

# Ginger hotels essay



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## GINGER HOTELS: PRICING MIX AND STRATEGIES AND THEIR EFFECTIVENESS

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of words: 7029 SHAFALI SUBRAMANIAN 11P165 EXECUTIVE SUMMARY Our

study has been conducted on the ‘ Pricing strategies employed by Ginger Hotels, India and their effectiveness’ in order to identify the different pricing method that are implemented by Ginger Hotels and study their differentiating factors with regard to the other players in the hospitality sector.

We further attempt to establish if these pricing methods bring the customers to satisfaction. This is how we measure the effectiveness of the pricing techniques. The Indian hospitality sector encompasses many different services. These include lodging, restaurants, event planning, tourism etc. Among these, Ginger Hotels focuses primarily on lodging. Ginger Hotels is a Tata Enterprise, which differentiates itself from the rest of the Tata Group Hotels by being a ‘ Smart Basics Hotel’. Their prime focus is on providing key facilities that meet the key needs of the customer.

This model enables them to maintain economic rates, thus making them a low cost budget hotel. The different players in this budget hotel segment implement a competitive pricing methodology. Apart from this Ginger uses other pricing techniques to attract their target markets. These pricing methodologies are also used to increase the customer lifetime value. Our analysis starts with a study of the different price strategies commonly used in the services and hospitality sector. These include competition-driven

pricing, customer-driven pricing, price-ending strategy, yield pricing and dynamic pricing.

Our hypotheses attempts at establishing that, in the case of budget hotels such as Ginger Hotels, among the ' four P's' (Product, Place, Price, Promotion) Price is in fact the force which contributes mightily in bringing in the customers and ultimately to the success business success. An attempt is also made to understand if in the case of budget hotels such as Ginger Hotels, the customer is looking more for her/his delight needs to be satisfied or focuses on the key real needs. We also move this ahead and try to determine the extent to which the pricing strategy implemented by Ginger Hotels affects their customer's value perception.

Through our primary and secondary research findings we were able to conclude that for Ginger Hotels, price and pricing strategies employed were infact the key sales driver in comparison to the other P's of the marketing mix. Hence, the strategy employed by Ginger to provide several different price options and implement several pricing strategies was indeed an effective technique. Another interesting finding was that from the customer point of view, for the price they paid for services and lodging at Ginger Hotels, they were more focussed on their real needs being satisfied and the expectation of delight needs being fulfilled weren't high.

Thus, Ginger needn't divert large resources at satisfying their customer delight need as there is no demand for that yet. The customer's value perception, that we calculated, lets us assess how satisfied the customer is with the services being provided at Ginger Hotels. In a competition-driven

pricing method it's mandatory to establish the value perception your customers have of the services you provide, in order to maintain your market share. The research findings and analysis from this report can be used by Ginger Hotels in order to spot their shortcomings with regard to their customer's needs and wants.

The study can further be extrapolated to any new entrants in the same segment.

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INTRODUCTION Objectives: 1. Identifying some common pricing strategies employed in the hospitality sector in the global and Indian context for middle income groups.

Underline any strategies prevalent globally but yet to appear in the Indian context.

2. Effect of pricing strategy on customer satisfaction – perceived value.
3. Comparison of pricing strategy between two hotels and its effect on market share.

Justification: The Indian low cost hospitality segment is expected to grow by 50% in the next four years. 1 Bearing this in mind, as well as the plans of some global brands to foray into the Indian market, this study is aimed at providing a firsthand look into the current and prospective pricing strategies of this segment. Pricing and brand recall are two factors that affect customer choice.

Ginger being a TATA enterprise has a good reputation and customer acceptance. Having started its first hotel in the year 2004, it has already gained a foothold in the market thus becoming a strong candidate for our research on pricing strategy and its effect on the market share. Significance:

1. It could help incoming brands formulate a strategy 2. It could also help Ginger tweak the ineffectiveness if any to prevent the loss of market share.

3. From an academic point of view, it will aid in better understanding of the Marketing Mix for a firm and in innovations in the Market Strategies to gain better control of the market. . Research Implication: Insight into pricing

strategy of Ginger; its foray into Indian Market and effectiveness of the same. Ginger Hotels – Company Introduction: Ginger Hotels: A Tata

Enterprise The chain of Ginger hotels is operated by Roots Corporation

Limited which is a subsidiary of the Indian Hotels Company Limited (IHCL). 2 Launched initially as IndiOne in Bangalore (2004), Ginger Hotels were the

first of its kind of NextGen hotels to use the SmartBasics concept. 3 They endeavour to provide the class, comfort, style and warmth that a customer

wants along with the luxury of affordability.

Essentially the philosophy of SmartBasics is to think of ‘ intelligent’ facilities and services at ‘ value’ pricing. It was reported that the turnover of the

Ginger Hotel in Bangalore for 2005 was INR 3 crore while the estimated budget for a hotel was about INR 10 crore. 4 The hotels were to employ

skeletal staff; services such as facility management, maintenance, and food and beverage services to be outsourced. The then Managing Director of IHCL

also said that a Ginger Hotel will opened in different cities every six weeks on an average. SWOT analysis: Strengths: . Strong brand presence. 2. Low

operating cost, because all ginger properties use the same building structures/utilities saving up on bulk deals. Also, the operating staff is minimal. 3. Scale/ Presence. Present in almost all tier 1 cities and quite a few tier 2 cities. 4. Not much market competition within the same range of hotels. 5. Consistency of products and services. 5 Weaknesses: 1. Facilities are minimal compared to other similarly priced unbranded hotels. 2. Restaurant menu is limited and food is not generally appreciated. Opportunities: 1.

Hospitality sector growing rapidly in India. 2. Demand supply mismatch (more demand, hotels are usually all booked) 3. Loyalty programme with companies where a special fixed percentage discount is offered for all employees staying at Ginger. 4. Business travellers growing in number in India due to growing economy. 5. Less competition in the branded budget sector 6. Availability of several new markets for expansion. 5 Threats: 1. Entry of foreign players in the market (InterContinental Hotels Group is working on setting up 19 Holiday Inn Express Hotels in India.

Three of which are launched 6 ). 2. Government policies/ taxes( extra 5% tax on hotel rooms above Rs. 1000 in this year's budget) LITERATURE REVIEW Hoteliers frequently find themselves unable to maximize hotel profits via cost control in real world situations. They have to spend more time on price decision making (Kim et al. , 2004). Various pricing techniques have been illustrated in the past including cost based pricing, competition based pricing and customer driven pricing. 1.

Cost-based pricing: A financially driven approach to pricing in which products are priced to yield an equitable profit above and beyond all costs associated with the production of the product. Cost based pricing can lead to over/under-pricing problems (Collins and Parsa, 2006). 2. Customer-driven pricing: A market-driven approach to pricing in which prices are determined by the amount that customers are willing to pay for the product. Customer-driven may be crippled by consumer's unwillingness to reveal their reservation price (Danziger et al. , 2006). 3.

Competition-driven pricing: A market-driven approach to pricing in which price sare determined by the pricing level at which a targeted market-share level is attained by the firm. Competition driven pricing may be flawed in the assumption that competitors know the value customers place on offerings (Danziger et al. , 2006). This study tries to look at one of the few branded hotels, Ginger (Tata) in India and explore what all pricing strategies it may have employed. It also aims to explore the value for money as experienced by customers of Ginger as well as to ascertain what key services make up for a satisfying experience in a budget hotel.

Needs can be divided into five core types (Marketing Planning, Philip Kotler) – (1) stated needs, (2) real needs, (3) unstated needs, (4) delight needs, and (5) secret needs. Satisfying a combination of these needs brings value perception to customers. With this study we intend to find out, to what extent pricing strategy affects value perception and provide a loose set of services that new entrants (of the sector) should bear in mind when formulating a pricing strategy for the budget segment.

An effective pricing strategy that enhances the perception of value is the price-endings strategy. Many researchers have hypothesized that price endings may be utilized by retailers to communicate whether a product is low-priced (Dodds and Monroe, 1985; Berman and Evans, 1986; Kotler, 1991, Nagle and Holden, 1995) or to communicate about the quality of a product (Alpert, 1971; Whalen, 1980; Bolen, 1982; Bagwell and Riordan, 1991).

Studies suggest that hotels across the globe (esp.

USA) tend to use whole dollar amounts to convey quality while they use prices ending in 95/99 cents to communicate value for money to consumers.

In essence, full service up-market hotels tend to use whole dollar pricing while limited-service, economy hotels tend to prefer a pricing strategy of using dollars followed by cents, prices that end with cents such as “ 0. 95; 0. 99” (Pricing strategies to maximize revenues in the lodging industry, Michael Collins, H. G. Parsa – Hospitality Management 25, 2006).

This strategy may be extended to Indian context by using prices ending in Rs. 95 or Rs. 99. Yield Management procedures are often employed by large hotel chains to determine pricing. These are defined as procedures that attempt to maximize profits by using information about buying behaviour and sales to formulate pricing and inventory controls according to Darren Lee-Ross & Nick Johns, Yield management in hospitality SMEs, International Journal of Contemporary Hospitality Management, 9/2 [1997].

A variety of Yield Management softwares are also available that are frequently used by global hotel chains. A range of yield management methods can be employed such as discounting, repositioning, segmentation,



packaging and overbooking depending on demand forecast (Anthony Ingold, Ian Yeoman, Una McMahon-Beattie, 2000, Yield management). Also, as online bookings increase across India, it would make sense for hotel chains like Ginger to focus more on their online reservation systems.

The use of yield management in the context of a central reservation system in a global hotel group has been discussed by Jean-Francois Sanchez and Ahmet Satir, Hotel yield management using different reservation modes, *International Journal of Contemporary Hospitality Management*, Vol. 17 No. 2, 2005. There was strong evidence that the online mode facilitated a higher RR (revenue per available room). Research also suggests that considering weekdays, when customers are prevalently business people, the lowest prices seem to appear in the period immediately preceding the hotel stay.

Instead, on a weekend, when the number of leisure customers is predominant, prices tend to increase when approaching the check-in date. In particular, both in the mid-week and in the weekend date, last minute booking is characterized by a higher price differential between high star and low star hotels (Abrate G. et al. , 2011). Furthermore, a variable approximating demand shocks at the city level was created and proved to significantly affect hotelier pricing dynamics. As expected, the price tends to increase when there is a scarcity of hotels available to book in a certain area.

This suggests strategic behaviour, with hotels adapting optimal prices according to competitor room availability. Also, pricing is affected by the number of hotel rooms available with scarcity of rooms demanding higher price (Gallego and Ryzin, 1994; Badinelli, 2000). Thus, it is found that a large

number of hotels employ dynamic pricing of which the composition of the clientele is the main driver. Customer profiles provide a valuable source of information to develop strategies. Corporate travellers could be offered a higher discount than leisure travellers (Stephan et al. , 2009).

A flat decrease in rates has the risk of diluting the perceived value and quality of upscale hotels. Hence, techniques like early bird discounts are a better option (Stephan et al. , 2009). Also, high star ratings are a quality signal supporting dynamic pricing and prices increase when fewer hotels with a similar star rating has availability (Abrate G. et al. , 2011; Bull, 1994; Israeli, 2002; Wu, 1999). Martinez-de-Albeniz and Talluri (2011) demonstrate that hotels with few rooms tend to sell their rooms more frequently at a discounted price, whereas large hotels are less likely to sell all their rooms, but tend to charge the full price.

Nagle and Holden (1995) contend that a more profitable approach to pricing is value-based pricing. With value-based pricing, the pricing approach is reversed from cost-based pricing. Rather than starting with a product and then determining what price should be charged for the product, value-based pricing is initiated before investments are made. Thus, value perception attached to a service may itself be used as a pricing strategy. Perceived value pricing models work on the idea that more than the hotelier's cost it should be the customer's perception of the value of service that should drive the price.

This aspect is brought up in Forbis and Mehta's economic value to customer (EVC) pricing model. However, this model works on the startup, total life-

cycle and post-purchase costs and faces criticism of not necessarily representing the buyer's perception (Gaining sustainable competitive advantage through strategic pricing: selecting a perceived value price, Kenneth N. Thompson and Barbara J. Coe- Pricing strategy and Practice, Vol. 5, Issue 2, 1997). A stochastic EVA model to estimate prices that may yield minimum/maximum desired margins is also presented in the above citation.

However, value based pricing techniques are hard to implement and implementation becomes only more complex when taking into account cancellations, no shows etc due to advance bookings. Thus, a regression based approach would be easier to follow. Studies by Israeli (2002) and Bull (1994) indicate that star rating and corporate affiliations are consistent and suitable price indicators. Also, room rates increase for motels with restaurant (or gym, spa, parking) facility.

Hotel age and staff size also affect room rates (Pricing determinants in the hotel industry: Quantile regression analysis, Wei-Ting Hung, Jui-Kou Shang, Fei-Ching Wang – Intl. Journal of Hospitality Mgmt. ). Further, buyers are predisposed to perceive quality and value with brands they have had a prior reinforcing experience with (Herbig P. et al. 1997). High-quality performance on one product can often be transferred to another product via the brand name (Moorthy, 1985) Also, for branded hotels, it is important to build brand relationships or customer loyalty which is frequently quantified by the figure, “ lifetime value”.

This is simply the amount that a consumer would spend in a lifetime with the company minus the costs that the company would incur for production and

providing services to the customer. (Stowe Shoemaker, Robert C. Lewis, 1999, Customer loyalty: The future of hospitality marketing, International Journal of Hospitality Management, Vol. 18) explains how loyalty can be managed through the loyalty triangle. The three legs of the triangle are defined as process, value creation and communication. All these variables together can be used to price hotel room rates using regression techniques as illustrated in the paper cited.

Later, in this study we would use stated (by customers) prices (for services) to estimate value perception for certain services that have been shown to affect prices (determined by regression techniques). Methodology 1. Online Survey: An online survey was conducted to gauge customer perception of value. Also asked about, were the questions related to various services (variables) that affect customer satisfaction as well as questions to ascertain how much significance the customer attributes to these services.

The customers were also asked about whether they would be willing to pay extra for certain value add services and if so, then how much. All these questions were asked to gauge the general perceived value of add on services. Relevant questions to segment the target population were also asked. 2. Internet Research: Research on internet was done to find out any pricing patterns conspicuously visible in Ginger Hotel's tariffs as well as to have a better awareness of market conditions and tariff rates being followed by other branded/non-branded hotels.

All this would help us in attaining our first objective of broadly identifying various pricing techniques being employed by Ginger and the Indian

hospitality sector (in the budget segment) in general. This would also help us know the facilities provided by Ginger and online booking process. 3. Ginger Visits: Visits to Ginger were carried out to find the value added services provided by Ginger to its customers. This would help us in figuring out the importance of the lack / presence of the various value added services in the eyes of the customer.

This would also enable us to find the menu available and the flexibility offered in it through the day and on different days. 4. Interaction with Managers: The managers of a few Ginger hotels were contacted through telephones and personal visits to find out about any corporate or bulk offers available. HYPOTHESIS The following are the hypotheses that we have hypothesized with respect to Ginger Hotels. The null hypotheses have been stated below: H1: Customers rank real needs higher than delight needs. In case of a hotel, the real needs of the customer include a hotel which does not eat sharply into his//her pocket i. . it is well inside the limit of the customer's expenditure limit. The delight needs in the hospitality industry include offer of value added services like Bell boy, porter, personal bar/fridge available within the hotel room. Our aim through this research is to prove that customers of low budget hotels like Ginger value their real needs much higher than the delight needs. As a result, even if the delight needs are not being met by Ginger, it does not prevent them from being regular customers of Ginger's service as their real needs of in-budget boarding and lodging are met beyond their expectations.

H2: Loyalty programs, seasonal discounts and group-on discount strategies employed by Ginger Hotel's are the key sales driver. The common forces

which drive sales and attract customers within the hospitality industry are usually the television commercials and newspaper advertisements used by the industry player, their participation in trade shows and similar activities. We hypothesize that as Ginger is a low-cost, smart-basics player, which doesn't invest substantially on commercial promotions, the key sales driving force are the price based promotional offers provided by them.

For instance their customer loyalty programs, the seasonal discounts they offer and their tie-ups with group-on discount websites. H3: The value added services being offered by Ginger fall short of customer expectations.

Customer satisfaction is directly linked to high quality service. Small staff size decreases Ginger's operating cost (Pricing determinants in the hotel industry: Quantile regression analysis, Wei-Ting Hung, Jui-Kou Shang, Fei-Ching Wang – Intl. Journal of Hospitality Mgmt. , 2010) thus allowing it to slash prices.

However, absence of certain basic services such as bell boy/porter and twenty-four hrs' room service owing to small staff size is bound to leave the customer dissatisfied. DATA COLLECTION AND ANALYSIS Primary Survey: This phase required us to segregate needs into its five core types (Marketing Planning, Philip Kotler) – (1) stated needs (2) real needs (3) unstated needs (4) delight needs (5) secret needs The following were identified under different categories. Stated Needs| Economical per night tariffs|

Real Needs| Personal trip: Not only tariffs but overall expenses of stay should be economical. This includes costs of other necessities such as meal charges, taxes, service charges. Availability of seasonal discount/loyalty

program. Business trip: A customer on official trip is being sponsored by the company. In such a scenario company is the actual customer and real need for the company becomes long term cost effectiveness, possibility of discounts on account of corporate tie-up. | Unstated Needs| Personal: Comfortable experience

Business: Apart from satisfactory experience for employee, an unstated need may be (on occasions) availability of meeting rooms/conference halls and restaurant. | Delight Needs| \* Complementary drink/meal \* Excellent food \* Bell Boy/Porter \* Round the clock room service \* Laundry ; Ironing Service (pref. door pick up) \* Personal Bar/Fridge \* Wi-Fi access \* Valet \* Gymnasium \* Spa| Secret Needs| Personal: Rise in status in the eyes of near and dear ones. Business: (1) Good/lasting impression on client that may aid in seeing the deal through. 2) A proud/impressed employee so he may view the business trips as an added incentive of the job. | Bearing in mind the above categorizations, questions were asked of customers, in the online survey and personal visits (to Ginger), regarding their satisfaction level / value for money and their expectations in terms of value add services (delight needs) from Ginger or other similar economy hotels. Customers were also asked to rate the importance of these services as well as their satisfaction level with these services at Ginger, and whether they would be willing to revisit Ginger.

A product of the two (rating of importance, 1 to 4, and satisfaction 1 to 5 converted to dissatisfaction 0-4) would help us calculate a “ felt deficit” that may discourage customers from revisiting the hotel despite a possible fulfilment of real needs, thus firmly establishing whether or not importance of delight needs may overpower importance of real needs for an economy

customer.....

. Felt Deficit,  $FD = IR * DR$  Where- IR: Importance Rating DR: Dissatisfaction Rating (5 – Satisfaction rating)

This would also lend support to the hypothesis that value add services fall short of customer expectations in economy segment. Customers were also questioned whether they would be willing to pay a little extra to personalize their packages to enrol for certain value add services that may be overly important to them as well as the amount that they would be willing to shell out. This would help us prove/disprove the hypothesis that customers indeed are willing to pay extra for such services, if required. Value perception may also be calculated by using the service importance rating and stated prices.

$VP = VS * (1 + IR/20)$  Where VP: Perceived value; VS: Stated Value; IR:

Importance rating This hypothesis was arrived at keeping in mind that customer may always under-quote the price of a service he needs (Danziger et al. , 2006). The acceptability of the above formula was tested by a follow up survey where customers were questioned whether they would be willing to pay VP (Calculated Perceived Value) for any service that had previously been rated IR in importance and had a previously stated price, VS. Customer response analysis: Table 1: Customers preferring customization of services| 95 %|

Customers willing to pay extra for value add services| 75 % (Definitely)15% (Maybe)| Average experienced Value for Money at Ginger| 1. 8 / 2. 0|

Average Importance of Value Add (Delight) Services (IR)| 3. 3 / 4. 0| Average Dissatisfaction with Value Add Services (DR) at Ginger| 2. 17 / 5. 0| Average



Felt Deficit at Ginger| 7. 7 /16 (Not equal to IR\* DR as DR was available only for those who visited Ginger)| Table 2: Service Name| Average Stated Value, VS (Rs. /night)| Average Perceived Value, VP (Rs. /night)| Laundry| 50| 57. 75 | Bell Boy/Porter| 52. 5| 60. 75| Valet| 63| 72. 75| Room Service| 82. 5| 95. 75|

WiFi| Respondents felt Wi-Fi should be a free service if present| | Primary and Secondary Surveys: Research (using Internet and by speaking with managers) was carried out to find any patterns with regards to the following pricing strategies that may be being followed by Ginger and other economy hotels: 1. Price ending strategy (tariffs ending in Rs. 95 or Rs. 99) 2. Seasonal discounts 3. Peak/discounts in weekend rates 4. Brand encashment (whether Ginger may be overcharging with respect to avg. tariffs of other identified economy hotels offering a similar set and quality of services – gym, restaurant) 5.

Customer driven pricing (whether costs of value add services, similar to those established by our survey, were being added to packages before being offered by hotels) 6. Value based pricing (whether perceived value of value add services similar to those estimated by our calculations were being added to packages before being offered by hotels) 7. Loyalty programs and corporate discounts. The second source of data was the Ginger Hotel personnel. They were interviewed to gather information about the pricing strategy which is currently employed. The standard room rates are as follows:

Room Type| Rates (in Rs)| Single| 3499| Double| 3999| Twin Type| 3999|

These rates are exclusive of a 5. 15% luxury tax. They are also rack rates and are the same irrespective of the city in which the hotel is situated.

Special offers are offered by Ginger Hotels through the year in the form of seasonal packages (eg: Monsoon Package), Weekend Offers, Early Booking Offer, Daily Use Rates. These could vary based on the city in which the hotel is located. Ginger also has an additional feature of presenting the customer with the best available rate (BAR) for hotel rooms.

These reduced rates go down to values as low as Rs. 999. Other offers, such as Tata Card offer, where in these card holders get an additional 10% discount over n above the BAR is also present at Ginger. On a similar line, Ginger and a prominent credit card company had a tie-up, offering 1 in every 5 stays at Ginger free for members using that particular credit card.

Recently, SoSasta. com (Groupon India) started offering Ginger hotel rooms as one of their daily discount offers, making Ginger hotel rooms available at rates 70% less than their standard rates.

Ginger also has tie-ups with airlines like Qatar airways, and railways like the Royal Indian railway to provide rooms as part of the travel and transport packages these travel companies provide. Additional standalone facilities, such as an in-house restaurant, a bar (Zero Hour in Pondicherry and Jamshedpur), a coffee shop (Cafe Coffee Day in Bangalore, Goa, Nashik etc. ) are also available. Unlike most other hotels though where F; B constitutes 30% of the revenues, at Ginger the pricing is modeled such that this constitutes for only 15% of the revenues.

Results Our research involving analysis of tariff rates of Ginger and other economy hotels shows that even though Ginger follows a price-ending strategy, most of the other economy hotels in India do not. This, possibly, leads to a sense of higher value for money as visible in our analysis (Average experienced Value for Money at Ginger = 1.8/2.0). Ginger also follows weekend discount rates but so do other economy hotels and this strategy, does not seem to affect customers' experienced value for money.

It is our view that customer may be of the opinion that such discounts exist at already higher prices and do not necessarily offer better value to the customer. This opinion, however, has not been proven by our research and would require a separate research to be conducted. Offering loyalty programs and corporate discounts is also a strategy followed regularly by Ginger but has not been visible in a majority of other economy segment of hotels. Hypothesis 1: Through the data analysis and surveys it was found that customers indeed seem satisfied with the services that satisfy real needs.

However they also place importance on delight needs and feel that some value added services are missing and should be provided. They also seem to be ready to pay a little extra for such services. The survey also estimates what services the customers expect to be provided and also how much they are willing to pay for it. It was found that customers expect Laundry, Wi-Fi, Bell Boy, Room Service, Fridge, TV etc. Some of these services are already being provided at existing Ginger Hotels. Laundry services are being outsourced by Ginger to a third party and customers are already paying extra for this.

Also, Wi-Fi, Gymnasium and TV are provided for free at all locations. Some services like meeting rooms and personal lockers are also available which were not considered in the surveys. Restaurant is also outsourced to outside caterers and customers pay extra for breakfast and other meals. Valet/ Van Services are also available. Ginger is also working to open bars in some of its locations which is again outsourced to outside caterers. Hence, it seems that the need to provide more value added services is being recognized and worked upon by Ginger Hotels.

Room service is missing and seems to be a key service that is desired by customers and they are willing to pay extra for it. They are also willing to pay extra for services like bell boy. Hypothesis 2: Based on our primary and secondary survey we did not reject our Hypothesis two (H2- We concluded that only 15 percent of our respondents had heard about Ginger Hotels through conventional commercial channels like newspaper and television advertisements. Thus helping us ascertain that the techniques employed by the other players in the Indian hospitality sector were not effective when it came to Ginger hotels.

Ginger hotels had introduced a television advertisement campaign in 2003-'04 to introduce the brand and trigger the initial sales, but, since has faded this technique out. They also advertise in newspapers dailies occasionally though this method too does not prove to be highly effective. Hence, the strategy employed by Ginger Hotels to stay away from large investments in traditional modes of commercial promotions worked in their favour, with most of their customers being brought in through their alternate methods of propaganda.

This analysis helps us establish that the conventional key sales drivers of the hospitality industry are not the sales driver with respect to Ginger hotels. We then went on the study what the key sales driver were in their case. Since most customers had chosen to stay at Ginger hotels due to their customer loyalty programs and the various other discount schemes, it can be established that these were infact the forces driving the customers to stay at Ginger Hotels. It can be thus said that Ginger Hotels being a economy range hotel has the key attracting factor as the economical prices offered.

To sum it up, the discounted rates offered in the form of promotional pricing strategies are the key driver of sales. Hypothesis 3: Hypothesis three (H3) has neither been proven nor disproven by the research. That, the value-add services fall short of customer's expectations would be a dubious call since the average dissatisfaction with Value Add Services (DR) at Ginger was calculated at 2. 25/5. 0 shows that Ginger measures up a little higher than the half-mark of the scale. Thus, the customer is more satisfied than dissatisfied with value add services.

However, the scales could tip soon. We believe that this higher level of satisfaction may again have been affected by the perceived value for money being imparted by price ending strategy. When looking at the average felt deficit, the scale showed a low 7. 7/16 even though the importance of value-add services, IR was rated high (3. 1/4. 0). This disproves our hypothesis that the economy segment customer satisfaction is as affected by delight needs (value-add services) as his stated or real needs. Thus the economy segment customer ranks stated/real needs much higher than his delight needs.

Our survey also tried to find out if customers would be willing to customize their survey package. All our responses favoured this strategy. The idea of customization was that over a basic set of services, the customer may be allowed to buy services/night at will. He would be allowed to pay for the services he chooses and not for the ones he may not require. Although, such a strategy may not fit entirely with Ginger's strategy of a generalized set of services across all Ginger branches to reduce costs, the customer's response seems to prove the popularity of such a strategy.

Almost 75% of the customers were absolutely sure of wanting to pay extra for certain value-add services that they would want at their Ginger. Another 15% had doubts about whether they'd like to pay extra or not but only 10% displayed a clear negative response to a customization strategy. Looking at the response we tried to gauge the price that the customers would be willing to pay for various such value-add services. These stated prices for each service were incremented by a percentage value calculated using the average importance rating calculated using the first survey.

This incremented value was then proposed to the customer in a second survey where he was questioned on his willingness to subscribe to these services at the new incremented value. Most of the responses were in affirmative. This affirmative response has been used to quote the average perceived value of different services in the last table of the analysis section. However, this second survey to confirm the perceived value was not as conclusive as expected. Thus another survey may be required to be absolutely sure of the perceived value of a service.

This perceived value may also vary with factors such as age, income group, star-rating of the hotel etc. Thus any hotel wanting to employ this strategy even within the economy segment may have to have another survey done to accurately gauge the perceived value of these services. However, whatever be the perceived value, the results – that the customer would be willing to pay extra for such services, have been conclusive. This flexibility with customization of services may go a long way in reducing the felt deficit of the customer as well as increase revenues of the hotel.

These results may prove to be extremely useful for hotels wanting to pursue a customer-driven pricing strategy. CONCLUSION 1. Dynamic Pricing: Ginger employed static pricing for a few years after its launch. All single rooms were priced at Rs. 999 at all locations, at all times during the year. However it eventually had to move to dynamic pricing like all other hotel chains to cut losses. Various discounts are now being offered to increase occupancy. Some of these are : 1. Early booking discounts 2. Season packages 3. Group discounts 4. Special last minute rates 5. Weekend discounts

Also, Ginger has loyalty programs with some companies and provides an extra discount on the base price of rooms all year long. These strategies are very common in the hospitality industry and Ginger is doing well to employ these. 2. Price Ending Strategy: Ginger follows a price-ending strategy, while most of the other economy hotels in India do not. This, possibly, leads to a sense of higher value for money as visible in our analysis (Average experienced Value for Money at Ginger = 1.8/2.0). 3. Effectiveness: Most costumers feel that they get value for money when they stay at Ginger.

This proves the effectiveness of the pricing strategy employed. Dynamic pricing helps keep the occupancy rates high. The price efficiency is achieved by cutting on staff strength. Also, Ginger has recently started renting/leasing properties instead of buying them which further reduces costs. Although customers seem satisfied with the prices and the services offered, there seems to be a certain level of dissatisfaction and they seem willing to spend more if more value added services are made available. Economy segment customer prefers lower tariffs to value add services.

Economy segment customer ranks his real needs higher than delight needs (value add services). Even though the customer is only moderately satisfied with Ginger's value add services, he is convinced that he is receiving value for money. Customers are mostly in favour of customization and willing to pay extra for such value-add services. New entrants and even Ginger could take note of this and provide the customer with this flexibility, thus increasing customer satisfaction levels and its own revenues. LIMITATIONS OF OUR RESEARCH 1.

We have tried to quantify the perceived value of customer of certain value added services but still the quantification is difficult as the answers to the related questions are generally qualitative. 2. Sample size for the survey was required to be large to get a better picture but we could not find many people fitting or satisfying the pre-requisites for answering our survey due to difficulty in availability of the same. 3. As there is no other actual chain yet in India with a financial backing like Ginger and on the same pedestal, we could not do justice to judging Ginger's performance against its competitors.



Some other chains like Holiday Inn Express are in the pipeline towards setting up chain of economic hotels and Ginger's performance could be better judged then. IMPLICATION OF OUR RESEARCH 1. New entrants in the economic hospitality sector need to have a strong financial backing to offer such rates as of Ginger and direct customers towards them. This is because Ginger enjoys kind of a monopoly in a branded economic hotel segment. 2. Other entrants would require innovation to reduce costs in order to compete with the prevailing Ginger prices. 3.

Brand name is an important factor in attracting customers and attaining customer loyalty. 4. Ginger offers differentiation from other hotels in the same economic segment with the better quality it offers than them atleast. 5. Cutting down on value added services and staff is an effective way to reduce prices although it can sometimes have a negative impact on customer perception. Bibliography 1. Abrate, G. et al. , Dynamic pricing strategies: Evidence from European hotels. Intl. J. Hospitality Management (2011), doi: 10. 1016/j. ijhm. 2011. 06. 003 2. Abrate, G. Capriello, A. , Fraquelli, G. , 2011. When quality signals talk: evidence from the Turin hotel industry. Tourism Management 32, 912–921. 3. Alpert, M. I. , 1971. Pricing Decisions. Scott, Foresman and Company, Glenview, IL. 4. Anthony Ingold, Ian Yeoman, Una McMahon-Beattie, 2000, Yield management. 5. Bagwell, K. , Riordan, M. H. , 1991. High and declining prices signal product quality. American Economic Review 81 (1), 224–239. 6. Badinelli, R. , 2000. An optimal, dynamic policy for hotel yield management. Euro-pean Journal of Operational Research 121, 476–503. . Barbara J. Coe, 1997, Gaining sustainable competitive advantage through strategic pricing: selecting a

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