

OPPORTUNITIES FOR IMPROVEMENT OF THE PRICING POLICY OF TRAVEL AGENCIES IN CULTURAL TOURISM

Chief Assistant Professor Dr. Vyara Kyurova
Southwest University “Neofit Rilski”
Blagoevgrad, Bulgaria
Mobile phone: + 359 899 806 445
E-mail: verivasileva@abv.bg¹

Abstract

In recent years, tourist businesses in Bulgaria have shown a growing interest in cultural tourism. At this stage, this type of tourism is developing in a highly dynamic competitive environment. There is increasing competition between the established and the many new cultural tourist destinations, as well as globalization of tourism. Under these conditions, maintaining their positions in the tourism market has become very important for tourist enterprises. A major means for obtaining competitive advantages is the design and implementation of a pricing policy which is adequate to the market conditions and consumer demand. In this context, the purpose of the study is to explore and identify opportunities for improvement of the pricing policy of travel agencies offering products of cultural tourism. The analyses and conclusions on this issue are based on data from a survey of 23 travel agencies.

Key words: pricing policy, cultural tourism, travel agency

JEL Classification code: L830, M31 and R32

Introduction

Cultural tourism satisfies specific type of tourist needs related with culture and art. It is one of the most popular and dynamic types of tourism. The cultural tourism is defined as one of the most perspective sectors in the field of tourism (Filipova (2008)). Its development marks significant progress in the world. M.D. Sushtinskaya points out that while in the 80s of XX century cultural tourism was a small niche in the tourism market, it is currently the major sphere of tourism activity, whose annual growth amounts to 15% (Sushtinskaya (2010)). According to the World Tourism Organization the market segment of cultural tourism is characterized by large growing potential (UNWTO (1997)).

According to the data from a survey in 2011 conducted by the Directorate General for Enterprise and Industry of the European Commission – Flash Euro barometer 334 on the attitudes of Europeans towards tourism (performed in the 27 member states of the

¹ “Neofit Rilski” Southwest University, Blagoevgrad, Faculty of Economics, 2, Krali Marko Street, Blagoevgrad 2700, Bulgaria

European Union and Croatia, Turkey, Macedonia, Norway, Iceland, Serbia and Israel), 14% of respondents have taken trips for cultural and religious reasons. In previous stages of the survey respondents indicated cultural heritage as a major factor in the choice of destinations (27%) (Survey of the Directorate General for Enterprise and Industry of the European Commission – Flash Euro barometer 334, www.mi.government.bg).

In Bulgaria, which is a country with a rich heritage and a lot of places of tangible and intangible culture, cultural tourism is the second most preferred type of tourism for both Bulgarian and foreign tourists. According to the Ministry of Economy, Energy and Tourism, in the spring of 2010 50% of foreign respondents and 19.2% of Bulgarian tourists have practiced cultural tourism and in the summer of the same year 52% foreigners and 16% of people have visited various historical sites (Survey of foreign visitors to Bulgaria, summer 2010, www.mi.government.bg), (Study on the demand of tourist products and services of domestic tourist in Bulgaria in the high tourist seasons – summer 2010, www.mi.government.bg).

In recent years, we have witness increasing interest in cultural tourism in Bulgaria. At the same time, in contemporary conditions cultural tourism is developing in an external environment characterized by high dynamism and increasing competition in the tourism market, and globalization of tourism business. Under these circumstances, maintaining their positions in the tourism market is of great importance for tourism businesses.. The development and implementation of pricing policy which is adequate to the market conditions and consumer demand is an essential tool for achieving this goal and gaining a competitive advantage.

The availability of accurate, forecasts for the situation of the tourism market, consumer demand and the competitive environment, based on market research and analysis, is a mandatory condition for correct choice of pricing policy of the travel agency.

The aim of the study is to explore and identify opportunities for improving the pricing policy of travel agencies which offer of cultural tourism products. To achieve this aim, a survey in 23 travel agencies was conducted. In the course of data collection, respondents were chosen among their management (owners and co-owners, managers). The survey was conducted between February and May 2013. The data collection method was a direct self-administered questionnaire. The data base was created and processed through SPSS for Windows, and the results are presented in a graphic form using Microsoft EXCEL.

Formulation of the problem

Pricing policy is very important for the market success of travel agencies offering products of cultural tourism. (Anastasova (1998) states that tourism practice convincingly shows that without the implementation of ongoing research on the prices of products on the market it is not possible to achieve efficient pricing. The same author points out that in the process of pricing policy development, most of the prosperous tourism businesses consider perceptions and attitudes of customers towards the level of prices of their products and towards their pricing policy in general.

The importance of pricing for travel agencies is expressed in determining the optimal price for the product, acceptable to consumers in the target market, and also in

making a profit and achieving efficiency. That is why the pricing policies and methods of price formation are important for the efficient functioning of travel agencies and for achieving success in the market of cultural tourism products. It is important to note that on the one hand, prices and pricing are a tool for increasing sales volumes, and on the other – they have a strong influence on customer loyalty. Pricing must be consistent with the situation in tourism markets and consumer demand (Todorov (2009)). This implies the need for perfectly conducted and flexible pricing policy. The relationship between price and quality of the products of cultural tourism is also important.

There are different views on pricing policy. According to (Kazakova (2012)) the pricing policy of the company consists in setting prices and their varying depending on the market situation in order to ensure the implementation of short and long-term goals (achieving a certain market share, gaining leadership in the market, getting the target profit, maximization of profit and survival of the enterprise) and solving operational tasks related to the implementation of the product in a particular phase of its life cycle, the activity of competitors and others. The opinion of other authors is that pricing is a system of measures, processes, forms and methods of influence on consumer demand-oriented research, and forecasting the state of the market environment, aimed at maximizing opportunities for satisfying the needs of consumers (Sinyaeva et al 2013). Therefore, pricing policy is implemented to increase the profitability of the company taking into account mainly the cost, the usefulness of the product for consumers, the reaction of competitors to price changes.

At the same time in terms of demand prices are perceived as an indicator of product quality in cultural tourism, which is why it is imperative that their formation is based on extensive research of various factors. There are different views in the literature on the factors that influence pricing. According to some authors, pricing decisions are based on consideration of the following four key factors: perceived purchasing value, costs, competition, strategic objectives (Kapon et al 2010). (Kvartalnov (2002)) states that in order to determine the correct price of the product it is necessary to analyze a lot of factors. According to the author, one of the main factors is the form of competition that dominates a market. In this regard (Rakadjiiska et al 2004) states that the pricing policy of competitors and their reactions to price changes are important and indispensable reference for identifying and managing the cost of their product. At the same time, (Katernyuk (2008)) believes that companies which form pricing policy based on the determination of the target market are able to identify the real cost of the product and to prevent the entry of new competitors in the market. Therefore, it is extremely important for travel agencies to identify the degree of monopolization of the market and analyze the pricing policy of competitors. In support of this (Doganov (1994)) argues that the impact of price competition on consumer demand is via a change in price, i.e. pricing policy becomes an active, and often the chief means of competitive struggle.

In the scientific literature two types of factors determining proper pricing are discussed – internal and external to the organization (Middleton (2001)). The internal factors that travel agencies should consider are goals and strategies of the organization, costs, organizational framework and the marketing mix (Rakadjiiska et al 2004). External factors determining the pricing decisions of travel agencies are characteristic of the target

market and the demand, characteristics of the product and the capacity, behavior of competitors and limitations of the macro environment (Rakadžijska et al 2004).

It is necessary to take into account that a properly chosen pricing strategy has long-term and crucial influence on the competitiveness of the product and the company (Bezrutchenko (2012) and guarantees success of the enterprise. While properly implemented pricing strategy allows the company to increase sales, maximize profits and reach efficiency of all the production and sales operations (Pehlivanov et al (2013).

Marketing research on consumers is important for the formulation of an adequate market pricing situation and outlining the potential for improvement. The opinion of (Bezrutchenko (2012) is that consumers have a significant impact on the enterprise in the field of pricing and the proper handling and reporting of their behavior requires specific and reliable information on the general regularities and peculiarities of their actions in the market. According to (Kvartalnov (2002) price is a reflection of how consumers perceive the product. In our opinion, the consumer survey is essential to determine the structure and needs of the markets in which the entity operates, and their loyalty to the firm; the income that they spend on products and to satisfy different needs, the price they are willing to pay. At the same time, marketing research of products of cultural tourism is an important prerequisite to identify opportunities to improve the pricing policy of travel agencies in the field of cultural tourism, and hence to increase the sales volume and to improve the outcomes of their activities.

Analysis of the study results

The analysis and evaluation of the survey results make it possible to outline the main points in several directions.

14.6% of respondents gave a positive response to the question "Does your agency offer specialized cultural tourism products", and 19.3% indicated that they were in the process of developing such a product.

As regards the assessment of the demand for cultural tourism products, respondents gave their answers using a five-point rating scale with a grade from 2 to 6². It can be seen that the relative proportions of respondents who estimated demand as average (39.7%) and low (25.2%) are the highest. It is noteworthy that 18.7% of respondents said they could not judge the extent of consumer demand for the products of cultural tourism destinations and 13,5% think there is no demand for cultural tourism.

Identifying tourist needs and preferences in cultural tourism is very important for the formation of an effective pricing policy. The survey results show that a significant part of the respondents did not take any action to identify the preferences of tourists to cultural tourism (38.9%). It is noteworthy that 25.6% of respondents said that they know relatively well the needs of tourists.

Answers to a question related to identifying the key areas of marketing research on the needs and attitudes of tourists and focused only on travel agencies who carry out such studies show that they perform research on:

² Note: grade 2 shows there is no demand; grade 3 assesses demand as low; grade 4 as average; grade 5 as high; grade 6 assess demand as very high

- preferences of tourists to practicing cultural tourism (28.7%);
- attitudes of consumers to the price level of the offered cultural tourism product (29.7%);
- upper limit of the price consumers of different target markets are willing to pay for the quality offered (4.5%);
- willingness of loyal customers to replace the cultural tourism product when its price increases with another and the reason for this (2.8%).³

At the same time it is found that important area of study of the preferences of tourists is the season when cultural tourism is practiced. The majority of respondents indicated that the most preferred period to consume the product of cultural tourism is from June to September, followed by April -May and October. Factors shaping this choice are age, marital status (presence of children or students), the opportunity to use leave, availability of discounts in different periods, holidays/weekends, cultural events (festivals, fairs, etc.), suitable climatic conditions, etc.

It is important to note that a small part of respondents (10.5%) is focus on the study of the tourist markets in order to determine the appropriate pricing policy. While almost all (92.5%) of the surveyed travel agents claim to hold a flexible pricing policy, which is contrary to the answers received to the question of the performance of situational research and analysis.

The respondents' assessment of the importance of the factors that influence the formation of the pricing policy of the surveyed enterprises is also of interest. It was found that the most important factors respondents identify are: the season, the type and quality of service, type of purchase, i.e. individual or organized. It is noteworthy that “discounts in price” is not among these factors.

One of the prerequisites for a more complete answer to the requirements of the consumers of cultural tourism is the creation of an attractive product for them, with the appropriate quality and price. The survey results indicate that a small proportion of respondents (9.8%) study the consumer satisfaction on the optimality quality-price ratio of product of cultural tourism.

Another important point in the study of the pricing policy of the travel agencies in the field of cultural tourism is the examination of the nature of the concessions they make to consumers of this type of tourism. The survey results indicate that the largest proportions are seasonal discounts (23.3%) and discounts for long-term business clients (19.6%).

The next group of questions aimed at assessing the extent to which travel agencies conduct market research of competitors. It is noteworthy that there is a high percentage (29.9%) of agencies that say they carry out such studies.

The study results show that respondents study their competitors in terms of:

- strategies and tactics of pricing (13.2%);
- market share of competitors (10.1%);
- products offered by competitors (21.3%);

³ Note: the Sum total of percents is less than 100%, because the question was answered only by travel agencies which conduct competitive analysis

- prices of products (18.5%);
- ways of selling products (4.6%);
- advertising messages, approaches and tools for promotion of the products (3.1%);
- price levels and price ratios in which competitors offer different target markets its products (5.6%);
- mean change of own prices and those of competitors in each of the last 5 years (9.8%);
- types and amount of rebates that competitors offer for their products to different target markets (2.3%).⁴

In order to outline measures to improve pricing of travel agencies in the field of cultural tourism it is important to consider the self-assessment of respondents' degree of the effectiveness of their pricing strategy. It was found that the highest proportion of respondents (72.1%) determine their pricing strategy to be successful. It is noteworthy that 2.3% respondents said that their pricing strategy is very successful and 3.4% defined it rather unsuccessful. Only 1.2% of respondents have not developed a pricing strategy. The main reason for this is the fact that 70.1% of respondents believe that they do not have the necessary professional knowledge, skills and competencies in the formation of the pricing policy of the company.

Conclusion

The results of the study allow us to draw the following conclusions and recommendations:

1. The potential of marketing research as an essential tool for the study of consumer demand for the products of cultural tourism is underused. This is a serious problem for the successful development of the activities of travel agencies, as knowledge of the needs and requirements of consumers plays a crucial role in offering competitive products, the formation of an effective pricing policy, an increase in sales volume and the final economic performance.

2. Significant proportion of surveyed travel agencies do not perform research and competitive analysis of the market of cultural tourism products. It was found that the conducted studies do not cover fully the necessary dimensions of competitive analysis, and the collected data and the results are not sufficient for making appropriate management decisions on pricing policy.

3. We may outline the following key actions to improve the pricing policy of Bulgarian travel agencies in the field of cultural tourism:

- Regular market research on the demand for products of cultural tourism and their price levels, as well as knowledge of trends in customer requirements. This will help to identify the perceptions of the market, an appropriate pricing policy which ensures the competitiveness of Bulgarian travel agencies and helps them to maintain their positions in the tourism market.

⁴ Note: the Sum total of percents is less than 100%, because the question was answered only by travel agencies which conduct competitive analysis

➤ Establishment of a system to monitor the price levels of the products of cultural tourism of competitors. The availability of reliable, relevant and sufficient marketing information about the prices of the products of cultural tourism is crucial for decision making.

➤ Increased knowledge and experience of the managers of travel agencies to use price as a marketing tool. In particular, training should be directed to conducting a competitive pricing policy at company level.

References:

1. Anastasova, L., Marketing research in Tourism, "Selecta", Burgas, 1998
2. Bezrutchenko, V., Marketing in social-cultural services and Tourism, "Dashkov & K", M., 2012
3. Doganov, D., Marketing in tourism, "PRINCEPS", Varna, 1994
4. Filipova M., Challenges before the achievement of a sustainable cultural tourism, Tourism and Hospitality Management - an International Journal of Multidisciplinary Research for South- Eastern Europe, Croatia, Vol.14, N 2, 2008
5. Kapon, N., V.Kolchanov, J. Makhalbert, Management marketing, 2010
6. Katernyuk, A.V., Basis of modern marketing, "Fenics", Rostov-na-Don, 2008
7. Kwartalnov, V.A., Tourism, (2nd ed., Rev.), "Finances and Statistics", M., 2006
8. Kazakova, N.A., Marketing analysis, "INFRA-M", M., 2012
9. Middleton, V. T. C., Marketing in Travel and Tourism. 3rd ed. Oxford: Butterworth-Heinemann, 2001
10. Pehlivanov, V., V. Kyurova, Pricing strategy, "Smilkov LTD", Blagoevgrad, 2013
11. Rakadjijska, S., S. Marinov, Marketing in tourism, Science and economy, Varna, 2004
12. Sinyaeva, I.M., S.V. Zemlyak, V.V. Sinyaev, Marketing in entrepreneurship activity, "Dashkov & K", M., 2013
13. Sushtinskaya, M.D., The cultural tourism, St. Petersburg State University of Economics and Finance, 2010
14. Todorov, D., Hotel management, MATKOM, 2009
15. UNWTO. Tourism 2020 vision. Executive Summary. Madrid, 1997
<http://www.mi.government.bg/bg>, Survey of the Directorate General for Enterprise and Industry of the European Commission – Flash Euro barometer 334
<http://www.mi.government.bg/bg>, Survey of foreign visitors to Bulgaria, summer 2010;
<http://www.mi.government.bg/bg>, Study on the demand of tourist products and services of domestic tourist in Bulgaria in the high tourist seasons – summer 2010 (project "Survey of foreign visitors and domestic tourists in Bulgaria" under OP Regional development 2007-2013, consortium Sinesta, ESTAT Ltd, and SINOVEIT EOOD, procured by MEET)