Hotel Guide (published in the US, and followed world wide) has its own classification scheme that ranks hotels in nine categories as; Moderate Tourist Class, Tourist Class, Superior Tourist Class, Moderate First Class, Limited Service First Class, First Class, Moderate Deluxe, Deluxe and Superior Deluxe.(www.businessdictionary.com)

The Law 24101 concerning tourism managements in Turkey effective as of 06.07.2000 classifies hotels into star categories such as 1,2,3,4 and 5 stars.(Official Gazette:2000) Although hotels are classified into star categories, there is no standard method of assigning these ratings, and compliance with

customary requirements is voluntary. A hotel in US with a certain rating, for example, may look very different from a European or Asian hotel with the same rating, and would provide a different level of amenities, range of facilities, and quality of service. Whereas hotel chains assure uniform standards throughout, non-chain hotels (even within the same country) may not agree on the same standards. In Germany, for example, only about 30 percent of the hotels choose to comply with the provisions of the rules established by the German Hotels & Restaurants association. (http://www.businessdictionary.com)   .In Turkey, according to the Law 24101, the most comprehensive and luxury hotels are stated as 5 star hotels.

2.3 Hotel Industry in Fethiye

Fethiye, one of Turkey's most beautiful seaside towns that is located in South-West Mediterranean Turkey. It is a district of Muğla province and has approximately 200.000 inhabitants. Since the distance within Dalaman International Airport and town centre is quite short as 50 km. during the tourist season, many flights from major European cities to Fethiye besides the domestic flights throughout the year by Turkish Airlines can be found. Additionally Antalya Airport, three–hour drive to Fethiye, is another departure point. (www.fethiyelife.com)

Among the tourism resources making Fethiye attractive are a rich and diverse cultural heritage, pristine beaches, attractive weather, a friendly and sociable people as well as vegetation and nature. Fethiye had hosted over 1.350.000 tourists (Fethiye Tourist Information Office) and there are 49 business licensed hotels in the town by the end of 2011. (http://www.muglakulturturizm.gov.tr/dosya/1-285657/h/isletme0201.pdf.)   The characteristics of the hotels in Fethiye are as follows.

Table I : The Characteristics Of The Hotels In Fethiye

Classification	Number of Hotels	Number of Rooms
1 star	1	10
2 star	20	708
3 star	19	1485
4 star	9	1076

Source : http://www.muglakulturturizm.gov.tr/dosya/1-285657/h/isletme0201.pdf

3.The Survey

Data for this study was collected from primary sources. Primary data was obtained by means of questionnaires. The data was collected from the general and department managers of hotels including front office, contract-sales and operation. The first eight questions of the questionnaire aimed to identify demographic characteristics of the hotels and managers. Questions between 9-19 intend to elicit information on determining the factors affecting the room price proposed by hotels to incoming travel agencies. Contributions of the 5 hotel managers were taken into consideration on preparing the last eleven questions(9-19).

The statements were rated on a five point Likert scale as follows;

1-Strongly agree, 2-Agree, 3-Neither agree nor disagree,   4-Disagree

5-Strongly disagree

All the licensed hotels in Fethiye were invited to take part in the study. The fieldwork which started in November 2011 lasted February 2012.The study was applied to business licensed hotels. Since there were not any 5 star business licensed hotels in Fethiye, 5 star hotels were excluded. Additionally, 6 hotels were excluded since they were not using travel agencies to sell their rooms. Some hotel managers were not co-operative hence 8 questionnaires did not return. 35 responses were received, achieving a response rate of 71.4%. The data collected from the field was edited, coded and processed using the Statistical Package for the Social Sciences.

Frequency analysis was conducted to examine demographic characteristics of the managers and to determine the percentage of the factors affecting the room price. Chi-square test was used to identify whether the factors affecting the room price changes depending on the demographic factors. One way Anova and Duncan tests were used to determine whether there is a difference between 2,3 and 4 star hotel managers' answers on affecting factors. Furthermore, Independent Samples t test

was used to determine whether there is a difference on the answers depending on gender.

4. Findings

The demographic findings are as follows.

Table II : Demographic Findings

Characteristics	Groups	Frequency	Percent
Gender	Male	26	74,3
	Female	9	25,7
Education	High School	8	22,9
	Graduate	26	74,3
	Post Graduate	1	2,9
Position	General Manager	18	51,4
	Front Office Manager	10	28,6
	Contract Manager	7	20,0
Number of years worked in the hotel	Less than 1 year	15	42,9
	1-3 years	15	42.9
	4-5 years	4	11,4
	6-8 years	1	2,9
Age	36-45	14	40,0
	20-28	1	2,9
	46-54	2	5,7
	29-35	18	51,4
Hotel classification (star)	2	10	28,6

classification(star)	3	16	45,7
	4	9	25,7
Activity period of the hotel	0-5 years	8	22,9
	6-10 years	8	22,9
	11-15 years	9	25,7
	16-20 years	7	20,0
	More than 20 years	3	8,6

Of the 35 respondents 74,3% were male, 25,7% were female. Approximately two thirds(74,3%) were graduated from a 4 year university. More than half (51,4%)were general managers and the rest were front office and contract managers. The managers working in the same hotel less than 1 year and 1-3 years have the same percent(42,9%).On the other side, managers working in the same hotel between 4-8 years has a percent of 14,3.That may be interpreted in two ways. First, the organizations may not be able to meet the expectations of managers. Second, the personal affairs of managers such as; retirement, family affairs and so on, may not be available for their current jobs. 32 managers (91,4%) were ranging in age from 29 to 45.The largest number of data was collected from 3 star hotels (45,7%). On the other side managers of all of the hotels with 4 stars completed and delivered the questionnaires.

Table III : One Way Anova

Characteristics	Df	F	Sig.
Positive relations	2	7,066	,003*
Passenger frequency	2	4,385	,021*
Regular payment	2	1,685	,202
Type of payment	2	,882	,424
Hotel status	2	,570	,571
Season status	2	,112	,894
Market price	2	4,031	,027*
Agency capacity	2	1,011	,375
Advance payment	2	10,447	,000*
Decision of the owner	2	7,883	,002*
The importance of the market in location	2	1,332	,278

* P<0.05

Waller-Duncan test was used for the characteristics that have different answers. These were; positive relations, passenger frequency, market price, advance payment and decision of the owner. According to Duncan test findings;

- The answers given for "positive relations is effective on the price proposed to agencies" did not show any difference between 3 and 4 star hotel managers. Some 3 and 4 star hotel managers disagreed, some   neither agreed nor disagreed to statement. 2 star hotel managers strongly agreed and agreed to statement. The results were the same for the   statement "Advance payment is effective on the price proposed to agencies"

- star and 2 star hotel managers' answers were not different, while 3 star hotel managers' answers were different on the statement that "Passenger frequency is effective on the price proposed to agencies"

  2 and 4 star hotel managers agreed and strongly agreed while 3 star hotel managers neither agreed nor disagreed or disagreed

- There was not any difference on answers of 3 and 4 star hotel managers, but answers given by 2 star hotel managers were different on the statement "Market price is effective on the price proposed to agencies".While 3 and 4 star managers agreed or strongly agreed, 2 star managers were disagreed or neither agreed nor disagreed.

- The answers given for the statement "Decision of the owner is effective on the room price proposed to agencies" did not show any difference between 2 and 3 star hotel managers. They were agreed or strongly agreed the

statement. The difference was on the answers of 4 star hotel managers. Their answers were as disagreed or strongly disagreed.

Chi square test was used to identify whether one of the factors changes depending on another factor. Only dependent factors were considered .

Dependent factors were; regular payments, positive relations, decision, hotel status and advance payment. Statements on dependent factors were as follows:

Statement 1: Regular payments to hotels is effective on the room price proposed to agencies.

Statement 2: Positive relations between hotels and travel agencies is effective on the room price proposed to agencies.

Statement 3: Decision of the hotel owner is effective on the room price proposed to agencies.

Statement 4: Advance payment to hotels is effective on the room price proposed to agencies.

The statements were rated on a five point Likert scale as follows;

1-Strongly agree,2-Agree,3-Neither agree nor disagree,4-Disagree,

5-Strongly disagree

The findings were exhibited on Table IV as follows.

Table IV: Chi Square Analysis Findings

Factors	Ki-Kare (χ^2)	Sig. Level
Age-Reqular payments	8.383	0.039*
Education-Positive relations	26.786	0.001*
Position-Positive relations	18.099	0.002*
Position-Decision	21.089	0.002*
Hotel classification(star)-Positive relations	19.708	0.011*
Hotel classification(star)-Advance payment	19.298	0.013*

*P<0.05

According to chi square analysis, the findings were as follows;

- Statement 1 changes depending on the ages of managers. Younger managers agreed this statement more than older ones.

- Statement 2 changes depending on education level, position of the managers as well as hotel classification. Managers that have lower

education levels agreed this statement more than managers with higher education. It was also agreed mostly by general managers and rarely by contract managers. Finally, 2 star hotel managers agreed the statement more than 4 star hotel managers.

- Statement 3 changes depending on the position of the manager. General managers were mostly agree to statement while contract and front office managers were rarely agree.

- Statement 4 changes depending on hotel classification. 2 star hotel managers were mostly agree to statement, on the other side 4 star hotel managers were rarely agree. To 2 star hotel managers , advance payment is an important factor that affects the room price. 2 star hotels may need advance payment more than 4 stars, therefore their room price proposed to agencies might be different according to advance they received.

Finally, we used Independent Samples t test to determine if there was a difference on the answers of managers depending on their genders.

Table V : Indepent Samples t test Analysis Findings

Characteristics	T	Df	Sig. (2-tailed)
Positive relations	-1,029	33	,311
Passenger frequency	,740	33	,465
Regular payment	-,513	33	,612
Type of payment	-1,003	33	,323
Hotel status	,228	33	,821
Season status	-2,156	33	,038*
Market price	,059	33	,953
Agency capacity	,800	33	,429
Advance payment	-2,137	33	,040*
Decision of the owner	,141	33	,889
The importance of the market in location	,725	33	,473

*P<0.05

According to Independent Samples t-test; the answers given by women and men managers differ in 2 statements. These statements were as follows

Statement 1: Season status is effective on the price proposed to agencies

Statement 2: Advance payment to hotels is effective on the room price proposed to agencies.

Both women and men managers were agree to 2 statements above, but the attendance rate of women managers was lower than men.

5.CONCLUSION

The purpose of the study was to determine the factors affecting the room price proposed to travel agencies and help the travel agency managers on the strategies that they need to develop to decrease their accomodation costs. A major limitation of this study is that 5 star hotels are excluded from the study as there was not any business licensed 5 star hotel in Fethiye. Another limitation was only business licensed hotels were used, other accomodation businesses such as motels, holiday villages, hostels and apart hotels were excluded. In order to identify the most important factors, we used frequency analysis on effecting factors. The analyzed factors are as; positive relations between hotels and travel agencies, passenger frequency, regular payment to hotels, type of payment, hotel status, season status, market price, agency capacity, advance payment, decision of the owner and the importance of the market in the location. According to the results, the most important 3 factors were season status, regular payment to hotels and importance of the market in the location, respectively. Of 35 respondents, 25(71,4%) of them were strongly agree and 10(28,6%) of them were agree to season status. The number of tourists visiting Fethiye is different in the high and low seasons which results in the change of room rates.22(62,9%) of them were strongly agree and 13(37,1%) of them were agree to regular payments to hotels. Younger managers agreed the importance of regular payments on the room rates more than older ones. The findings indicate that hotels propose different rates to agencies that make regular payments.18(51,4%) of them were strongly agree, 15(42,9%) of them were agree and 2(5,7%)of them was neither agree nor disagree to importance of the market in the location. Markets (English, American, Russian etc.), that regularly visit the location and make extra spending , are considered to be important for hotels. Our findings revealed that room rates differ depending on the importance of the market for hotel.

According to Waller-Duncan test analysis, the other findings of our study were discussed as following.

According to 2 star hotel managers, positive relations between hotel and travel agency is an effective factor on room rates. We can conclude that if the travel agencies have positive relations with the hotels, they may have more reasonable

prices from 2 star hotels. Beside positive relations, another effective factor on room rates for 2 star hotels is advance payment to the hotel. We consider, 2 star hotels will propose more reasonable prices, when they receive an advance from the agency. This analysis supports the results of Chi-Square tests that was used earlier. As mentioned earlier, 2 star hotels may need advance payment more than 4 stars, therefore their room price proposed to agencies might be more reasonable according to advance they received.

2 and 3 star hotels strongly agreed and agreed while 4 stars disagreed and strongly disagreed the statement that "Decision of the owner is effective on the room price proposed to agencies" That means the decision of the hotel owner is effective on the room price in 2 and 3 star hotels but not effective in 4 star hotels. The managers who are supposed to be responsible for the sale and marketing of hotel rooms are general managers, contract managers and front office managers. The findings indicate that for 2 and 3 star hotels the owners have the right to comment on management decisions.

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