

ABSTRACT

Demand and hedonic based pricing strategies provide hotel practitioners opportunities for adjusting prices depending on, guest preferences, and seasonal changes thus enhancing competitive advantage. Customers are able to compare the offers made by specific service providers in order to make significant purchase choice. However, these strategies are underutilized by hoteliers in Nakuru County due to their overreliance on cost based pricing strategies resulting to negative guest perception about the prices. Consequently, cost based pricing has resulted to reduced guest loyalty and declined purchase since some guests prefer variable prices to fixed prices. The purpose of this study was to establish the effect of demand based and hedonic pricing strategies on hotel guest purchase decisions in Nakuru County. The specific objectives were, to determine the effect of demand based pricing strategy on hotel guest purchase decision in Nakuru County and to assess the effect of hedonic pricing strategy on hotel guest purchase price in Nakuru County. The study employed descriptive cross sectional research design anchored on hedonic pricing theory and buying process five stage model. The target population was 1,792 guests from which a sample size of 276 guests was derived using Krejcie and Morgan (1970) sample size determination technique. Purposive and proportionate sampling techniques were used to select hotels and guests respectively. Primary data was collected using a structured questionnaire designed using Likert type of scale. A reliability coefficient of ($\alpha = 0.895$) was achieved for the research instruments. Data collected was analyzed with the aid of SPSS (version 21) and STATA (Version 15) software. Descriptive statistics were used to describe the social-demographic attributes of the guests. Effect of demand based pricing strategy was modelled under Structural Equation Model. The estimated model parameters using maximum likelihood revealed that value added pricing strategy ($p=0.001$) and concession pricing strategy ($p=0.004$) influenced guest purchase decision significantly at 5% significance level. However, discounted pricing strategy ($p=0.112$) did not influence purchase decision significantly. Effect of hedonic pricing was estimated under multiple regression equation. The regression coefficients revealed that hotel location ($p=0.006$), presence of bath and shower in bathroom ($p=0.012$), service of breakfast ($p=0.016$), presence of LED television in the room ($p=0.004$), availability of swimming pool ($p=0.015$) and a fitness center ($p=0.043$) influenced purchase price significantly. The presence of conference facilities ($p=0.676$), internet availability ($p=0.117$), accessibility of hotel through road network ($p=0.376$), star rating ($p=0.523$) and association with a chain ($p=0.081$) did not have a significant effect on guest purchase price. The study recommends that for hotels' to increase guest purchases, they should utilize value added and concession pricing strategies. Hotels should communicate the benefits obtained from consumption of a service, involve guests when setting prices as well as affiliate themselves to a chain or have a chain outlet within their facilities for increased guest purchases.