

## Price as the Main Element of the Marketing Mix: Evidence from Tourist Demand

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**Abstract:** The article analyzes consumer behavior in the market for tourism services and reveals main factors (elements of the marketing complex) affecting consumer preferences. The author concludes the price is the main element of the marketing mix of a travel company competing for tourist preferences.

**Key words:** Consumer behavior • Price • Consumer preference • Travel company • Marketing complex.

### INTRODUCTION

Under the increased competition in the tourism services market, a clear awareness of what a potential consumer/tourist needs is an essential part of a travel agency's successful marketing strategy. This situation underlines the actuality of both a research on consumer behavior in the travel market and reveal of the factors affecting the process of travel decision-making. Clear awareness of consumer needs is a competitive advantage of a modern travel agency.

When making a travel purchase decision, the tourist is being affected by various price and non-price factors. The price factors include a travel package price, a level of consumer income and a level of price of substitute goods. The non-price factors include social and demographic factors, i.e., sex, age, level of education, reference groups, etc. The non-price factors may also be associated with advertising campaign efficiency and a travel agent's reputation capital/level of tourist's loyalty to a travel agency.

Planning and realization of a travel agency's marketing activity are based on a marketing model called the Marketing Mix.

A marketing mix of a travel agency is a set of marketing tools used by travel agencies for solving marketing challenges in the process of consumer satisfaction in the target market of travel goods and services.

In 1960, Professor E. Jerome McCarthy proposed a four-category classification of marketing tools, each category starting with the letter "P". This classification was called "4P paradigm" and included the four Ps: product, price, place, promotion.

The listed elements build a classical variant of the marketing mix. Actually, this variant is multi-functional and can be applied in all spheres of activities; however, it is insufficient for the service sector and particularly for travel agencies. Therefore, here is M.D. Bitner's model to be viewed. He extended the existing marketing model, adding three more Ps: *process, physical evidence, people*.

The purpose of this study is to reveal main factors/marketing mix elements, which affect consumer behavior in the tourism services market in the process of travel decision-making.

### MATERIAL AND METHOD

The study was conducted using a questionnaire. The participants were the residents of Volgograd, Voronezh, Saratov and Moscow, at the age of 18 to 65. A sample consisted of 1254 people. In accordance with the results, the main elements of the marketing mix of a travel company, which affect both travel decision-making and customer behavior, include the appeal of a tour product - i.e., a country, a resort, a sightseeing - and price of a travel package (Fig. 1).

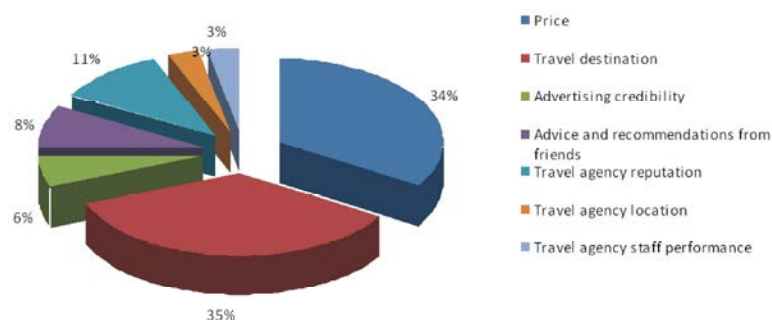


Fig. 1: Travel agency's marketing mix elements, which affect travel decision-making

\* Author's source

## RESULTS

As it is evident from the diagram, the main elements of the marketing mix, which affect travel decision-making, are Travel Destination (35% of the respondents) and Price (34%). It should be noted that tourist appeal of travel destination is an external factor for a travel agency and the agency cannot influence this factor in order to change travel demand, while the price factor is a very flexible marketing tool of a travel company, with help of which the company is capable of affecting consumer preferences. The price is a relevant marketing tool of competitive struggle in the travel service market, since the majority of travel companies are not able to apply non-price competition methods.

According to the diagram, in the travel service market consumer behavior is heavily affected by a reference group factor (8%). Reference groups are associated with individuals or groups of people who do not participate directly in the purchase process, but exercise significant influence, directly or indirectly, on a person's behavior

and his attitude to any subject [1]. In many cases, these are recommendations and advice from friends, colleges, etc.

The conducted research showed a low level of advertisement efficiency in a struggle for consumer interest in the travel service market. In the process of travel buying decision, consumers are not manipulated by convincing arguments of a classic advertisement<sup>1</sup>, thus making it essential to develop alternative methods and techniques of advertising impact on travel consumers- i.e., PR-actions, virus marketing methods, sponsorship, etc.

The research of consumer attitudes to low prices for travel packages has shown the travel service market experiences low Veblen effect, which says, "It puts us on our guard against cheapness by identifying merit in some degree with cost. There is ordinarily a consistent effort on the part of the consumer to obtain goods of the required serviceability at as advantageous a bargain as may be." [3]. For the question "If a travel package looks suspiciously cheap, will you buy it or will you consider it as travel of a low quality and refuse buying the package?"

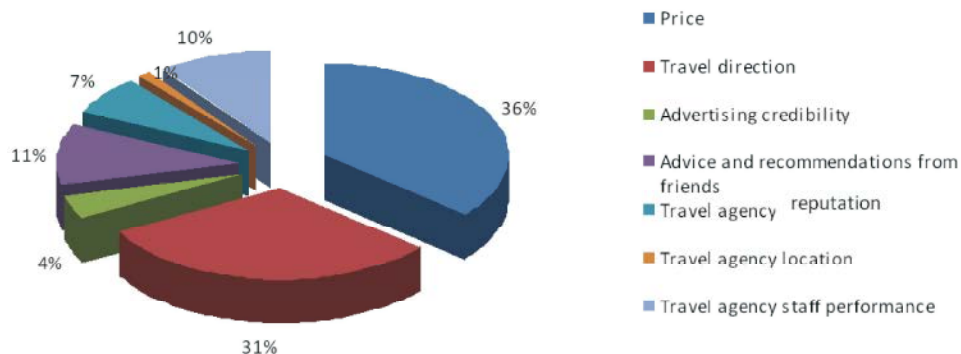


Fig. 2: Travel agency's marketing mix elements, which affect women's consumer behavior.

\* Author's source

<sup>1</sup>A classic advertisement is information spread in all sources of mass media, i.e., press, TV, radio, as well as with the use of outdoor advertisement.

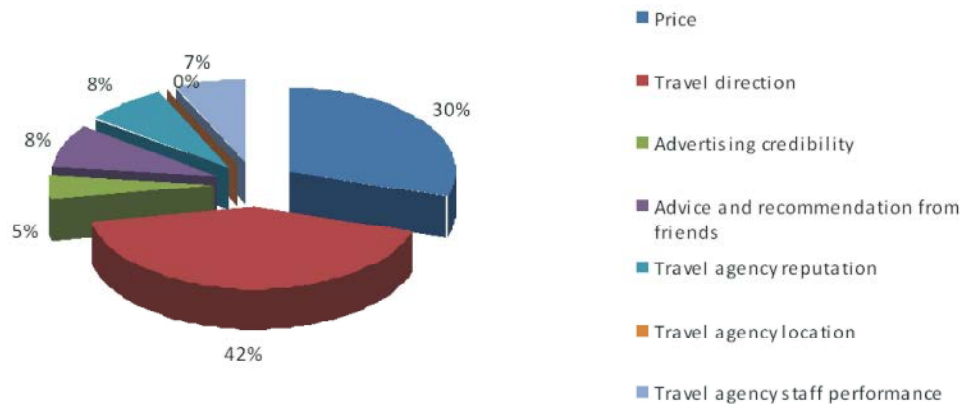


Fig. 3: Travel agency's marketing mix elements, which affect men's consumer behavior.

\* Author's source

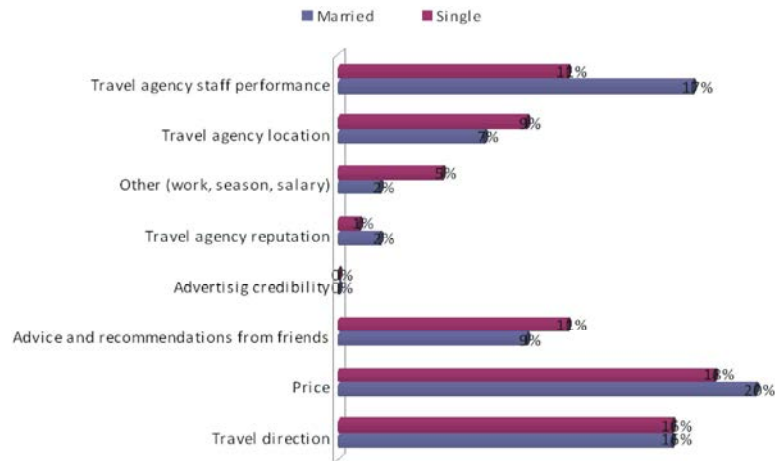


Fig. 4: Main factors affecting women's consumer behavior in the travel service market

\* Author's source

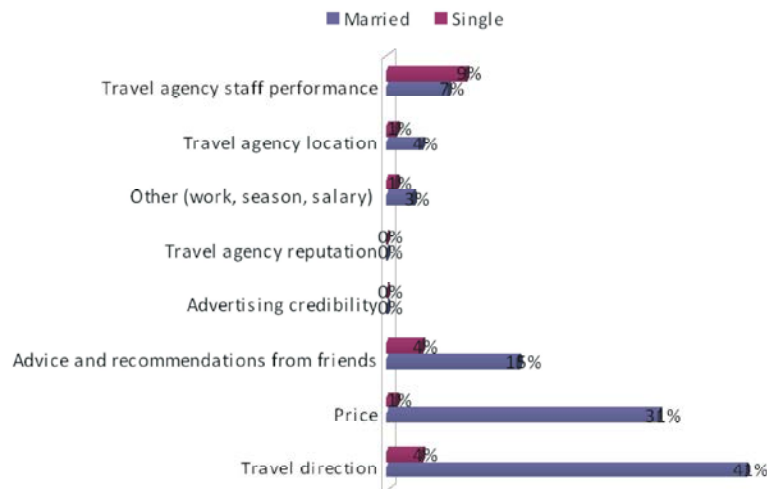


Fig. 5: Main factors affecting men's consumer behavior in the travel service market

\* Author's source

73% of the respondents would buy the package and only 27 % would consider the package as that of a low-quality and would refuse buying it. Most respondents associate cheap prices for travel packages with a special offer (a “last minute offer”), rather than with low quality of proposed travel.

Gender analysis of various marketing mix elements which affect consumer behavior in the travel market has shown that mostly women are affected by the price factor (Fig. 2, Fig. 3). In turn, men are mostly affected by prestigious travel directions (travel products). Hence, travel companies should diversify a travel offer, regarding not only social and demographic factors but also a gender factor.

The research has shown that the gender aspect of consumer behavior in combination with a family status also affect the structure of the travel agency’s market mix, when affecting consumer behavior in the process of a travel buying decision (Fig. 4, Fig. 5).

As it is obvious from the diagram, the price factor affects mostly married men; 31% of the respondents said that one of the main criteria for choosing a travel package would be the price. At the same time, 41% of married men preferred a travel direction (a travel product) as the prime factor for their choice. The percentage of married women influenced by price when choosing a travel package is rather high and reaches 20% of the respondent. According to the given data, women, rather than men, are mostly affected by reference groups. Travel agency reputation as a factor affecting consumer behavior has a low effect. Thus, travel start-ups should concentrate on competitive prices rather than image advertising. All of these should be taken into account by travel companies in the process of the development and realization of their marketing policies.

## **CONCLUSION**

The conducted analysis of consumer behavior in the travel service market represents, in details, price references of tourists when choosing a travel package. It is obvious that under the global economic crisis most of the tourists who are used to annual travels are not ready to refuse them. This situation provokes re-orientation of consumer preferences to cheaper travel packages. Hence, the price becomes a strategic marketing tool of a travel company in the process of tourist appeal. A travel company should be reasonable and pay a special attention to pricing. The provision of various discounts, special offers, as well as the development of and implementation of bonus systems may become a marketing tool provoking extra demand for provided travel services. Nevertheless, in spite of the high importance of the price factor for travel decision-making, this does not mean it is the only criterion of consumer preferences. A travel agency should perform marketing measures, which will contribute to create added values in the form of nonmaterial capital.

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